X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 2023 AND 2022

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

X1 ENTERTAINMENT GROUP INC.
(formerly X1 Esports and Entertainment Ltd.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)
AS AT

	February 28, 2023	August 31, 2022
ASSETS		
Current		
Cash	$ 79,083	$ 1,624,231
Accounts receivable	108,757	274,233
Prepaid expenses	138,805	517,051
	326,645	2,415,515
Deferred acquisition costs	-	4,540
Intangible assets (Note 6)	48,412	322,226
Goodwill (Note 7)	-	281,014
	$ 375,057	$ 3,023,295
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 12)	$ 370,698	$ 478,463
Loan payable (Note 8)	35,000	36,180
Acquisition consideration (Note 9)	-	193,836
	405,698	708,479
Acquisition consideration (Note 9)	-	30,418
Deferred tax liability (Note 3)	-	32,791
	405,698	771,688
Shareholders' equity (deficiency)		
Share capital (Note 11)	6,962,999	6,962,999
Reserves (Note 11)	1,284,121	384,397
Accumulated other comprehensive loss	(27,869)	(16,646)
Deficit	(8,249,892)	(5,079,143)
	(30,641)	2,251,607
	$ 375,057	$ 3,023,295

Going concern (Note 1)
Subsequent events (Note 16)

Approved and authorized by the Board on April 28, 2023.

"Latika Prasad" Director *"Adam Giddens"* Director

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

X1 ENTERTAINMENT GROUP INC.
(formerly X1 Esports and Entertainment Ltd.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three months ended, February 28, 2023	Three months ended, February 28, 2022	Six months ended, February 28, 2023	Six months ended, February 28, 2022
REVENUE (Note 10)	$ 88,817	$ 122,238	$ 307,701	$ 204,361
EXPENSES				
Advertising and promotion	-	157	18,556	2,776
Amortization (Note 6)	-	-	14,312	-
Bad debt expense	18,828	-	32,977	-
Business development	75,000	-	140,000	-
Consulting (Note 12)	163,581	130,778	364,301	188,401
Directors' fees (Note 12)	15,000	-	15,000	-
Esports player, team and game expenses	67,936	396,955	159,409	823,162
Foreign exchange	1,132	4,168	7,882	11,786
Insurance	27,100	-	54,200	-
Investor relations	33,710	-	134,840	-
Listing fee	7,821	-	15,642	-
Office and miscellaneous	68,795	72,136	190,978	139,236
Professional fees	47,056	53,686	100,459	148,034
Rent	-	-	-	2,569
Salaries and wages (Note 12)	265,798	99,977	572,563	189,907
Share-based compensation (Notes 11 and 12)	448,398	-	899,724	-
Shareholder communications and filing fees	14,858	20,919	31,298	26,090
Technology marketing and web development	93,058	16,954	210,682	52,366
Transfer agent	3,362	-	6,534	-
Loss from operations	(1,262,616)	(673,492)	(2,661,656)	(1,379,966)
Consideration payable recovery (Note 4)	60,366	-	60,366	-
Impairment of domain name (Note 4)	(230,877)	-	(230,877)	-
Impairment of goodwill (Note 7)	-	-	(281,014)	-
Impairment of intangibles (Note 6)	-	-	(90,359)	-
Tax recovery (Note 3)	-	-	32,791	-
Net loss for the period	(1,433,127)	(673,492)	(3,170,749)	(1,379,966)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign exchange income (loss) on translating foreign operations	(4,977)	39	(11,223)	2,290
Comprehensive loss for the period	$ (1,438,104)	$ (673,453)	$ (3,181,972)	$ (1,377,676)
Basic and diluted loss per common share	$ (0.03)	$ (0.02)	$ (0.07)	$ (0.04)
Weighted average number of common shares outstanding	47,577,491	39,707,116	47,577,491	39,250,665

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

X1 ENTERTAINMENT GROUP INC.
(formerly X1 Esports and Entertainment Ltd.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED FEBRUARY 28,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (3,170,749)	$ (1,379,966)
Non-cash items:		
Amortization	14,312	-
Consideration payable recovery	(60,366)	-
Impairment of domain name	230,877	-
Impairment of goodwill	281,014	-
Impairment of intangibles	90,359	-
Share-based payments	899,724	-
Tax recovery	(32,791)	-
Changes in non-cash working capital items:		
Accounts receivable	173,665	(12,590)
Prepaid expenses	378,474	2,854
Accounts payable and accrued liabilities	(122,336)	(15,962)
	(1,317,817)	(1,405,664)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Tyrus, LLC	(131,110)	-
Acquisition of ShiftRLE	(32,777)	-
Acquisition of Octane	(57,194)	-
	(221,081)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan funds	35,000	-
Loan repayment	(37,220)	-
Private placement	-	178,200
Share issuance costs	-	(1,555)
Deferred financing costs	-	(10,104)
	(2,220)	166,541
Effect of foreign exchange on cash	(4,030)	(398)
Change in cash for the period	(1,545,148)	(1,239,521)
Cash, beginning of period	1,624,231	1,910,019
Cash, end of period	$ 79,083	$ 670,498

In the six months ended February 28, 2023, the Company incurred deferred financing costs of $nil (2022 - $49,012) through accounts payable and accrued liabilities.

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

X1 ENTERTAINMENT GROUP INC.
(formerly X1 Esports and Entertainment Ltd.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited)
(Expressed in Canadian Dollars)

	Share Capital						
	Number	**Amount**	**Obligation to issue shares**	**Reserves**	**Accumulated Other Comprehensive Income (Loss)**	**Deficit**	**Total**
Balance, August 31, 2021	38,257,688	$ 3,681,055	$ 329,100	$ -	$ 8,088	$ (2,014,622)	$ 2,003,621
Private placement	1,449,428	507,300	(329,100)	-	-	-	178,200
Share issuance costs	-	(1,555)	-	-	-	-	(1,555)
Comprehensive loss for the period	-	-	-	-	2,290	(1,379,966)	(1,377,676)
Balance, February 28, 2022	39,707,116	4,186,800	-	-	10,378	(3,394,588)	802,590
Shares issued for acquisition of Tyrus, LLC	555,555	110,102	-	-	-	-	110,102
Shares issued for acquisition of ShiftRLE	333,333	65,997	-	-	-	-	65,997
Initial public offering	6,914,820	3,111,669	-	-	-	-	3,111,669
Share issuance costs	66,667	(511,569)	-	67,470	-	-	(444,099)
Share-based compensation	-	-	-	316,927	-	-	316,927
Comprehensive loss for the period	-	-	-	-	(27,024)	(1,684,555)	(1,711,579)
Balance, August 31, 2022	47,577,491	6,962,999	-	384,397	(16,646)	(5,079,143)	2,251,607
Share-based compensation	-	-	-	899,724	-	-	899,724
Comprehensive loss for the period	-	-	-	-	(11,223)	(3,170,749)	(3,181,972)
Balance, February 28, 2023	47,577,491	$ 6,962,999	$ -	$ 1,284,121	$ (27,869)	$ (8,249,892)	$ (30,641)

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

1. NATURE OF OPERTATIONS AND GOING CONCERN

X1 Entertainment Group Inc. (with its subsidiaries, collectively, the “Company” or “X1”) (formerly X1 Esports and Entertainment Ltd.) is a portfolio company that has targeted assets across gaming, esports, media, and entertainment industries. X1 was incorporated under the *Business Corporations Act* (British Columbia) on January 9, 2020. The Company completed a reverse takeover transaction on April 16, 2021, as further described below, and the continuing entity for accounting purposes was incorporated under the *Companies Act* (Malta) on September 16, 2020. The Company maintains its registered office at Royal Centre, 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company’s principal place of business is 615 – 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6.

On June 30 2022, the common shares of the Company commenced trading on the Canadian Securities Exchange under the symbol “XONE”. The Company is also listed on the OTCQX under the symbol “XOEEF”.

In the period ended February 28, 2023, 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 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.

On August 4, 2022, the Company completed the acquisition of the issued and outstanding membership interests of Tyrus, LLC (“Tyrus Acquisition”). The Tyrus Acquisition is accounted for in accordance with IFRS 3, *Business Combinations (“IFRS 3”)*, as the operations of Tyrus constitute a business (Note 3). The financial results of Tyrus have been consolidated since the acquisition date of August 4, 2022. On October 19, 2022, Tyrus was renamed to ‘X1 Talent Corp.’ Subsequent to February 28, 2023, the Company announced the wind-down of X1 Talent operations (Note 16).

On August 10, 2022, the Company completed the asset purchase agreement to acquire the assets of ShiftRLE (“Shift”). The assets of Shift did not constitute a business pursuant to IFRS 3 and have been accounted for as an asset acquisition (Note 4). On October 4, 2022, the Company completed the asset purchase agreement to acquire the assets of Octane.GG (“Octane”). The assets of Octane did not constitute a business pursuant to IFRS 3 and have been accounted for as an asset acquisition (Note 5). The assets of Octane were incorporated into the Shift platform after acquisition. Subsequent to February 28, 2023, the Company sold the assets of Shift (Note 4).

The Company is currently evaluating possible acquisitions.

Going Concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company reported a net loss for the six months ended February 28, 2023 of $3,170,749 and as of that date had an accumulated deficit of $8,249,892 and working capital deficiency of $79,053. The Company incurred negative cash flows from operations of $1,317,817 for the same period. 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. Accordingly, these condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of presentation

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

Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. The functional currency of the parent company is the Canadian dollar.

Subsidiary	Functional Currency	Jurisdiction
Forward Agency Ltd.	UK Pound Sterling	England and Wales
Mechanics Agency Ltd.	UK Pound Sterling	England and Wales
Rix.GG Europe Ltd.	Euro	Malta
X1 Talent Corp. (formerly Tyrus, LLC)	US dollar	United States

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

Use of judgments and estimates

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

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

2. BASIS OF PREPARATION (cont'd…)

Use of judgments and estimates (cont'd…)

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

- Going concern

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

- Business combinations

  Judgment is used in determining who is the acquiror and whether an acquisition is a business combination or an asset acquisition. The assessment required management to assess the relative ownership interests pursuant to the transaction and the inputs, processes and outputs of the entity or assets being acquired at the time of acquisition. Pursuant to the assessment, acquisition of Tyrus was considered to be a business acquisition (Note 3). The acquisitions of Shift and Octane were considered to be an asset acquisition (Notes 4 and 5).

- Functional currency determination

  The functional currency of the Company and its subsidiaries is the currency of their respective primary economic environment, and the Company reconsiders the functional currency if there is a change in events and conditions, which determined the primary economic environment.

- Income taxes

  At the end of each reporting period, the Company assesses whether the realization of deferred tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realized from available income tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available income tax strategies are lowered, or if changes in current income tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilize deferred tax benefits.

- Recoverability of trade receivables

  Determining the recoverability of trade receivables requires management to make assumptions about the historical patterns for probability of default, the timing of collection, customer-specific payment history, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

- Intangible assets and goodwill impairment testing

  Factors which could indicate impairment include: significant underperformance of an asset relative to historical or projected operating results, significant changes in the manner in which in asset is used, and significant negative industry or economic trends.

  The Company tests goodwill and indefinite lived intangible assets for impairment on an annual basis. The recoverable amount of the cash-generating unit ("CGU") is determined based on value-in-use calculations which require the use of assumptions. An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell or value-in-use. The calculations use cash flow projections based on financial budgets and estimate inputs approved by management covering a four-year period. Significant inputs include customer growth rates, pricing increases, and long-term inflation.

2. BASIS OF PREPARATION

Use of judgments and estimates (cont'd…)

- Identification and valuation of intangible assets acquired in business combinations

  In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, management develops the fair value using appropriate valuation techniques which are based on a forecast of the total expected future net cash flows. In determining the fair value of the intangible assets at the acquisition date, the Company's significant assumptions include the future net cash flows, attrition rates and the discount rate applied.

- Estimated useful lives of long-lived assets

  The Company estimates the useful lives of intangible assets based on estimates with respect to customer attrition rates.

- Recognition of revenue on a gross versus net basis

  Customer contracts are evaluated to determine whether the Company acts as the principal or agent under the specific terms of each arrangement. To the extent that the Company acts as the principal in an arrangement, revenues are reported on a gross basis; revenue and expenses are recognized in their respective financial statement line items. If the Company acts as the agent, revenues are reported on a net basis; revenues are presented net of any direct expenses to service the contract.

  Determination of principal or agent classification is based on an evaluation of whether the nature of the Company's promise is a performance obligation to provide specific goods or services to the customer (principal), or to arrange for those services to be provided to the customer by a third party (agent). The most significant factor for the Company's analysis is to consider whether the Company is primarily responsible for fulfilling the promise to provide the specified good or service.

- Share-based payments

  The fair value of non-cash compensation which may impact the value of assets acquired and goodwill in a business combination at acquisition dates or the fair value of employee share-based compensation is limited by the Black-Scholes option pricing model and fair value estimates that incorporate market data involving uncertainty in estimates used by management. The Black-Scholes option pricing model has subjective assumptions including the expected volatility of the Company's share price, expected exercise dates and forfeiture rates.

- Contingent consideration

  Estimates are made in determining the fair value of contingent consideration. Management exercises judgment in estimating the probability and timing of when future cash flows are expected to be achieved, which is used as the basis for estimating fair value. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss.

(Unaudited - Expressed in Canadian Dollars)
(Expressed in Canadian Dollars)

3. ACQUISITION OF TYRUS, LLC

On August 4, 2022, the Company announced the signing of a definitive acquisition agreement with Tyrus, LLC ("Tyrus"). Tyrus is an influencer management firm empowering gamers, content creators and influencers.

Pursuant to the terms of a membership interest purchase agreement (the "MIPA"), the Company acquired 100% of the issued and outstanding membership interest of Tyrus. The purchase price is comprised of the following:

i) US$150,000 in cash payments due within 60 days of closing (fully paid subsequent to year end);
ii) the issuance of 555,555 common shares of the Company ("Tyrus Shares") (issued); and
iii) a Bonus Payment of US$100,000, payable if Tyrus reaches net revenues of 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 Tyrus Shares are subject to contractual resale restrictions that result in 25% of the Tyrus Shares being released six months following the closing date and 25% being released at six month intervals thereafter. The value of the Tyrus Shares is estimated using an option model to estimate the discount related to the lack of marketability of the shares from the contractual restriction. The following assumptions were used in the option model: share price of $0.34, expected life of 1 to 2.5 years, expected volatility of 110%, risk free interest rate of 3.25% and a dividend yield of 0%.

The following table summarizes assets and liabilities acquired and consideration paid or payable under the MIPA:

Consideration:		
Cash	$	193,425
Fair value of 555,555 common shares issued (1)		110,102
Bonus Payment (2)		-
	$	303,527

(1) The fair value of the common shares issued were valued at $110,102 as determined by the market price when issued being $0.20 per share, less a discount for lack of marketability as described above.
(2) The fair value of the Bonus Payment is measured as the present value of the estimated payment relative to forecasted revenue anticipated to be received within the measurement period. The Bonus Payment will either be achieved pursuant to the revenue definition of the MIPA at a payment value of US$100,000 or will not be payable within a year of the acquisition. The Bonus Payment was estimated to have a fair value of $nil to be remeasured at each reporting date.

Fair value of identifiable net assets acquired:		
Cash	$	4,898
Accounts receivable		210,725
Customer relationships		109,302
Goodwill		281,014
Accounts payable and accrued liabilities		(203,747)
Pre-acquisition funding		(30,290)
Loan payable		(35,584)
Deferred tax liability		(32,791)
	$	303,527

Trade receivables have been recorded at fair value being the contractual amounts receivable less identified bad debts.

Goodwill represents intangible assets that cannot be measured directly such as the assembled workforce and is not expected to be deductible for tax purposes.

A pre-tax discount rate of 12% was used in the fair value assumptions for the customer relationships. Management used a combination of market values and cost-based measurements to estimate fair value for the customer relationships of $109,302 in accordance with Level 3 of the fair value hierarchy.

(Unaudited - Expressed in Canadian Dollars)
(Expressed in Canadian Dollars)

3. ACQUISITION OF TYRUS, LLC (cont'd…)

The Company reviewed significant estimates with respect to the recoverability of goodwill and the customer relationships intangible asset. As a result of the analysis, the Company identified certain key inputs which resulted in an impairment loss. Challenges in the operating environment of Tyrus persisted and culminated in the Company winding down operations of Tyrus subsequent to February 28, 2023.

4. ACQUISITION OF SHIFTRLE

On August 10, 2022, the Company completed an asset purchase agreement ("APA") to acquire the assets of Shift. Shift is an online news outlet focused on the popular video game Rocket League. Under the concentration test of IFRS 3, the transaction was determined to be an asset acquisition with substantially all of the fair value attributable to the domain name of Shift.

Pursuant to the APA, the Company acquired 100% of the assets comprising Shift and have the benefit of ongoing services by the key personnel of Shift for an aggregate price of:
(i) US$50,000 in cash payments, due within 45 days of closing (fully paid);
(ii) 333,333 common shares of the Company ("Shift Shares") (issued); 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, payable annually, 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 Shift Shares are subject to a contractual resale restriction that will result in 25% of the Shift Shares being released six months following the closing date, and 25% being released at six month intervals thereafter. The value of the Shift Shares is estimated using an option model to estimate the discount related to the lack of marketability of the shares from the contractual restriction. The following assumptions were used in the option model: share price of $0.34, expected life of 1 to 2.5 years, expected volatility of 110%, risk free interest rate of 3.18% and a dividend yield of 0%.

The following table summarizes the consideration paid and payable and asset acquired under the APA:

Consideration and intangible asset acquired:		
Cash (US$50,000 fully paid)	$	63,945
Fair value of 333,333 common shares [1]		65,997
Earnout payment [2]		58,885
Transaction costs		28,728
Value of Domain Name	$	217,555

[1] The fair value of the common shares issued were valued at $65,997 as determined by the market price when issued being $0.20 per share, less a discount for lack of marketability as described above.

[2] The fair value of the Earnout payment is measured as the present value of the estimated revenue share relative to forecasted revenue anticipated to be received within the earnout period. The Earnout is payable to a maximum of US$250,000 and has been measured at a present value of $58,885 to be remeasured at each reporting date.

The Company entered into an agreement to sell the assets of Shift, inclusive of Octane.gg (Note 5), in exchange for the vendors, and ongoing service providers, forgoing any termination payments in connection with their consulting agreements at a value of US$35,250 ($48,412). Consequently, the Company has recognized an impairment against domain name assets of $230,877 as at February 28, 2023.

(Unaudited - Expressed in Canadian Dollars)
(Expressed in Canadian Dollars)

5. ACQUISITION OF OCTANE.GG

On October 4, 2022, the Company completed an asset purchase agreement ("APA") to acquire the assets of Octane. Octane is an online statistical and news outlet focused on the popular video game Rocket League. Under the concentration test of IFRS 3, the transaction was determined to be an asset acquisition with substantially all of the fair value attributable to the domain name of Octane.

Pursuant to the APA, the Company acquired 100% of the assets comprising Octane and have the benefit of ongoing services by the key personnel of Shift for an aggregate price of:
(i) US$35,000 in cash payments, due within 45 days of closing (fully paid).

The following table summarizes the consideration paid and payable and asset acquired under the APA:

Consideration and intangible asset acquired:		
Cash (US$35,000 fully paid)	$	47,509
Transaction costs		14,225
Value of Domain Name	$	61,734

Subsequent to acquisition, the assets of Octane.GG were incorporated into the Shift platform to form one CGU.

6. INTANGIBLE ASSETS

	Domain Name	Customer Relationships	Total
Cost			
Balance, August 31, 2021	$ -	$ -	$ -
Acquisition (Notes 3 and 4)	217,555	109,302	326,857
Balance, August 31, 2022	217,555	109,302	326,857
Acquisition (Note 5)	61,734	-	61,734
Impairment (Notes 3, 4 and 5)	(230,877)	(109,302)	(340,179)
Balance, February 28, 2023	$ 48,412	$ -	$ 48,412
Accumulated amortization			
Balance, August 31, 2021	$ -	$ -	$ -
Amortization	-	4,631	4,631
Balance, August 31, 2022	-	4,631	4,631
Amortization	-	14,312	14,312
Impairment (Note 3)	-	(18,943)	(18,943)
Balance, February 28, 2023	$ -	$ -	$ -
Net book value			
Balance, August 31, 2022	$ 217,555	$ 104,671	$ 322,226
Balance, February 28, 2023	$ 48,412	$ -	$ 48,412

Subsequent to February 28, 2023, the Company determined indicators of impairment existed with respect to the customer relationships and domain name leading to a test of a recoverable amount, which resulted in an impairment expense of $109,302 and $230,877, respectively. A reduction in internal workforce resulting in lower capacity to service customer relationships reduced revenue forecasts.

(Unaudited - Expressed in Canadian Dollars)
(Expressed in Canadian Dollars)

7. GOODWILL

Goodwill		
Balance, August 31, 2021	$	-
Tyrus acquisition (Note 3)		281,014
Balance, August 31, 2022		281,014
Impairment (Note 3)		(281,014)
Balance, February 28, 2023	$	-

The Company performs an impairment test annually on August 31 each year or at each reporting date, if there is an indication of impairment. The recoverable amount of goodwill is determined based on the greater of the value in use and the fair value less costs to sell of the Company's cash generating unit. For the purposes of impairment testing, goodwill is allocated to the Company's cash-generating units which represent the lowest level within the Company at which goodwill is monitored for internal management purposes, which is not higher than the Company's operating segments.

Goodwill impairment testing is based on a value in use ("VIU") approach and is completed for the Tyrus CGU. The recoverable amount is determined by management's experience and future expectations of the business performance are used to make a best estimate of the expected revenue and cash flows for a four-year period. The revenue growth rate in that period is based upon management's current and long-term forecasts and is a key driver within the test. The recoverable amount was estimated using annual revenue growth rates averaging 5%. A discount rate was applied of 12%.

Other key assumptions in the analysis, include the discount and terminal growth rate. The discount rate applied in the model is a pre-tax rate that reflects the time value of money and risk associated with the business. The terminal growth rate of 5% is based on the long-term growth prospects of the business beyond a five-year term. The Company determined indicators of impairment existed with respect to goodwill leading to an impairment charge, which resulted in an impairment expense of $281,014. A reduction in internal workforce resulting in lower capacity to service customer relationships reduced revenue forecasts. Ongoing challenges in Tyrus persisted and culminated in the Company winding down operations of Tyrus subsequent to February 28, 2023.

8. LOAN PAYABLE

With the acquisition of Tyrus, the Company assumed a loan payable to a third party of $36,180 (US$27,595). The loan is non-interest bearing and matures on July 1, 2023. The loan was repaid during the six months ended February 28,2023.

During the six months period ended February 28, 2023, the Company received a loan from a third party of $35,000. The loan is non-interest bearing and due on demand.

(Unaudited - Expressed in Canadian Dollars)
(Expressed in Canadian Dollars)

9. ACQUISITION CONSIDERATION

The following details the balances of acquisition consideration payments due:

	February 28, 2023	August 31, 2022
Opening liability, beginning of period	$ 224,254	$ -
Payable (paid) pursuant to Tyrus acquisition	(131,110)	131,110
Payable (paid) pursuant to Shift acquisition	(32,778)	32,778
Fair value of Tyrus Bonus payment (1)	-	-
Fair value of Shift Earnout payment (2)	(60,366)	60,366
Balance, end of period	-	224,254
Less: Shift Earnout payable longer than one year	-	(30,418)
Current liability, end of period	$ -	$ 193,836

(1) The fair value of the Tyrus Bonus Payment is the present value of the estimated future revenue of Tyrus relative to a Bonus Payment Target.

(2) The fair value of the Earnout payment is the present value of the estimated revenue share relative to forecasted revenue anticipated to be earned within the earnout period. Subsequent to February 28, 2023, the Company entered into an agreement to sell the assets of Shift with curtails any possibility of future earnings and reduces the earn-out payment estimation to $Nil.

10. REVENUE

Revenue	Three months ended February 28, 2023	Three months ended February 28, 2022	Six months ended February 28, 2023	Six months ended February 28, 2022
Content revenue	$ 32,494	$ -	$ 71,856	$ -
Merchandise sales	-	-	-	4,482
Player transfer	-	30,302	-	47,764
Prize money	5,882	83,841	25,192	144,020
Royalties from in-game purchases	504	8,095	3,212	8,095
Talent fees	49,937	-	207,441	-
	$ 88,817	$ 122,238	$ 307,701	$ 204,361

During the six months ended February 28, 2023, the Company received $359,277 (2022 - $nil) in content revenue and remitted $287,421 (2022 - $nil) back to the talent.

11. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

Six months ended February 28, 2023.

There were no shares issued during the six months ended February 28, 2023.

Year ended August 31, 2022

On October 27, 2021, the Company completed a private placement of 1,449,428 common shares at a price of $0.35 per common share for gross proceeds of $507,300 of which $329,100 had been received as an obligation to issue shares in the period from September 16, 2020 to August 31, 2021. The Company incurred share issuance costs of $1,555.

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.

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 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. The Company incurred other share issuance costs of $303,245.

The agent's options were valued at $67,470 using the following Black-Scholes inputs: risk-free interest rate of 3.14%, volatility of 110% and expected life of 2 years. The expected volatility assumption is based on comparable public companies as the Company has limited trading history. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life.

On August 4, 2022, the Company issued 555,555 common shares in connection to the acquisition of Tyrus (Note 3). On August 10, 2022, the Company issued 333,333 common shares in connection to the acquisition of Shift (Note 4).

(Unaudited - Expressed in Canadian Dollars)
(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVE (cont'd…)

c) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, August 31, 2021	-	$	-
Issued	6,981,487		0.70
Balance outstanding, August 31, 2022 and February 28, 2023	6,981,487	$	0.70

Warrants outstanding as at August 31, 2022:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Warrants	6,981,487	6,981,487	$ 0.70	June 29, 2024
	6,981,487	6,981,487		

d) Stock options and share-based payments

The Company has a stock option plan under the policies of the CSE which will not exceed 10% of the issued common shares of the Company. The stock option exercise price under each stock option shall not be less than the market value of the Company's common shares on the date of grant.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, August 31, 2021	-	$	-
Granted	3,500,000		0.45
Issued	313,007		0.70
Balance, August 31, 2022	3,813,007		0.47
Granted	250,000		0.45
Balance outstanding, February 28, 2023	4,063,007	$	0.47

Stock options outstanding as at February 28, 2023:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Options	313,007	313,007	$ 0.70	June 29, 2024
	3,500,000	-	$ 0.45	June 29, 2027
	250,000	-	$ 0.45	November 7, 2027
	4,063,007	313,007		

As at February 28, 2023, the outstanding stock options had a weighted average remaining life of 4.13 (August 31, 2022 – 4.16) years.

(Unaudited - Expressed in Canadian Dollars)
(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVE (cont'd…)

d) Stock options and share-based payments (cont'd…)

During the six months ended February 28, 2023, the Company granted 250,000 (2022 – nil) stock options with a weighted average fair value of $0.06 (2022 – $nil) per option. The Company recognized share-based payments expense of $899,724 (2022 - $nil) for options granted and vesting during the period and expects to recognize $137,002 in future reporting periods when options vest.

Share-based payments expense is estimated using the Black-Scholes option pricing model. The expected volatility assumption is based on comparable public companies as the Company has limited trading history. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares.

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options vesting during the periods:

	Six months ended February 28, 2023	Six months ended February 28, 2022
Risk-free interest rate	3.77%	-
Expected life of options	5 years	-
Expected annualized volatility	125%	-
Dividend rate	-	-
Forfeiture rate	-	-

e) Escrowed shares

As at February 28, 2023, there were 13,490,440 (August 31, 2022 – 14,379,328) common shares held in escrow in connection with the public listing as described in Note 11(b). 1,498,938 common shares were released from escrow upon listing and every six months thereafter 15% of the common shares are released from escrow.

12. RELATED PARTY TRANSACTIONS

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

		For the six months ended February 28, 2023		For the six months ended February 28, 2022
Consulting fees(1)(2)	$	205,290	$	98,418
Directors' fees	$	15,000	$	-
Salary	$	-	$	35,595
Share-based compensation	$	620,738	$	-

(1) Consulting fees include fees to the former CFO of $15,250.
(2) Consulting fees include fees to the former CEO of $135,057.

As at February 28, 2023, $92,232 (August 31, 2022 – $19,063) was included in accounts payable and accrued liabilities owing to key management personnel. Amounts recorded in accounts payable are non-interest bearing and subject to normal trade terms.

(Unaudited - Expressed in Canadian Dollars)
(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

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

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. As the Company's policy is to limit cash holdings to instruments issued by 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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at February 28, 2023, the Company had working capital deficiency of $79,053 (August 31, 2022 – capital of $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.

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 February 28, 2023, 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 February 28, 2023, the Company's net foreign denominated financial assets are as follows:

		Foreign currency		Canadian dollar equivalent
Euro	€	3,470	$	5,009
United States Dollar	$	(64,734)	$	(88,096)
UK Pound Sterling	£	16,389	$	26,971

(Unaudited - Expressed in Canadian Dollars)
(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Foreign currency risk (cont'd…)

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 $250 and $1,349, respectively. A 5% change in the Canadian dollar to United States dollar would decrease the Company' comprehensive loss by approximately $4,405. As at February 28, 2023, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at February 28,2023.

14. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholders' deficiency of $30,641 (August 31, 2022 – equity of $2,251,607). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company did not change its capital management policy during the six months ended February 28, 2023. The Company is not subject to externally imposed capital requirements.

15. SEGMENTED INFORMATION

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

The Company's non-current assets are situated as follows:

February 28, 2023	Canada	United States	Total
Domain name	$ 48,412	$ -	$ 48,412
	$ 48,412	$ -	$ 48,412

August 31, 2022	Canada	United States	Total
Customer relationships	$ -	$ 104,671	$ 104,671
Domain name	217,555	-	217,555
Goodwill	-	281,014	281,014
	$ 217,555	$ 385,685	$ 603,240

15. SEGMENTED INFORMATION (cont'd…)

Revenues, in Canadian dollars, in each of these geographic location for the six months ended February 28, 2023 and 2022 are as follows:

Revenue by geographic location	For the six months ended February 28, 2023	For the six months ended February 28, 2022
Germany	$ 5,204	$ 86,662
United States	252,108	103,862
All other countries	50,389	13,837
	$ 307,701	$ 204,361

16. SUBSEQUENT EVENTS

Sale agreement for Shift

On March 17, 2023, the Company sold the assets of Shift, inclusive of Octane.gg, in consideration for the waiving of any future payments required under the Shift APA or associated consulting agreements (Note 4).

Wind-down of X1 Talent (Tyrus) Operations

On April 6, 2023, the Company announced that it has wound down operations of X1 Talent (Tyrus). It continues to have ongoing operations related to the collection of accounts receivable, however will no longer be representing talent or engaging in new contracts with brands seeking talent.