X1 ENTERTAINMENT GROUP INC.

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

FOR THE THREE MONTHS ENDED NOVEMBER 30, 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.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)
AS AT

	November 30, 2023	August 31, 2023
ASSETS		
Current		
Cash	$ 178,336	$ 8,359
Accounts receivable	14,771	11,753
Prepaid expenses	31,595	-
	$ 224,702	$ 20,112
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 10)	$ 382,099	$ 406,956
Loans payable (Note 6)	-	143,339
Convertible debentures (Note 7)	453,324	-
	835,423	550,295
Shareholders' deficiency		
Share capital (Note 9)	6,962,999	6,962,999
Equity portion of convertible debentures (Note 7)	53,191	-
Reserves (Note 9)	756,107	794,365
Accumulated other comprehensive loss	(19,393)	(26,915)
Deficit	(8,363,625)	(8,260,632)
	(610,721)	(530,183)
	$ 224,702	$ 20,112

Approved and authorized by the Board on January 29, 2024.

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

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

X1 ENTERTAINMENT GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED NOVEMBER 30,

	2023	2022
EXPENSES		
Accretion expense (Note 7)	$ 4,433	$ -
Advertising and promotion	-	18,363
Business development	15,000	65,000
Consulting (Note 10)	39,000	136,203
Directors' fees (Note 10)	15,000	-
Foreign exchange	690	6,042
Insurance	-	27,100
Interest expense	4,953	-
Investor relations	-	101,130
Listing fee	5,849	7,821
Office and miscellaneous	1,193	32,233
Professional fees	48,592	37,918
Salaries and wages	-	66,536
Share-based compensation (Notes 9 and 10)	-	451,326
Shareholder communications and filing fees	590	16,440
Technology marketing and web development	-	102,375
Transfer agent	5,951	3,172
Net loss for the period from continuing operations	(141,251)	(1,071,659)
Net loss for the period from discontinued operations (Note 15)	-	(665,963)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign exchange loss on translating foreign operations	7,522	(6,246)
Comprehensive loss for the period	$ (133,729)	$ (1,743,868)
Basic and diluted loss per common share from continuing operations	$ (0.01)	$ (0.11)
Basic and diluted loss per common share from discontinued operations	$ -	$ (0.07)
Weighted average number of common shares outstanding*	9,515,501	9,515,498

*Share amounts have been updated to reflect the share consolidation – refer to Note 9.

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

X1 ENTERTAINMENT GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED NOVEMBER 30,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period from continuing operations	$ (141,251)	$ (1,071,659)
Non-cash items:		
Accretion expense	4,433	-
Accrued interest expense	4,953	-
Share-based compensation	-	451,326
Unrealized foreign exchange	(102)	-
Changes in non-cash working capital items:		
Accounts receivable	(3,005)	(833)
Prepaid expenses	(31,595)	153,717
Accounts payable and accrued liabilities	(24,820)	(29,069)
Net cash used in operating activities from continuing operations	(191,387)	(496,518)
Net cash generated by (used in) operating activities from discontinued operations	7,470	(408,883)
	(183,917)	(905,401)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of ShiftRLE	-	(32,777)
Acquisition of Octane	-	(57,194)
Net cash used in investing activities from continuing operations	-	(89,971)
Net cash used in investing activities from discontinued operations	-	(131,110)
	-	(221,081)
CASH FLOWS FROM FINANCING ACTIVITY		
Convertible debentures	353,894	-
Net cash generated financing activity from continuing operations	353,894	-
Net cash used in financing activity from discontinued operations	-	(37,220)
	353,894	(37,220)
Change in cash for the period	169,977	(1,163,702)
Cash, beginning of period	8,359	1,624,231
Cash, end of period	$ 178,336	$ 460,529

During the three months ended November 30, 2023, the Company settled $146,106 in existing debt through the issuance of convertible debentures (Note 7).

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

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

	Share Capital						
	Number*	Amount	Equity Portion of Convertible Debentures	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, August 31, 2022	9,515,501	$ 6,962,999	$ -	$ 384,397	$ (16,646)	$ (5,079,143)	$ 2,251,607
Share-based compensation	-	-	-	451,326	-	-	451,326
Comprehensive loss for the period	-	-	-	-	(6,246)	(1,737,622)	(1,743,868)
Balance, November 30, 2022	9,515,501	6,962,999	-	835,723	(22,892)	(6,816,765)	959,065
Forfeited options	-	-	-	(229,546)	-	229,546	-
Share-based compensation	-	-	-	188,188	-	-	188,188
Comprehensive loss for the period	-	-	-	-	(4,023)	(1,673,413)	(1,677,436)
Balance, August 31, 2023	9,515,501	6,962,999	-	794,365	(26,915)	(8,260,632)	(530,183)
Forfeited options	-	-	-	(38,258)	-	38,258	-
Issuance of convertible debentures	-	-	53,191	-	-	-	53,191
Comprehensive loss for the period	-	-	-	-	7,522	(141,251)	(133,729)
Balance, November 30, 2023	9,515,501	$ 6,962,999	$ 53,191	$ 756,107	$ (19,393)	$ (8,363,625)	$ (610,721)

*On November 6, 2023, the Company completed a share consolidation on the basis of 1 new common share for 5 old common shares – refer to Note 9. For accounting purposes, recognition of the share consolidation has been made retroactively such that all share and per share numbers have been adjusted to reflect the share consolidation.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

X1 Entertainment Group Inc. (with its subsidiaries, collectively, the “Company” or “X1”) 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 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.

The Company trades on the Canadian Securities Exchange (“CSE”) under the symbol “XONE”. The Company is also listed on the OTCQX under the symbol “XOEEF”. On November 6, 2023, the Company completed a share consolidation on the basis of 1 new common share for 5 old common shares. For accounting purposes, recognition of the share consolidation has been made retroactively such that all share and per share numbers have been adjusted to reflect the share consolidation.

On August 4, 2022, the Company completed the acquisition of the issued and outstanding membership interests of Tyrus, LLC. On October 19, 2022, Tyrus was renamed to ‘X1 Talent Corp.’ (“X1 Talent”). On April 6, 2023, the Company announced the wind-down of X1 Talent Corp. operations. During the year ended August 31, 2023, the Company considered the operations of X1 Talent to have met the definition of discontinued operations (Note 15).

On August 10, 2022, the Company completed the asset purchase agreement to acquire the assets of ShiftRLE (“Shift”). On September 28, 2022, the Company completed the asset purchase agreement to acquire the assets of Octane.GG (“Octane”). The assets of Octane were incorporated into the Shift platform after acquisition. On March 17, 2023, the Company sold the consolidated assets of Shift (Note 3).

In the year ended August 31, 2023, the Company ceased operations of Rix.GG Europe Ltd. (“Rix”) which holds and operates its esports franchise. The Company discontinued operations of its Esports segment (consisting of Forward Agency Ltd., Mechanics Agency Ltd. and Rix.GG Europe Ltd.) and Talent Management segment (consisting of X1 Talent Corp.) (Note 15).

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 period ended November 30, 2023 of $141,251 date had an accumulated deficit of $8,363,625 (August 31, 2023 - $8,260,632). The Company incurred negative cash flows from operations of $183,917 (2022 - $905,401) 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 able in the past to obtain 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 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements should be read in conjunction with the company's annual consolidated financial statements for the year ended August 31, 2023 and are prepared consistent with the accounting policies disclosed therein.

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

* Dissolved on December 1, 2023.

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 year. 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. The acquisitions of Octane was considered to be an asset acquisition (Note 3).

- 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.

- 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.

- 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 condensed consolidated interim 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.

2. BASIS OF PREPARATION

Use of judgments and estimates (cont'd…)

- Discontinued operations

  A discontinued operation is a component of the Company that either has been abandoned, disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operation; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation.

The key areas of estimate 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:

- Identification and valuation of intangible assets

  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.

- 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.

- Non-monetary transactions

  The Company measures an asset exchanged or transferred in non-monetary transactions at the more reliably measurable of the fair value of the asset given up and the fair value of the asset received.

- Convertible debentures

  Convertible debentures are separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue is determined based on the estimated borrowing rate for a similar instrument without the conversion feature, which is subject to measurement uncertainty.

(Expressed in Canadian Dollars)

3. SHIFTRLE AND OCTANE.GG

On September 28, 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 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

The assets of Octane were incorporated into the Company's Shift platform after acquisition. Shift is an online news outlet focused on the popular video game Rocket League.

In the year ended August 31, 2023, the Company entered into an agreement to sell the assets of Shift, inclusive of Octane.gg, in exchange for the vendors, and ongoing service providers, forgoing any termination payments in connection with their consulting agreements at a fair value of US$35,250 ($48,412) in accordance with Level 3 of the fair value hierarchy. Consequently, the Company has recognized an impairment against domain name assets of $230,877 and recovery of consideration payable on earnout payments of $60,366 during the year ended August 31, 2023.

4. INTANGIBLE ASSETS

	Domain Name	Customer Relationships	Total
Cost			
Balance, August 31, 2022	$ 217,555	$ 109,302	$ 326,857
Acquisition (Note 3)	61,734	-	61,734
Disposal (Notes 3 and 15)	(279,289)	-	(279,289)
Impairment	-	(109,302)	(109,302)
Balance, August 31 and November 30, 2023	$ -	$ -	$ -
Accumulated amortization			
Balance, August 31, 2022	$ -	$ 4,631	$ 4,631
Amortization	-	14,312	14,312
Impairment	-	(18,943)	(18,943)
Balance, August 31 and November 30, 2023	$ -	$ -	$ -
Net book value			
Balance, August 31, 2023	$ -	$ -	$ -
Balance, November 30, 2023	$ -	$ -	$ -

During the year ended August 31, 2023, the Company determined indicators of impairment existed with respect to the customer relationships in X1 Talent leading to a test of a recoverable amount, which resulted in an impairment expense of $109,302 in accordance with Level 3 of the fair value hierarchy.

(Expressed in Canadian Dollars)

4. INTANGIBLE ASSETS (cont'd…)

During the year ended August 31, 2023, the Company recognized a loss on sale of domain name of $230,877, after selling Shift for $48,412 (Note 3).

5. GOODWILL

Goodwill		
Balance, August 31, 2022		281,014
Impairment (Note 15)		(281,014)
Balance, August 31 and November 30, 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 X1 Talent 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 in accordance with Level 3 of the fair value hierarchy. Ongoing challenges in X1 Talent persisted and culminated in the Company winding down operations of X1 Talent during the year ended August 31, 2023.

6. LOANS PAYABLE

With the acquisition of X1 Talent, the Company assumed a loan payable to a third party of $36,180 (US$27,595). The loan was non-interest bearing and repaid during the year ended August 31, 2023.

During the year ended August 31, 2023, the Company received loans from a third party and a director of the Company. The interest on the principal amount was at a rate of 10% per annum and are due on demand. The loans were paid during the three months ended November 30, 2023 through the issuance of convertible debentures (Note 7).

Loans payable		
Balance, August 31, 2022	$	36,180
Foreign exchange		102
Funds received		137,817
Funds repaid		(36,180)
Interest expense		5,420
Balance, August 31, 2023	$	143,339
Foreign exchange		(103)
Settlement (Note 7)		(146,106)
Interest expense		2,870
Balance, November 30, 2023	$	-

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBENTURES

5% Convertible debentures		
Principal amount: $500,000		
Liability amount, upon recognition	$	446,809
Accretion expense		4,433
Accrued interest payable		2,082
Balance, November 30, 2023	$	453,324

On November 15, 2023, the Company completed a non-brokered private placement of unsecured convertible debentures ("Debentures") for gross proceeds of $500,000 (the "Offering"). A portion of the Offering, $146,106 was completed through the distribution of Debentures in settlement of existing loans (Note 6).

The Debentures mature on the date (the "Maturity Date") that is 12 months from the date of issuance (the "Closing Date"). The principal amount of Debentures may be converted into units of the Company ("Units"), in whole or in part, at the option of the holder, at any time following the Closing Date but on or before the Maturity Date, into Units at a price of $0.055 per Unit (such date of conversion being referred to herein as the "Conversion Date").

The Debentures bear interest at a rate of 5.0% per annum from the Closing Date, payable on the earlier of the Maturity Date or the Conversion Date. The Company has the right to pay all accrued and unpaid interest either in cash or in Units at a price of $0.055 per unit, in its sole discretion, and on the Maturity Date also has the right to convert the principal amount of the Debentures into Units rather than repay in cash.

Each Unit will consist of one common share (a "Share") and one Share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to acquire one additional Share (a "Warrant Share") at a price of $0.055 per Warrant Share for a period of 24 months from the date of issuance.

For accounting purposes, the Debentures are separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue is determined based on an estimated rate of 17.50% for debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value of the convertible debenture and the fair value of the liability component. After initial recognition, the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debentures at an effective rate of 17.50%.

During the three months ended November 30, 2023, the Company incurred interest expense of $2,082 and accretion expense of $4,433 on the convertible debentures, which has been recorded on the condensed consolidated interim statement of operations and comprehensive loss.

8. ACQUISITION CONSIDERATION

The following details the balances of acquisition consideration payments due related to the X1 Talent and Shift acquisitions in the year ended August 31, 2022:

Opening liability, August 31, 2022	$	224,254
Payable (paid) pursuant to X1 Talent acquisition		(131,110)
Payable (paid) pursuant to Shift acquisition		(32,778)
Fair value of Shift Earnout payment[1]		(60,366)
Balance, August 31, 2023 and November 30, 2023	$	-

[1] 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. During the year ended August 31, 2023, Shift generated revenue of $nil, which resulted in no earnout payout; further, the Company entered into an agreement to sell the assets of Shift which curtails any possibility of future earnings and reduces the earn-out payment estimation to $nil.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

On November 6, 2023, the Company completed a share consolidation on the basis of 1 new common share for 5 old common shares. For accounting purposes, recognition of the share consolidation has been made retroactively such that all share and per share numbers have been adjusted to reflect the share consolidation.

b) Issued share capital

There were no shares issued during the year ended August 31, 2023 and period ended November 30, 2023.

c) Warrants

Warrants have been updated to reflect the share consolidation.

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance outstanding, August 31, 2022 and 2023 and November 30, 2023	1,396,297	$	3.50

Warrants outstanding as at November 30, 2023:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Warrants	1,396,297	1,396,297	$ 3.50	June 29, 2024

d) Stock options and share-based payments

Stock options have been updated to reflect the share consolidation.

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. An option shall be granted as fully vested unless a vesting schedule is imposed by the Board as a condition of the grant date.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, August 31, 2022	762,601	$	2.35
Forfeited	(370,000)		2.25
Granted	50,000		2.25
Balance, August 31, 2023	442,601		2.43
Forfeited	(20,000)		2.25
Balance outstanding and exercisable, November 30, 2023	422,601	$	2.44

(Expressed in Canadian Dollars)

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

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

Stock options outstanding as at November 30, 2023:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Options	62,601	62,601	$ 3.50	June 29, 2024
	360,000	380,000	$ 2.25	June 29, 2027
	422,601	422,601		

As at November 30, 2023, the outstanding stock options had a weighted average remaining life of 3.14 (August 31, 2023 – 3.41) years.

During the three months ended November 30, 2023, the Company granted nil (2022 – 50,000) stock options with a weighted average fair value of $nil (2022 – $0.29) per option. The Company recognized share-based payments expense of $nil (2022 - $451,326) for options granted and vesting during the period.

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:

	Three months ended November 30, 2023	Three months ended November 30, 2022
Risk-free interest rate	n/a	3.77%
Expected life of options	n/a	5 years
Expected annualized volatility	n/a	125%
Dividend rate	-	-
Forfeiture rate	-	-

e) Escrowed shares

As at November 30, 2023, there were 1,798,725 (August 31, 2023 – 1,798,725) common shares held in escrow in connection with the public listing as described in Note 9(b). 299,788 common shares were released from escrow upon listing and every six months thereafter 15% of the common shares are released from escrow.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

Key management personnel comprises the officers and directors of the Company. Amounts paid or accrued to key management personnel are as follows:

	Three months ended November 30, 2023	Three months ended November 30, 2022
Consulting fees[2]	$ 39,000	$ 115,953[1]
Directors' fees	$ 15,000	$ -
Share-based compensation	$ -	$ 312,084

(1) Consulting fees include fees to the former CFO of $nil (2022 - $15,250).

(2) Consulting fees include fees to the former CEO's of $21,000 (2022 - $67,620).

As at November 30, 2023, $225,324 (August 31, 2023 – $191,756) 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. The Company has loans payable to a director of $nil (August 31, 2023 - $59,763) as at November 30, 2023. The loans are interest bearing and due on demand – refer to Note 6.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash, accounts receivable, accounts payable and accrued liabilities, loans payable and convertible debt are carried at amortized cost. With the exception of convertible debentures, 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. The settlement value of the convertible debentures as at November 30, 2023 was $502,082 which equals the principal and accrued interest.

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. Accounts receivable are written off where there is no reasonable expectation of recovery due to supporting indicators. The Company considers these collectible in the short term and credit risk with respect to these amounts to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at November 30, 2023, the Company had working capital deficiency of $610,721 (August 31, 2023 – $530,183). The Company's financial obligations are limited to accounts payable and accrued liabilities and acquisition consideration payable. Accounts payable and accrued liabilities are substantively due within 30 days.

(Expressed in Canadian Dollars)

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

Financial risk factors (cont'd…)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As at November 30, 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

Following the wind-down of foreign operations, the Company's exposure to foreign currency risk has been substantially reduced. Financial instruments denominated in foreign currencies are not substantial. As at November 30, 2023, the Company has not hedged its exposure to currency fluctuations. The Company assessed its foreign currency risk as low as at November 30, 2023.

12. 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 $610,721 (August 31, 2023 – $530,183). 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 three months ended November 30, 2023. The Company is not subject to externally imposed capital requirements.

13. REVENUE

Revenue	Three months ended November 30, 2023	Three months ended November 30, 2022
Content revenue	$ -	$ 39,362
Prize money	-	19,310
Royalties from in-game purchases	-	2,708
Talent fees	-	157,504
	$ -	$ 218,884

During the three months ended November 30, 2023, the Company received $nil (2022 - $197,366) in content revenue and remitted $nil (2022 - $158,004) back to the talent.

14. SEGMENTED INFORMATION

Through March 2023, the business of the Company was the development of esports teams and digital media talent management, which was considered two business segments.

Revenues, in Canadian dollars, in each of these geographic location for the three months ended November 30, 2023 and 2022 are as follows:

Esports

Revenue by geographic location	Three months ended November 30, 2023	Three months ended November 30, 2022
United States	$ -	$ 18,921
All other countries	-	3,097
	$ -	$ 22,018

Talent Management

Revenue by geographic location	Three months ended November 30, 2023	Three months ended November 30, 2022
United States	$ -	$ 162,572
All other countries	-	34,294
	$ -	$ 196,866

15. DISCONTINUED OPERATIONS

During the year ended August 31, 2023, the Company considered its Esports segment and Talent Management segment to have met the definition of discontinued operations and as such, assets, liabilities, and results of operations that can be distinguished operationally and for financial reporting purposes from the rest of the Company have been terminated and reported separately in the condensed consolidated interim financial statements. Factors that led to the abandoning of the Esports segment and Talent Management segment included the reduction in internal workforce and missed revenue targets.

Esports

For the three months ended November 30, 2023 and 2022, the loss from discontinued operations relate to the following:

Esports	**2023**	**2022**
Revenue (Note 13)	$ -	$ 22,018
EXPENSES		
Advertising and promotion	-	193
Esports player, team and game expenses	-	91,473
Foreign exchange	-	708
Office and miscellaneous	-	33,199
Professional fees	-	15,485
Salaries and wages	-	47,013
Technology marketing and web development	-	8,385
Loss from discontinued operations	$ -	$ (174,438)

(Expressed in Canadian Dollars)

15. DISCONTINUED OPERATIONS (cont'd…)

Esports (cont'd…)

Cash flows generated by discontinued operations for the three months ended November 30, 2023, and 2022 are as follows:

Esports	**2023**	**2022**
CASH FLOWS	$	$
Operating activities	7,385	(252,488)
Investing activities	-	-
Financing activities	-	-
Cash flows from discontinued operations	$ 7,385	$ (252,488)

Talent Management

For the three months ended November 30, 2023 and 2022, the loss from discontinued operations relate to the following:

Talent Management	**2023**	**2022**
Revenue (Note 13)	$ -	$ 196,866
EXPENSES		
Amortization	-	14,312
Bad debt expense	-	14,149
Consulting	-	64,517
Office and miscellaneous	-	56,751
Salaries and wages	-	193,216
Technology marketing and web development	-	6,864
Loss from operations	-	152,943
Impairment of goodwill (Note 5)	-	281.014
Impairment of intangibles (Note 4)	-	90,359
Tax recovery	-	(32,791)
Loss from discontinued operations	$ -	$ (491,525)

Cash flows generated by discontinued operations for the three months ended November 30, 2023, and 2022 are as follows:

Talent Management	**2023**	**2022**
CASH FLOWS	$	$
Operating activities	85	(156,395)
Investing activities	-	(131,110)
Financing activities	-	(37,220)
Cash flows from discontinued operations	$ 85	$ (324,725)

16. SUBSEQUENT EVENT

Private Placement Financing

On January 25, 2024, the Company completed a non-brokered private placement of 7,142,857 units (the "Units") at a price of $0.07 for gross proceeds of $500,000. Each Unit is comprised of one common share in the capital of the Company (a "Share") and one share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional Share (a "Warrant Share") at a price of $0.10 per Warrant Share for a period of 24 months from the date of closing.