



X1 ENTERTAINMENT GROUP INC.

615 – 800 West Pender Street

Vancouver, BC V6C 2V6

Phone: (604) 802-8492

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING

NOTICE IS HEREBY GIVEN that the annual general and special meeting (the “**Meeting**”) of shareholders of X1 Entertainment Group Inc. (the “**Company**”) will be held at Suite 1500 – 1055 West Georgia Street, Vancouver, BC V6E 4N7 on August 14, 2024, at 10:00 a.m. (Pacific Time).

The Meeting is to be held for the following purposes:

1. to receive the audited consolidated financial statements of the Company for the financial year ended August 31, 2023, the report of the auditor thereon, and the related management discussion and analysis;
2. to elect directors of the Company for the ensuing year;
3. to appoint Smythe LLP, Chartered Professional Accountants, as the auditor of the Company for the ensuing year and to authorize the directors of the Company to fix the auditor’s remuneration;
4. to consider, and if thought advisable, to pass, with or without variation, an ordinary resolution approving (i) the Company’s acquisition of the Manson Bay Project (as defined herein), and (ii) concurrent Change of Business (as defined herein);
5. to consider, and if thought advisable, to pass, with or without variation, an ordinary resolution approving the Concurrent Financing (as defined herein); and
6. to transact such other business, including amendments to the foregoing, as may properly come before the Meeting or at any adjournment thereof.

An Information Circular accompanies this Notice and contains details of the matters to be considered at the Meeting. No other matters are contemplated, however any permitted amendment or variation of any matter identified in this Notice may properly be considered at the Meeting. The Meeting may also consider the transaction of such other business as may properly come before the Meeting or any adjournment thereof.

Shareholders of record on the Company’s books at the close of business on July 8, 2024 are entitled to attend and vote at the Meeting or at any postponement or adjournment thereof. Each common share is entitled to one vote.

Registered shareholders who are unable to attend the Meeting in person and wish to ensure that their shares will be voted at the Meeting, must complete, date and sign the enclosed form of proxy, or

another suitable form of proxy, and deliver it in accordance with the instructions set out in the form of proxy.

If your common shares are held in a brokerage account you are not a registered shareholder. Unregistered shareholders who plan to attend the Meeting must follow the instructions set out in the form of proxy or voting instruction form to ensure that their common shares will be voted at the Meeting.

Dated at Vancouver, British Columbia this 12th day of July, 2024.

BY ORDER OF THE BOARD

“Latika Prasad”

Latika Prasad
Chief Executive Officer

TABLE OF CONTENTS

GENERAL PROXY INFORMATION.....	1
Solicitation of Proxies.....	1
Appointment of Proxyholders.....	1
Voting by Proxyholder.....	1
Registered Shareholders.....	2
Beneficial Shareholders	2
Notice to Shareholders in the United States.....	3
Revocation of Proxies	4
CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS.....	4
INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON	5
VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES	5
VOTES NECESSARY TO PASS RESOLUTIONS	5
ELECTION OF DIRECTORS.....	6
Director Biographies.....	7
Cease Trade Orders.....	8
Bankruptcies	8
Penalties or Sanctions	8
APPOINTMENT OF AUDITOR.....	9
ACQUISITION OF THE MANSON BAY PROJECT AND CHANGE OF BUSINESS.....	9
Acquisition of the Manson Bay Project	9
Change of Business.....	12
Shareholder Resolution.....	13
Recommendation of the Board and Reasons for the Recommendation	14
THE COMPANY FOLLOWING THE COMPLETION OF THE PROPOSED TRANSACTION AND CHANGE OF BUSINESS.....	15
CONCURRENT FINANCING.....	15
Shareholder Resolution.....	16
AUDIT COMMITTEE DISCLOSURE.....	17
The Audit Committee Charter	17
Composition of the Audit Committee.....	17
Relevant Education and Experience	17
Audit Committee Oversight.....	17
Reliance on Certain Exemptions.....	18
Pre-Approval Policies and Procedures.....	18
External Auditor Service Fees	18
Exemption.....	18
CORPORATE GOVERNANCE	18
Board of Directors	19
Directorships.....	19
Orientation and Continuing Education	19
Meetings of the Board may also include presentations by the Company’s management to give the directors additional insight into the Company’s business.....	20
Ethical Business Conduct	20

Nomination of Directors	20
Compensation	20
Other Board Committees	20
Assessments	20
STATEMENT OF EXECUTIVE COMPENSATION	20
Director and NEO Compensation, Excluding Options and Compensation Securities	21
Director and NEO Compensation, Excluding Options and Compensation Securities	21
Stock Options and Other Compensation Plans	23
Employment, Consulting and Management Agreements.....	25
Oversight and Description of Director and NEO Compensation	25
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.....	27
Equity Compensation Plan Information.....	27
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	28
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS	28
MANAGEMENT CONTRACTS	28
ADDITIONAL INFORMATION.....	28
APPROVAL OF THE BOARD OF DIRECTORS.....	29
SCHEDULE “A”	30
DEFINITIVE AGREEMENT	30
SCHEDULE “B”.....	31
THE COMPANY FOLLOWING THE COMPLETION OF THE PROPOSED TRANSACTION AND CHANGE OF BUSINESS.....	31

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INFORMATION CIRCULAR

with information as at July 12, 2024, unless stated otherwise

This Information Circular (“Circular”) is furnished in connection with the solicitation of proxies by the management of X1 Entertainment Group Inc. (the “Company”) for use at the annual general and special meeting (the “Meeting”) of its shareholders (the “Shareholders”) to be held on August 14, 2024, at the time and place and for the purposes set forth in the accompanying Notice of Meeting of shareholders (the “Notice”).

In this Circular, references to the “Company”, “X1”, “we” and “our” refer to **X1 Entertainment Group Inc.** “Common Shares” or “Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders. “Registered Shareholder” means the person whose name appears on the central securities register maintained by or on behalf of the Company and who holds Common Shares in their own name.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors and officers of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to beneficial owners of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

Appointment of Proxyholders

The individuals named in the accompanying form of proxy (the “Proxy” or “form of proxy”) are officers and directors of the Company. If you are a Shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a Shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.

Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;

- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the management appointee acting as a proxyholder will vote in favour of each matter identified on the Proxy and, if applicable, for the nominees of management for directors and auditors as identified in the Proxy.

Registered Shareholders

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a proxy may do so using one of the following methods:

- (a) complete, date and sign the Proxy and return it to the Company's transfer agent, Odyssey Trust Corporation ("**Odyssey**"), by 10:00 a.m. Monday, August 12, 2024, via fax at 1-800-517-4553, or email a copy of the fully signed proxy to Odyssey at proxy@odysseytrust.com; or
- (b) use the internet through the website of the Company's transfer agent at www.odysseytrust.com. Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed proxy form for the Shareholder's account number and the control number.

In each of the above cases Registered Shareholders must ensure the proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the Meeting or any adjournment thereof.

Beneficial Shareholders

The following information is of significant importance to Shareholders who do not hold Common Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by Registered Shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares) or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of intermediaries. In Canada the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms), and in the United States, under the name of Cede & Co. as nominee for The Depository Trust Corporation (which acts as depository for many U.S. brokerage firms and custodian banks).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary has its own mailing process and provides its own return instructions to clients.

There are two kinds of Beneficial Shareholders: Objecting Beneficial Owners ("**OBOs**") who object to their name being made known to the issuers of securities which they own; and Non-Objecting Beneficial Owners ("**NOBOs**") who do not object to the issuers of the securities they own knowing who they are.

Pursuant to National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Corporation* the Company distributes copies of the Meeting, this Circular and the Proxy (collectively, the “**Meeting Materials**”) to the depository and intermediaries for onward distribution to Beneficial Shareholders. The Company does not send Meeting Materials directly to Beneficial Shareholders. Intermediaries are required to forward the Meeting Materials to all Beneficial Shareholders for whom they hold Common Shares unless such Beneficial Shareholders have waived the right to receive them.

These securityholder materials are being sent to both registered and non-registered (beneficial) owners of Common Shares. If you are a Beneficial Shareholder, and the Company or its agent sent these materials to you directly, your name, address and information about your holdings of securities were obtained in accordance with applicable securities regulatory requirements by the intermediary holding securities on your behalf. Management of the Company does not intend to pay for intermediaries to forward the Meeting Materials to OBOs, so OBOs will not receive the Meeting Materials unless their intermediary assumes the cost of delivery.

If you are a Beneficial Shareholder:

If you are a Beneficial Shareholder you should carefully follow the instructions of your broker or intermediary in order to ensure that your Common Shares are voted at the Meeting.

The proxy form supplied to you by your broker or intermediary will be similar to the proxy provided to Registered Shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in Canada and in the United States. Broadridge mails a Voting Instruction Form (“**VIF**”) in lieu of the proxy provided by the Company. The VIF will name the same persons as are named on the Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), who is different from any of the persons designated in the VIF, to represent your Common Shares at the Meeting, and that person may be you. To exercise this right, insert the name of the desired representative, which may be you, in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge in accordance with Broadridge’s instructions. Broadridge will then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of Common Shares to be represented at the Meeting and the appointment of any Shareholder’s representative. **If you receive a VIF from Broadridge, the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted or to have an alternate representative duly appointed to attend the Meeting to vote your Common Shares.**

Notice to Shareholders in the United States

The solicitation of proxies is not subject to the requirements of Section 14(a) of the Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”), by virtue of an exemption applicable to proxy solicitations by foreign private issuers as defined in Rule 3b-4 of the U.S. Exchange Act. Accordingly, this Circular has been prepared in accordance with applicable Canadian disclosure requirements. Residents of the United States should be aware that such requirements differ from those of the United States applicable to proxy statements under the U.S. Exchange Act.

This document does not address any income tax consequences of the disposition of the Company’s shares by shareholders. Shareholders in a jurisdiction outside of Canada should be aware that the disposition of shares by them may have tax consequences both in those jurisdictions and in Canada, and are urged to

consult their tax advisors with respect to their particular circumstances and the tax considerations applicable to them.

Any information concerning any properties and operations of the Company has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies.

Financial statements included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and are subject to auditing and auditor independence standards in Canada. Such consequences for the Company's Shareholders who are resident in, or citizens of, the United States may not be described fully in this Circular.

The enforcement by the Company's Shareholders of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company is incorporated or organized under the laws of a foreign country, that some or all of their officers and directors and the experts named herein are residents of a foreign country and that the major assets of the Company are located outside the United States.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a Registered Shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder's authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by emailing the proxy bearing a later date to Odyssey at email address proxy@odysseytrust.com at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or
- (b) personally attending the Meeting and voting the registered shareholder's Common Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this Circular constitute "forward-looking statements." All statements, other than statements of historical fact, included in this Circular that address future activities, events, developments or financial performance, are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking words such as "may", "should", "will", "could", "expect", "intend", "plan", "estimate", "anticipate", "believe", "future" or "continue" or the negatives thereof or similar variations. These forward-looking statements are based on certain assumptions and analyses made by the Company and its management in light of their experiences and their perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate in the circumstances. This Circular may also contain forward-looking statements specifically relating to the Company, the Proposed Transaction, and the Change of Business, including timing, terms and required steps and the likelihood of the closing of the Proposed Transaction and the completion of the Change of

Business. Shareholders are cautioned not to put undue reliance on such forward-looking statements, which reflect the analysis of management only as of the date of this Circular and are not a guarantee of performance. Such forward-looking statements are subject to a number of uncertainties, assumptions and other factors, many of which are outside the control of the Company that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. All forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth above.

The Company does not undertake any obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Company, or any person who has held such a position since the beginning of the last completed financial year of the Company, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors, or the appointment of an auditor, and as may be set out herein.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Board has fixed July 8, 2024 as the record date (the “**Record Date**”) for determination of persons entitled to receive notice of the Meeting. Only Shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting. Only Registered Shareholders as of the Record Date are entitled to receive notice of, and to attend and vote at, the Meeting or any adjournment or postponement of the Meeting.

The Company is authorized to issue an unlimited number of Common Shares. The Common Shares are listed for trading on the Canadian Securities Exchange (“**CSE**”) under stock symbol “**XONE**”. The Company’s Common Shares are also listed on the OTC Pink market under stock symbol “**XOEEF**” and on the Frankfurt Stock Exchange under stock symbol “**QN9**”. As of the Record Date, there were a total of 17,244,014 Common Shares issued and outstanding, each carrying the right to one vote. No group of Shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

To the knowledge of the directors and executive officers of the Company, there are no persons or corporations who beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company at July 12, 2024.

VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein. If there are more nominees for election as directors or appointment of the Company’s auditor than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

ELECTION OF DIRECTORS

The directors of the Company are elected at each annual meeting of the Shareholders of the Company and hold office until the end of the next annual Shareholder meeting or until their successors are elected or appointed, unless the director's office is vacated earlier in accordance with the Articles of the Company or with the provisions of applicable legislation.

The following table sets out the names of management's nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment (for the five preceding years for each new director nominee), the period of time during which each has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as of July 12, 2024.

Name, Province, Country of Residence, and Position(s) with the Company	Principal Occupation, Business, or Employment	Director Since	Number of Shares Beneficially Owned, or Controlled or Directed (Directly or Indirectly) ⁽¹⁾
Adam Giddens ⁽²⁾ Director British Columbia, Canada	Business consultant (self-employed)	March 3, 2023	1,016,002 ⁽³⁾
Latika Prasad ⁽²⁾ CEO & Director British Columbia, Canada	Business Consultant (self-employed)	January 9, 2020	353,208 ⁽⁴⁾
Michael Carew Proposed Director British Columbia, Canada	Geological Consultant (self-employed)	N/A	71,428 ⁽⁵⁾
Zoran Pudar Proposed Director British Columbia, Canada	Geologist	N/A	Nil

Notes:

- (1) The information as to the number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, has been furnished to the Company by the respective nominees individually.
- (2) Member of the Audit Committee.
- (3) Consisting of 866,002 Common Shares held by Mr. Giddens and 150,000 Common Shares held by Torque Capital Partners ("Torque"), a corporation controlled and directed by Mr. Giddens. Mr. Giddens also holds (i) warrants to purchase 286,002 Common Shares at a price of \$0.10 until January 25, 2026, (ii) Debentures in the aggregate principal amount of \$20,000, and (iii) Options to acquire 60,000 Common Shares at a price of \$0.35 until June 21, 2029. Additionally, Torque holds (i) warrants to purchase 150,000 Common Shares at a price of \$0.10 until January 25, 2026, and (ii) Debentures in the aggregate principal amount of \$10,000.
- (4) Ms. Prasad also holds (i) Debentures in the aggregate principal amount of \$94,860.27, and (ii) Options to acquire 200,000 Common Shares at a price of \$0.35 until June 21, 2029.
- (5) Mr. Carew also holds warrants to purchase 71,428 Common Shares at a price of \$0.10 until January 25, 2026.

Director Biographies

Latika Prasad – CEO and Director

Ms. Latika Prasad has been an officer and/or a director of private and publicly traded companies for 30 years. She is currently the Corporate Secretary of Realgold Resources Corp. since December 2016 and Director and member of the audit committee of Turmalina Metals Corp. since July 31, 2021 (TSXV: TBX). She was a Director and Corporate Secretary of Turmalina Metals Corp. from April 2017 to July 2019, and previously, Director at Southern Empire Resources Corp. from March 2020 to June 2021 (TSXV: SMP) and Director and Assistant Corporate Secretary at Wabi Exploration Inc. (CNSX: WAB) from September 2015 to July 2017. She served as the Chief Financial Officer of Azincourt Resources Inc. (TSXV: AAZ) from October 2011 until June 2013 and as a Director from May 2011 to April 2013. Ms. Prasad also has 30 years of audit experience from starting with VSE companies in 1988, preparing quarterly reports for reporting issuers and filing with VSE and BCSC, and serving as CFO of several companies, of which five were reporting issuers. In addition to Turmalina Metals Corp., Ms. Prasad was also on the audit committee of Carmanah Minerals Corp. and was on the audit committee of Southern Empire Resources Corp. (TSXV: SMP) from March 2020 to June 2021.

Adam Giddens – Director

Mr. Giddens is a skilled capital markets professional with several years of experience in the industry. He has worked in a range of different positions from investor relations to business development and has helped raise money for both private and public companies across a wide range of industries. Mr. Giddens holds a Bachelor of Commerce with a degree in Finance from the John Molson School of Business.

Zoran Pudar – Proposed Director

Mr. Pudar, a graduate of the University of Tuzla, Bosnia and Herzegovina in former Yugoslavia, holds a Diploma in Economic Geology. Mr. Pudar worked at the Geoinstitute of Sarajevo, Bosnia, as a geologist from 1987 to 1992. After arriving in Canada, Mr. Pudar worked for several public and private companies involved in mineral property exploration, and has experience serving as a director. From April 1996 to March 1999 Mr. Pudar was employed by Yukon Gold/International Alliance Resources Ltd. as a geologist. He was Vice President, Exploration of Kolyma Goldfield Ltd. from April 1997 to March 1999. Mr. Pudar held a position at Big Blackfoot Resources as Project Manager and Chief Geologist from June 1999 to March 2003. Mr. Pudar is currently Exploration Manager with Mako Mining Corp., and was Vice President of Exploration of its predecessor entity, Golden Reign Resources Ltd., since 2006.

Michael Carew – Proposed Director

Mr. Carew holds a PhD in geology, and has over 20 years' corporate and capital markets experience. This includes a variety of exploration/business development roles for several small-cap explorers and multinational mining companies including Ivanhoe Mines in Mongolia and BHP Billiton in Australia. Michael was an equity analyst at Haywood Securities providing research and recommendations to both retail and institutional clients and has held executive positions at several Canadian-listed small-cap, junior explorers. This experience has facilitated the critical analysis of a variety of deposit and commodity types from both a technical and capital market perspective.

Management recommends election of each of the nominees listed above for election as director of the Company for the ensuing year. Unless otherwise indicated on the Proxy received by the Company, the persons designated as proxyholders in the accompanying Proxy will vote the Common Shares

represented by such Proxy, properly executed, in favour of each of the nominees listed in the Proxy, all of whom are presently members of the Board.

Management does not contemplate that any of its nominees will be unable to serve as directors. If any vacancies occur in the slate of nominees listed above before the Meeting, then persons designated in the Proxy intend to exercise discretionary authority to vote the Common Shares represented by the Proxy for the election of any other persons nominated by management for election as directors.

Cease Trade Orders

No proposed director of the Company is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

No proposed director of the Company is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director of the Company has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties or Sanctions

No proposed director of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely to be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

APPOINTMENT OF AUDITOR

Smythe LLP, Chartered Professional Accountants, (“**Smythe**”), located at 1700 – 475 Howe Street, Vancouver, BC V6C 2B3, will be nominated at the Meeting for appointment as auditor of the Company to hold office until the next Annual General Meeting of Shareholders, at a remuneration to be fixed by the Board. Smythe was first appointed as the auditor of the Company on April 6, 2023.

Management recommends Shareholders vote for the appointment of Smythe as the Company’s auditor at a remuneration to be fixed by the Board. Unless otherwise indicated on the form of proxy received by the Company, the persons designated as proxyholders in the accompanying form of proxy will vote the Common Shares represented by such form of proxy, properly executed, in favour of the appointment of Smythe as the Company’s auditor at a remuneration to be fixed by the Board.

ACQUISITION OF THE MANSON BAY PROJECT AND CHANGE OF BUSINESS

Acquisition of the Manson Bay Project

On December 1, 2023, the Company entered into a non-binding letter of intent (the “**LOI**”) with SKRR Exploration Inc. (the “**Vendor**”) which set out the terms of a proposed transactions (the “**Proposed Transaction**”) whereby the Company will acquire a 100% legal and beneficial interest in thirteen (13) contiguous mineral claims (the “**Mineral Claims**”) totaling 4,293.213 hectares located in the Province of Saskatchewan known as the Manson Bay Project (the “**Property**”). Subsequently, on February 7, 2024, the Company and the Vendor entered into a definitive asset purchase agreement (the “**Definitive Agreement**”) which set out the detailed terms and conditions of the Proposed Transaction. The Proposed Transaction is an arm’s length transaction.

The following description of the Proposed Transaction is qualified in its entirety by reference to the full text of the Definitive Agreement, a copy of which is attached as Schedule “A” to this Information Circular, and the full text of the Definitive Agreement, which is available on SEDAR+ at www.sedarplus.ca under the Company’s profile. The Company will, upon request by any Shareholder, promptly provide a copy of the Definitive Agreement to such Shareholder, free of charge.

Transaction Terms

Pursuant to the terms and conditions of the Definitive Agreement the Company has agreed to acquire (i) 100% of the Vendor’s rights, title, and interest in the Property, and (ii) all data and information in the possession of the Vendor with respect to the Property and the activities conducted thereon (the “**Data and Information**”), and together with the Property, the “**Purchased Assets**”). As consideration for the Purchased Assets, the Company has agreed to issue the Vendor 1,000,000 Common Shares (the “**Consideration Shares**”). In addition to a statutory hold period of four months plus one day from the date of issuance, the Consideration Shares will be subject to contractual resale restrictions pursuant to which (i) 50% will be released on the date that is four (4) months following the date of closing (the “**Closing Date**”), (ii) 25% will be released on the date that is six (6) months following the Closing Date, and (iii) 25% will be released on the date that is eight (8) months following the Closing Date.

Representation and Warranties

Each of the Company and the Vendor have made certain customary representations and warranties in the Definitive Agreement.

The representations and warranties of the Vendor relate to, among other things, corporate power and authorization; incorporation and organization; bankruptcy; the ownership of the Purchased Assets; the enforceability of the Definitive Agreement and conflicts; contracts related to the Property and/or the Purchased Assets; required consents, approvals, and notices; litigation; leases and other interest in land; the Mineral Claims; permits; environmental matters; interaction with Indigenous groups; compliance with the Heritage Property Act and Anti-Corruption Practices; data and information; residency for the purposes of the *Income Tax Act* (Canada); and full-disclosure.

The representations and warranties of the Company relate to, among other things, corporate power and authorization; incorporation and organization; bankruptcy; the enforceability of the Definitive Agreement and conflicts; and the Company's authorized share capital, compliance with Securities Laws, and the Company's CSE listing.

Conditions Precedent to the Proposed Transaction

The obligation of the Company to consummate the Proposed Transaction is subject to the satisfaction of certain mutual conditions relating to, among other things:

- (a) the Vendor shall have tendered all closing deliverables set forth in Section 3.2 of the Definitive Agreement;
- (b) each of the representations and warranties of the Vendor in Section 5.1 of the Definitive Agreement shall be true and correct in all material respects on the date the Proposed Transaction is completion (the "**Closing Time**") as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, then as of such date) and the Vendor shall have provided to the Company an officer's certificate to the foregoing effect;
- (c) the Vendor shall have performed and complied in all material respects with all of the terms and conditions in the Definitive Agreement on its part to be performed or complied with at or before the Closing Time and shall have executed and delivered or caused to have been executed and delivered to the Company at the time of Closing Time (i) all the documents contemplated in Section 3.2 of the Definitive Agreement or elsewhere in the Definitive Agreement, and (ii) an officer's certificate to the foregoing effect;
- (d) the Company shall have completed a non-brokered private placement of units consisting of Common Shares and Common Share purchase warrants, at a price per unit to be determined by the Board in its sole discretion, for net proceeds which are equal to at least 12 months of estimated working capital of the Company following the completion of the Proposed Transaction on terms satisfactory to the Company, acting reasonably (the "**Concurrent Financing**");
- (e) the Vendor shall have received seller approval from the TSX Venture Exchange for the transactions contemplated by the Definitive Agreement ("**TSXV Approval**"), if required;
- (f) the Company shall have received approval of the Proposed Transaction and the Change of Business (as defined herein) from Shareholders in accordance with the policies of the CSE and applicable securities laws ("**Shareholder Approval**");
- (g) the Company shall have received approval of the Proposed Transaction and the Change of Business (as defined herein) from the CSE ("**CSE Approval**");

- (h) the Company shall have received a technical report prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* with respect to the Mineral Claims, in form and content satisfactory to the Company, acting reasonably, and satisfactory to the CSE;
- (i) the Definitive Agreement shall not have been terminated in accordance with its terms;
- (j) there shall have been no material adverse change with respect to the Purchased Assets or the prospects, operation, or condition of the Mineral Claims;
- (k) there shall be no means any litigation, action, application, suit, investigation, hearing, claim, formal grievance, civil, administrative, regulatory, criminal, or arbitration proceeding or other similar proceeding, before or by any court, tribunal or governmental authority, and includes any appeal or review thereof and any application for leave for appeal or review (a “**Legal Proceeding**”):
 - i. pending or threatened in writing against either the Company or the Vendor or against any of their respective affiliates or any of their respective directors or officers, for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated by the Definitive Agreement; or
 - ii. pending or threatened in writing against any of the Company or the Vendor or against any of their respective Affiliates or any of their respective directors or officers which could materially adversely affect the right of the Company to acquire, retain, or enjoy the quiet possession of, the Purchased Assets or the right of the Vendor to dispose of the Purchased Assets; and
- (l) from February 7, 2023, to the Closing Time (the “**Interim Period**”), no governmental authority shall have enacted, issued or promulgated any law which has the effect of (i) making any of the transactions contemplated by the Definitive Agreement illegal; or (ii) otherwise prohibiting, preventing, or restraining the consummation of any of the transactions contemplated by the Definitive Agreement.

The obligation of the Vendor to consummate the Proposed Transaction is subject to the satisfaction of certain mutual conditions relating to, among other things:

- (a) the Company shall have tendered all closing deliverables set forth in Section 3.3 of the Definitive Agreement;
- (b) each of the representations and warranties of the Company in Section 5.2 of the Definitive Agreement shall be true and correct in all material respects on the Closing Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, then as of such date) and the Company shall have provided to the Vendor an officer’s certificate to the foregoing effect;
- (c) the Company shall have performed and complied in all material respects with all of the terms and conditions in the Definitive Agreement on its part to be performed or complied with at or before the Closing Time and shall have executed and delivered or caused to have been executed and delivered to the Vendor at the Closing Time all the documents contemplated in (i) Section 3.3 of the Definitive Agreement or elsewhere in the Definitive Agreement, and (ii) an officer’s certificate to the foregoing effect;

- (d) the Definitive Agreement shall not have been terminated in accordance with its terms;
- (e) the Concurrent Financing shall have been completed on terms satisfactory to the Company, acting reasonably;
- (f) the Vendor shall have received TSXV Approval, if required;
- (g) the Company shall have received Shareholder Approval;
- (h) the Company shall have received CSE Approval;
- (i) there shall be no Legal Proceeding:
 - i. pending or threatened in writing against either the Company or the Vendor or against any of their respective affiliates or any of their respective directors or officers, for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated by the Definitive Agreement; or
 - ii. pending or threatened in writing against any of the Company or the Vendor or against any of their respective Affiliates or any of their respective directors or officers which in the result, could materially adversely affect the right of the Vendor to dispose of the Purchased Assets or the right of the Company to acquire or retain the Purchased Assets; and
- (j) during the Interim Period, no governmental authority shall have enacted, issued or promulgated any law which has the effect of (i) making any of the transactions contemplated by the Definitive Agreement illegal; or (ii) otherwise prohibiting, preventing, or restraining the consummation of any of the transactions contemplated by the Definitive Agreement.

Change of Business

In conjunction with the completion of the Proposed Transaction the Company will undergo a change of business from a technology company to a mineral exploration company (the “**Change of Business**”). The Company’s management believes that, following the completion of the Proposed Transaction, the Company will meet the listing requirements of the CSE as a “mineral exploration” company. Section 2A.4(6)(b) of CSE Policy 2 – *Qualifications for Listing* (“**CSE Policy 2**”) provides that a “mineral exploration” company may be approved for listing if the following requirements are satisfied:

- (a) must have title to a property that is prospective for minerals and on which there has been exploration previously conducted including qualifying expenditures of at least \$75,000 by the listed issuer during the most recent 36 months (if the company does not have title to the property, it must have the means and ability to acquire an interest in the property upon completion of specific objectives or milestones within a defined period);
- (b) must have obtained an independent report that meets the requirements of National Instrument 43-101 Standards of Disclosure for Mineral Projects and that recommends further exploration on the property, with a budget for the first phase of at least \$100,000;

- (c) an escrow agreement pursuant to National Policy 46-201 *Escrow for Initial Public Offerings* with the additional requirements set forth in Section 2A.5(8)(e) of CSE Policy 2 is executed and provided (a “**CSE Escrow Agreement**”); and
- (d) if meeting the minimum listing requirements with a single exploration project, include disclosure of its objectives to pursue additional exploration projects or opportunities or to otherwise remain in the mineral exploration business.

Following the completion of the Proposed Transaction the Company will have title to the Property, which is prospective for minerals and on which there has been exploration previously conducted including qualifying expenditures of at least \$75,000, and the Company has obtained the Technical Report (as defined herein) which has a recommended work program including a budget for the first phase of at least \$100,000.

Neither Zoran Pudar nor Michael Carew are required to enter into a CSE Escrow Agreement as they both hold less than 1% of the Company’s issued and outstanding securities. Additionally, Latika Prasad and Adam Giddens are not required to enter into the CSE Escrow Agreement because they are party to an escrow agreement dated May 16, 2022, with Odyssey acting as escrow agent, which provides for the release of their securities over a period of 36 months following the Company’s listing on CSE on June 30, 2022.

Therefore, following the completion of the Proposed Transaction, the Company will satisfy the “mineral exploration” listing requirements set forth in CSE Policy 2.

After the completion of the Proposed Transaction and the Change of Business the Company intends to remain in the mineral exploration business and will be reviewing other exploration projects or opportunities over time. The Company currently has no agreements or arrangements with respect to the acquisition of additional properties, and such opportunities will be evaluated as they may arise. Should the Company complete future acquisitions, it is anticipated that the Company will need to complete additional financings to fund any work program or purchase price that relates to those acquisitions.

Shareholder Resolution

At the Meeting, Shareholders will be asked to consider and, if thought fit, to pass, with or without variation an ordinary resolution approving the Proposed Transaction and the Change of Business (the “**Transaction Resolution**”).

The text of the Transaction Resolution to be voted on at the Meeting by the Shareholders is set forth below:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The Company’s acquisition of a 100% legal and beneficial interest in thirteen (13) contiguous mineral claims totaling 4,293.213 hectares located in the Province of Saskatchewan known as the Manson Bay Project (the “**Property**”) pursuant to the terms and conditions of a definitive asset purchase agreement dated February 7, 2024 (the “**Definitive Agreement**”), between SKRR Exploration Inc. (the “**Vendor**”) and the Company (the “**Proposed Transaction**”), as more particularly described in the Company’s Management Information Circular dated July 12, 2024 (the “**Information Circular**”), and all transactions contemplated thereby, are hereby confirmed, ratified, authorized and approved.
2. The Definitive Agreement and the transactions contemplated therein, the actions of the directors of the Company in approving the Proposed Transaction and the Definitive Agreement the actions of the directors and officers of the Company in executing and delivering the Definitive Agreement

and causing the performance by the Company of its obligations thereunder are hereby confirmed, ratified, authorized and approved.

3. The Company's change of business from a technology company to a mineral exploration company, as those terms are used in the policies of the Canadian Securities Exchange, as more particularly described in the Information Circular, is hereby confirmed, authorized and approved.
4. Notwithstanding that this resolution has been passed (and the Proposed Transaction approved and agreed to) by the Shareholders, the directors of the Company are hereby authorized and empowered without further notice to or approval of the Shareholders (i) to amend the Definitive Agreement to the extent permitted by the Definitive Agreement, and (ii) not to proceed with the Proposed Transaction at any time prior to the Closing Time (as defined in the Definitive Agreement).
5. Any director or officer of the Company is hereby authorized, empowered and instructed, acting for, in the name and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of these resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing."

The Board recommends that the Shareholders vote in favour of the Transaction Resolution.

In the absence of instructions to the contrary, the persons named in the enclosed form of proxy intend to vote the Common Shares represented thereby in favour of passing the Transaction Resolution.

Recommendation of the Board and Reasons for the Recommendation

After consulting with financial and other advisors and reviewing a significant amount of information, the Board has unanimously concluded that the Proposed Transaction and the Change of Business are in the best interests of the Company. Accordingly, the Board has unanimously approved the Proposed Transaction and the Change of Business and recommends that Shareholders cast their vote in favour of the Transaction Resolution at the Meeting.

In determining that the Proposed Transaction and the Change of Business is in the best interests of the Company, the Board considered and relied upon a number of factors, including the following:

- the prior business of the Company has failed and is no longer being operated, and as such continued operations in the e-sports space have been determined to be unlikely to create value for shareholders or allow profitable operations in the foreseeable future;
- the comparative opportunities of various financial and strategic alternatives available to the Company;
- the reputation and experience of the Vendor and its ability to complete the Proposed Transaction;
- information regarding the Purchased Assets; and
- the terms and conditions of the Definitive Agreement, including each of the Company's and the Vendor's representations, warranties and covenants and the conditions to their respective obligations are reasonable and are the product of extensive arm's length negotiations between each

In the course of its deliberations, the Board also identified and considered a variety of risk and potentially negative factors in connection with the Proposed Transaction and Change of Business, including, but not limited to the following:

- the risks to the Company if the Proposed Transaction and Change of Business are not completed, including the costs to the Company in pursuing the Proposed Transaction and Change of Business, the diversion of management’s attention away from pursuing other potential opportunities;
- the completion of the Proposed Transaction and Change of Business is subject to several conditions that must be satisfied or waived, including Shareholder approval and satisfaction of any regulatory conditions. There can be no certainty that these conditions will be satisfied or waived;
- the Definitive Agreement can be terminated in certain circumstances; and
- the forward-looking information set forth herein with respect to the Proposed Transaction and Change of Business may prove inaccurate.

The Board’s reasons for recommending the Proposed Transaction and Change of Business include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See “*Cautionary Notice Regarding Forward-Looking Statements.*”

The foregoing summary of the information and factors considered by the Board is not intended to be exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Proposed Transaction and Change of Business, the Board did not find it practical to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching its conclusion and recommendation. The Board’s recommendation was made after considering all of the above-noted factors and in light of the Board’s knowledge of the business, financial condition and prospects of the Company, and was also based on the advice of external technical, legal, financial, accounting and tax advisors engaged by the Company. In addition, individual members of the Board may have assigned different weights to different factors.

THE COMPANY FOLLOWING THE COMPLETION OF THE PROPOSED TRANSACTION AND CHANGE OF BUSINESS

See Schedule “B” for disclosure related to the Company following the completion of the Proposed Transaction and Change of Business.

CONCURRENT FINANCING

Pursuant to the terms and conditions of the Definitive Agreement, prior to completing the Proposed Transaction the Company is required to complete a Concurrent Financing for net proceeds which are equal to at least 12 months of estimated working capital of the Company following the completion of the Proposed Transaction on terms satisfactory to the Company. The Board has determined to proceed with a Concurrent Financing of (a) a minimum of 8,000,000 special warrants of the Company (“**Special Warrants**”) at a price of \$0.25 per Special Warrant for gross proceeds of \$2,000,000 (the “**Minimum Financing**”), and (b) a maximum of 12,000,000 Special Warrants at a price of \$0.25 per Special Warrant for gross proceeds of \$3,000,000 (the “**Maximum Financing**”). Each Special Warrant will automatically convert, without the payment of any additional consideration, into one unit of the Company (a “**Unit**”) on the date that is three business days (the “**Conversion Date**”) following the satisfaction of the following conditions (together, the “**Conversion Conditions**”):

- (a) the passing of resolutions of Shareholders authorizing and approving each of the Change of Business, and the Concurrent Financing;
- (b) receipt by the Company of conditional approval for the Change of Business from the CSE; and
- (c) the closing of the Proposed Transaction.

Each Unit will consist of one Common Share and one Common Share purchase warrant (a “**Warrant**”). Each Warrant entitles the holder thereof to acquire one additional Common Share (a “**Warrant Share**”) at a price of \$0.30 per Warrant Share for a period of twenty-four (24) months from the date of issuance.

The Concurrent Financing may close in one or more tranches as the Company may determine within the requirements of the CSE. The gross proceeds of the Concurrent Financing (the “**Escrowed Proceeds**”) will be delivered to and held in escrow on behalf of the subscribers by the Company, in a segregated interest bearing account. Upon and subject to the satisfaction of the Conversion Conditions, the Escrowed Proceeds and accrued interest will be released to the Company, at which time each Special Warrant shall automatically convert into a Unit. Notwithstanding the foregoing, the Company will be permitted to use up to \$500,000 of the Escrowed Proceeds from time to time in its sole discretion and will form an interest-free loan from the subscribers to the Company.

If the Conversion Conditions do not occur on or before 5:00 p.m. (Vancouver time) on the date that is 120 days after the closing of the Concurrent Financing (the “**Release Deadline**”), the Special Warrants will immediately become null, void and of no further force or effect and, as soon as reasonably possible, and in any event within ten (10) business days following the Release Deadline, the Escrowed Proceeds will be returned to the holders of Special Warrants in an amount per Special Warrant equal to: (i) the Subscriber’s aggregate offering price paid for the Special Warrants; and (ii) a pro rata share of interest, if any, actually earned on the Escrowed Proceeds to the date of the Release Deadline (less any applicable withholding taxes).

As the number of securities issuable in the Concurrent Financing is more than 100% of the Company’s issued and outstanding Common Shares, the Company is required to obtain shareholder approval for the Concurrent Financing pursuant to Section 4.6(2)(a) of CSE Policy 4 – *Corporate Governance, Security Holder Approvals, and Miscellaneous Provisions*.

Shareholder Resolution

At the Meeting, Shareholders will be asked to consider and, if thought fit, to pass, with or without variation an ordinary resolution ratifying and approving the Concurrent Financing (the “**Concurrent Financing Resolution**”).

The text of the Concurrent Financing Resolution to be voted on at the Meeting by the Shareholders is set forth below:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The Company’s non-brokered private placement of (i) a minimum of 8,000,000 special warrants of the Company (“**Special Warrants**”) at a price of \$0.25 per Special Warrant for gross proceeds of \$2,000,000, and (ii) a maximum of 12,000,000 Special Warrants at a price of \$0.25 per Special Warrant for gross proceeds of \$3,000,000 (the “**Concurrent Financing**”) is hereby authorized, ratified, and approved.

2. Notwithstanding that this resolution has been passed (and the Concurrent Financing approved and agreed to) by the Shareholders, the directors of the Company are hereby authorized and empowered without further notice to or approval of the Shareholders (i) to amend the terms of the Concurrent Financing, and (ii) not to proceed with the Concurrent Financing.
3. Any director or officer of the Company is hereby authorized, empowered and instructed, acting for, in the name and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of these resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing."

AUDIT COMMITTEE DISCLOSURE

The Audit Committee Charter

The Audit Committee has a charter (the "**Audit Committee Charter**"). A copy of the Audit Committee Charter is attached as Schedule "F" to the Company's Prospectus dated May 19, 2022, a copy of which is filed under the Company's SEDAR+ profile at www.sedarplus.ca.

Composition of the Audit Committee

The Company's Audit Committee is currently comprised of three directors: Adam Giddens, Oliver Bales, and Latika Prasad. Ms. Prasad is not independent as she is an officer of the Company. Mr. Giddens is not independent as he was an executive officer of the Company in the last three years. Mr. Bales is the sole independent member of the audit committee.

Following the completion of the Proposed Transaction, the Company's Audit Committee will be reconstituted to consist of: Adam Giddens (Chair), Michael Carew, and Latika Prasad. Mr. Carew will be the sole independent member of the audit committee. Pursuant to Section 6.1.1(3) of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), a majority of the members of the Audit Committee must not be executive officers, employees, or control persons of the Company or an affiliate of the Company. Mr. Carew and Mr. Giddens are not executive officers, employees, or control persons of the Company or any affiliate to the Company, and therefore the composition of the Company's Audit Committee will satisfy the requirements of Section 6.1.1(3) of NI 52-110.

All proposed members of the Audit Committee members are considered to be financially literate.

Relevant Education and Experience

See "*Election of Directors – Director Biographies*" for details of the relevant education and experience for each of Adam Giddens, Michael Carew, and Latika Prasad.

Audit Committee Oversight

The Audit Committee has not made any recommendations to the Board to nominate or compensate any auditor other than Smythe. At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemptions contained in Sections 2.4 or 8 of NI 52-110. Section 2.4 of NI 52-110 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 of NI 52-110 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110 in whole or in part.

Pre-Approval Policies and Procedures

The audit committee has adopted specific policies and procedures for the engagement of non-audit services as set out in the Audit Committee Charter.

External Auditor Service Fees

The aggregate fees billed by the Company's external auditor in the last two fiscal years, by category, are as follows:

Financial Year Ended August 31	Audit Fees ⁽¹⁾	Audit-Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
2023	\$45,500	Nil	\$5,500	Nil
2022	\$86,000	Nil	\$5,000	Nil

Notes:

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the consolidated financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

Exemption

As the Company is a "venture issuer" as defined under NI 52-110, it is relying on the exemption provided by Section 6.1 of NI 52-110 relating to Parts 3 - *Composition of the Audit Committee* and 5 - *Reporting Obligations*.

CORPORATE GOVERNANCE

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognize the principles of good management. The Board is committed to sound corporate governance practices, as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

Board of Directors

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Company. The Board is committed to sound corporate governance practices which are both in the interest of its shareholders and contribute to effective and efficient decision making. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) establishes corporate governance disclosure requirements which apply to all public companies in Canada. The Company’s general approach to corporate governance is summarized below.

Board of Directors

The Board facilitates its exercise of independent judgement in carrying out its responsibilities by carefully examining issues and consulting with outside counsel and other advisors in appropriate circumstances. The Board requires management to provide complete and accurate information with respect to the Company’s activities and to provide relevant information concerning the industry in which the Company operates in order to identify and manage risks. The Board is responsible for monitoring the Company’s senior officers, who in turn are responsible for the maintenance of internal controls and management information systems.

NI 52-110 sets out the standard for director independence. Under NI 52-110, a director is “independent” if they have no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship to the Company.

The Board currently consists of Adam Giddens, Oliver Bales, and Latika Prasad. The independent director is Oliver Bales. The non-independent directors are Latika Prasad and Adam Giddens. Assuming all director nominees are elected as directors at the Meeting, the independent directors will be Zoran Pudar and Michael Carew, and the non-independent directors will be Latika Prasad and Adam Giddens.

Directorships

The following directors and director nominees are presently directors of other reporting issuers as set out below:

Name of Director	Name of Reporting Company	Exchange
Latika Prasad	Turmalina Metals Corp.	TSXV
Michael Carew	Blackbird Critical Metals Corp.	CSE
	Talisker Resources Ltd.	TSX

Orientation and Continuing Education

The Company has not adopted a formalized process of orientation for new members of the Board. Orientation of new directors has been and will be conducted on an ad hoc basis through discussions and meetings with other directors, officers and employees where a thorough description of the Company’s business, assets, operations and strategic plans and objectives are discussed. Orientation activities have been and will be tailored to the particular needs and experiences of each director and the overall needs of the Board.

Meetings of the Board may also include presentations by the Company's management to give the directors additional insight into the Company's business.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company. Further, the Company's auditor has full and unrestricted access to the Audit Committee at all times to discuss the audit of the Company's consolidated financial statements and any related findings as to the integrity of the financial reporting process.

Nomination of Directors

The Board does not have a nominations committee or a formal procedure with respect to the nomination of directors. In addition, the Company does not have any defined policy or procedure requirements of shareholders to submit recommendations or nominations for directors, and it has not established any specific or minimum criteria for nominating directors or specific process for evaluating any such nominees. The directors of the Company expect to identify future potential director candidates from recommendations made by its directors, management and shareholders, as appropriate.

Compensation

The Board is responsible for determining compensation for the officers, employees and non-executive directors of the Company. The Board annually reviews all forms of compensation paid to officers, employees and non-executive directors, both with regards to the expertise and experience of each individual and in relation to industry peers. See "*Statement of Executive Compensation*" below.

Other Board Committees

The Board has no committees other than the Audit Committee.

Assessments

The Board does not, at present, have a formal process in place for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Company's size and its stage of development, the Board considers a formal assessment process to be unnecessary at the present time.

STATEMENT OF EXECUTIVE COMPENSATION

GENERAL

The following compensation information is provided as required under Form 51-102F6V for Venture Issuers, as such term is defined in NI 51-102.

For the purposes of this Statement of Executive Compensation:

"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; and

“NEO” or “**named executive officer**” 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 CEO;
- (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 CFO;
- (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, as determined in accordance with subsection 1.3(5), for that financial year; and
- (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, requirements and was not acting in a similar capacity, at the end of that financial year.

Director and NEO Compensation, Excluding Options and Compensation Securities

During financial year ended August 31, 2023, based on the definition above, the NEOs of the Company were: Bobby Dhaliwal, CFO and Corporate Secretary; Mark Elfenbein, former CEO and director; Adam Giddens, director and former CEO; Samantha Shorter, former CFO, Corporate Secretary and director. The directors of the Company who was not NEOs during the financial year ended August 31, 2023, were Oliver Bales, Jan Hoffman, William O’Hara, and Latika Prasad. Jan Hoffman resigned from the Board on October 3, 2022 and William O’Hara resigned from the Board on April 6, 2023.

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 (\$)
Latika Prasad ⁽¹⁾ CEO and Director	2023	45,000 ⁽²⁾	Nil	Nil	Nil	Nil	45,000
	2022	50,000 ⁽²⁾	Nil	Nil	Nil	Nil	50,000
Bobby Dhaliwal ⁽³⁾ CFO and Corporate Secretary	2023	90,983	Nil	Nil	Nil	Nil	90,983
	2022	N/A	N/A	N/A	N/A	N/A	N/A
Adam Giddens ⁽⁴⁾ Director and former CEO	2023	68,000 ⁽⁵⁾	Nil	Nil	Nil	Nil	68,000
	2022	21,000 ⁽⁶⁾	Nil	Nil	Nil	Nil	21,000
Oliver Bales ⁽⁷⁾ Director	2023	Nil	Nil	Nil	Nil	Nil	Nil
	2022	N/A	N/A	N/A	N/A	N/A	N/A
Mark Elfenbein ⁽⁸⁾ Former CEO and Director	2023	135,057 ⁽⁹⁾	Nil	Nil	Nil	Nil	135,057
	2022	192,022 ⁽⁹⁾	Nil	Nil	Nil	Nil	192,022
Samantha Shorter ⁽¹⁰⁾ Former Director, CFO and Corporate Secretary	2023	15,250 ⁽¹¹⁾	Nil	Nil	Nil	Nil	15,250
	2022	77,859 ⁽¹¹⁾	Nil	Nil	Nil	Nil	77,859
William O’Hara ⁽¹²⁾ Former Director	2023	Nil	Nil	Nil	Nil	Nil	Nil
	2022	Nil	Nil	Nil	Nil	Nil	Nil
Jan Hoffman ⁽¹³⁾ Former Director	2023	Nil	Nil	Nil	Nil	Nil	Nil
	2022	52,829	Nil	Nil	Nil	Nil	52,829

Notes:

1. Latika Prasad was appointed CEO on December 1, 2023 and has been a director since January 9, 2020. Ms. Prasad was President and Corporate Secretary from January 9, 2020 to August 8, 2021.
2. Compensation paid as consideration for director services.
3. Bobby Dhaliwal was appointed as CFO and Corporate Secretary on October 3, 2022 and provides services through Red Fern Consulting Ltd.
4. Adam Giddens served as a director from May 10, 2021 to November 5, 2021 and was re-appointed to the Board on March 3, 2023. Mr. Giddens was CEO from August 1, 2021 to November 5, 2021 and from March 3, 2023 to December 1, 2023.
5. Compensation paid as consideration for officer services.
6. Compensation paid as consideration for director services.
7. Oliver Bales was appointed to the Board on April 6, 2023.
8. Mark Elfenbein was CEO and a director from December 1, 2021 to March 3, 2023.
9. Compensation paid as consideration for officer services.
10. Samantha Shorter was CFO and Corporate Secretary from August 1, 2021 to October 3, 2022 and a director from May 10, 2021 to August 1, 2021 and from October 3, 2022 to April 6, 2023.

11. Compensation paid as consideration for officer services.
12. William O'Hara was a director from May 10, 2021 to April 6, 2023.
13. Jan Hoffman was a director from August 1, 2021 to October 3, 2022.

Outstanding Compensation Securities

There were no compensation securities granted to a director or NEO by the Company during the financial year ended August 31, 2023.

The following table sets out all compensation securities held by each NEO and director as of August 31, 2023:

Name and position	Type of compensation security	Number of compensation securities ⁽¹⁾⁽²⁾	Issue, conversion or exercise price (\$)	Expiry Date (M/D/Y)
Latika Prasad CEO and Director	Options	200,000	\$2.25	06/28/2027
Bobby Dhaliwal CFO and Corporate Secretary	Options	10,000	\$2.25	06/28/2027
Adam Giddens Director and former CEO	Options	60,000	\$2.25	06/28/2027
Oliver Bales Director	N/A	N/A	N/A	N/A
Mark Elfenbein Former CEO and Director	N/A	N/A	N/A	N/A
Samantha Shorter Former Director, CFO and Corporate Secretary	Options	45,000	\$2.25	06/28/2027
William O'Hara Former Director	N/A	N/A	N/A	N/A
Jan Hoffman Former Director	N/A	N/A	N/A	N/A

Notes:

1. Granted on June 28, 2022 with an 8-month fully vested term.
2. These Options were cancelled effective February 29, 2024.

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, 2023.

Stock Options and Other Compensation Plans

10% "rolling" Share Option Plan (Option-Based Awards)

The Company has in place a 10% "rolling" share option plan dated for reference May 20, 2021, as amended June 20, 2022 (the "**Option Plan**"). 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 attached as Schedule "A" to the Company's Management Information Circular dated March 8, 2023.

Employment, Consulting and Management Agreements

Mark Elfenbein had 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 was to be payable annually to Mr. Elfenbein. The Consulting Agreement was terminated on March 3, 2023. Certain entitlements with respect to Mr. Elfenbein's Consulting Agreement were subsequently amended, and following the cessation of Mr. Elfenbein's services to the Company, Mr. Elfenbein had no entitlements related to severance or any other form of remuneration or compensation.

The Company has not entered into any additional employment, consulting or management agreement.

Oversight and Description of Director and NEO Compensation

The Company does not have a compensation committee or a formal compensation policy. The Company relies solely on the Board to determine the compensation of the NEOs and directors. In determining compensation, which the Board does on an annual basis, the Board considers industry standards and the Company's financial situation, but the Company does not have any formal objectives or criteria. The

performance of each executive officer is informally monitored by the Board, having in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer.

In establishing compensation for executive officers, the Board as a whole seeks to accomplish the following goals:

- To recruit and subsequently retain highly qualified executive officers by competitive offering overall compensation;
- To motivate executives to achieve important corporate and personal performance objectives and reward them when such objectives are met; and
- To align the interests of executive officers with the long-term interests of shareholders through participation in the Stock Option Plan.

When considering the appropriate executive compensation to be paid to our officers and directors, the Board will have regard to a number of factors including: (i) recruiting and retaining individuals critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and the Company's shareholders; (iv) rewarding performance, both on an individual basis and with respect to operations generally; and (v) available financial resources.

The Board did not use any formal peer group evaluation to determine compensation.

In compensating its officers and directors, the Company has employed a combination of base salary and equity participation through its current Stock Option Plan.

Base Salary

In the Board's view, paying base salaries which are reasonable in relation to the level of service expected while remaining competitive in the markets in which the Company operates is a first step to attracting and retaining qualified and effective executives.

The Company's objective is to achieve certain strategic objectives and milestones. The Board will consider executive bonus compensation dependent upon the Company meeting those strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses. The Board approves executive bonus compensation dependent upon compensation levels based on recommendations of the Board. Such recommendations are generally based on information provided by issuers that are similar in size and scope to the Company's operations.

Equity Participation

The Company believes that encouraging its executives to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's current Option Plan, in which certain securities are granted to executives taking into account a number of factors, including the amount and term of Options previously granted, base salary and bonuses and competitive factors. The amounts and terms of Options granted are determined by the Board based on recommendations put forward by the CEO. The Company emphasizes the provision of Options to maintain executive motivation.

Compensation Review Process

Executive compensation is based upon the need to provide a compensation package that will allow the Company to attract and retain qualified and experienced executives, balanced with a pay-for-performance philosophy. Compensation currently is based on a base salary, with Options and bonuses potentially being issued and paid as an incentive for performance. The Company does not presently have a long-term

incentive plan for its NEOs. There is no policy or target regarding allocation between cash and non-cash elements of the Company's compensation program.

Risks Associated with the Company's Compensation Program

The Board has assessed the Company's compensation plans for its executive officers to ensure alignment with the Company's business plan and to evaluate the potential risks associated with those plans and programs. The Board has concluded that the compensation practices do not create any risks that are reasonably likely to have a material adverse effect on the Company. The Board considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs.

The Company has not adopted a policy restricting its executive officers or directors from purchasing financial instruments that are designated to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by its executive officers or directors. To the knowledge of the Company, none of the executive officers or directors has purchased such financial instruments.

Termination and Change of Control Benefit

As at the year ended August 31, 2023, 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, 2023, 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.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information

The following table sets out equity compensation plan information as at the August 31, 2023, financial year end.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders – Option Plan	380,000 ⁽¹⁾⁽²⁾	2.25	1,365,836
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	380,000 ⁽¹⁾⁽²⁾	N/A	1,365,836

Notes:

1. 20,000 Options were forfeited effective November 30, 2023.
2. 360,000 Options were cancelled effective February 29, 2024

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former director, executive officer, employee, or proposed nominee for election as a director, or associate of such person is, or at any time during the most recently completed financial year has been, indebted to the Company.

No indebtedness of a current or former director, executive officer, employee, or proposed nominee for election as a director, or associate of such person to another entity is, or at any time during the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, no informed person (a director, officer or holder of 10% or more of the Common Shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during the financial year ended August 31, 2023, or has any interest in any material transaction during fiscal 2023 other than as disclosed in Note 13 - *Related Party Transactions* in the annual financial statements for the financial year ended August 31, 2023.

MANAGEMENT CONTRACTS

There are no management functions of the Company, which are, to any substantial degree, performed by a person other than the directors or executive officers of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company is available under the Company's SEDAR+ profile at www.sedarplus.ca. Shareholders may contact the Company by mail at its office at 615 – 800 West Pender

Street, Vancouver, BC V6C 2V6 to request copies of the Company's financial statements and related management's discussion and analysis. Financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for its two most recently completed financial years.

APPROVAL OF THE BOARD OF DIRECTORS

The contents of this Circular have been approved and the delivery of it to each Shareholder entitled thereto and to the appropriate regulatory agencies has been authorized by the Board.

DATED at Vancouver, British Columbia this 12th day of July, 2024.

By Order of the Board of Directors

X1 ENTERTAINMENT GROUP INC.

"Latika Prasad"

Latika Prasad
Chief Executive Officer

SCHEDULE "A"
DEFINITIVE AGREEMENT

[see attached]

ASSET PURCHASE AGREEMENT

This Agreement dated as of February 7, 2024, is made between:

SKRR EXPLORATION INC., a corporation duly existing under the laws of the Province of British Columbia, having an address at #228 – 1122 Mainland Street, Vancouver, British Columbia V6B 5L1

(the “**Seller**”)

AND:

X1 ENTERTAINMENT GROUP INC., a corporation duly existing under the laws of the Province of British Columbia, having an address at #615 – 800 West Pender Street, Vancouver, British Columbia V6C 2V6

(the “**Buyer**”)

WHEREAS:

- A. The Seller owns all right, title and interest under and relating to the Mineral Claims (as hereinafter defined); and
- B. The Buyer wishes to purchase from the Seller, and the Seller wishes to sell to the Buyer, the Purchased Assets (as hereinafter defined) on the terms and conditions contained in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties agree as follows:

ARTICLE 1 – INTERPRETATION

Section 1.1 Definitions

In this Agreement, including the recitals hereto, the following terms shall have the meanings set out below unless the context requires otherwise:

- (1) “**Activities**” means any and all activities carried out by or for the benefit of the Seller (or its predecessors in title) that are directly related to the ownership or occupation of, or operations on, the Mineral Claims, including with respect to the exploration, development or maintenance of all or any part of the Mineral Claims.
- (2) “**Affiliate**” means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such Person, and, in the case of a limited partnership, includes the general partner of such limited partnership. A Person shall be deemed to control a Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the term “controlled” shall have a similar meaning.

- (3) “**Agreement**” means this Agreement, including the Schedules to this Agreement, as it or they may be amended or supplemented from time to time, and the expressions “hereof”, “herein”, “hereto”, “hereunder”, “hereby” and similar expressions refer to this Agreement and not to any particular Section, Schedule or other portion of this Agreement.
- (4) “**Anti-Corruption Laws**” has the meaning given in Section 5.1(18).
- (5) “**Applicable Law**” means any applicable federal, provincial, territorial, regional and local law (statutory or common), rule, regulation, order, judgment, decree or other governmental restriction, whether legislative, municipal, administrative or judicial in nature (including Environmental Laws and Securities Laws).
- (6) “**Assignee**” has the meaning given in Section 9.12.
- (7) “**BCBCA**” means the *Business Corporations Act* (British Columbia).
- (8) “**Bridge Financing**” means the non-brokered private placement of the Buyer of up to 7,142,857 units of the Buyer at a price of \$0.07 per unit for gross proceeds of up to \$500,000.
- (9) “**Business Day**” means any day except Saturday, Sunday or any day on which banks are generally not open for business in the City of Vancouver, British Columbia, Canada or the City of Regina, Saskatchewan.
- (10) “**Buyer**” means X1 Entertainment Group Inc., and its successors and permitted assigns.
- (11) “**Buyer Indemnified Party**” has the meaning given in Section 6.1(1).
- (12) “**Buyer Information Record**” means any annual information form, press release, material change report, information circular, financial statement, management’s discussion and analysis or other document of the Buyer which has been publicly filed by it on SEDAR.
- (13) “**Buyer Shareholders**” means the holders of the Buyer Shares.
- (14) “**Buyer Shares**” means common shares in the capital of the Buyer.
- (15) “**Change of Business**” means the change of business of the Buyer from a technology issuer to a mining issuer.
- (16) “**Claim**” means any claim of any nature whatsoever, including any demand, liability, obligation, debt, cause of action, suit, proceeding, judgment, award, assessment, reassessment or notice of determination of Damages.
- (17) “**Claim Notice**” has the meaning given in Section 6.3.
- (18) “**Closing**” means the completion of the purchase and sale of the Purchased Assets in accordance with the provisions of this Agreement.
- (19) “**Closing Date**” means, unless otherwise agreed to in writing by the Parties, the date that is five (5) Business Days after all conditions contained in Section 4.1 and Section 4.3 have been satisfied or waived (except for such conditions which, by their nature, can only be satisfied on the Closing Date), or such other date as is mutually agreed upon by the Seller and the Buyer.

- (20) “**Closing Time**” has the meaning given in Section 3.1.
- (21) “**Concurrent Financing**” means a non-brokered private placement of units consisting of Buyer Shares and Buyer Share purchase warrants, at a price per unit to be determined by the board of directors of the Buyer in their sole discretion, for net proceeds which are equal to at least 12 months of estimated working capital of the Buyer following the completion of the Transaction.
- (22) “**Concurrent Financing Price**” means the offering price of the units to be issued by the Buyer in the Concurrent Financing.
- (23) “**Consideration Shares**” means 1,000,000 Buyer Shares with a deemed value per Buyer Share equal to the Concurrent Financing Price.
- (24) “**Convertible Debentures**” means the convertible debentures issued by the Buyer which (a) bear interest at a rate of 5.0% per annum, (b) mature on November 15, 2024, and (c) are convertible, both the principal amount and accrued but unpaid interest thereon, into units of the Buyer, with each unit consisting of one Buyer Share and one warrant to acquire one Buyer Share.
- (25) “**CSE**” means the Canadian Securities Exchange, operated by CNSX Markets Inc.
- (26) “**CSE Approval**” means the approval of the Transaction from the CSE.
- (27) “**Damages**” means, subject to Section 6.7, any loss, cost, liability, claim, interest, fine, penalty, assessment, Tax, damages available at law or in equity or expense (including consultant’s and expert’s fees and expenses and reasonable costs, fees and expenses of legal counsel on a full indemnity basis, without reduction for tariff rates or similar reductions and reasonable costs, fees and expenses of investigation, defence or settlement).
- (28) “**Data and Information**” means all documentation relating to the Mineral Claims or the Activities within the possession or control of the Seller, including, to the extent applicable, any assay results, files, correspondence, reports, maps, studies (including environmental, geological, geophysical and geochemical studies), designs, plans, data bases, operating and regulatory documentation, data, engineering documents, certificates, financial data and expenditure statements, whether in tangible or in electronic form, along with all material written correspondence between the Seller and any Indigenous Group or Governmental Authority in respect of the Mineral Claims or the Activities.
- (29) “**Direct Claim**” has the meaning given in Section 6.3.
- (30) “**Eagle**” means Eagle Plains Resource Ltd.
- (31) “**Eagle Acquisition Agreement**” means the mineral claims acquisition agreement dated August 31, 2020, between the Vendor and Eagle.
- (32) “**Eagle NSR**” means the two percent (2%) net smelter returns royalty payable to Eagle, subject to a buydown to one percent (1%) at the option of the Vendor by paying Eagle \$1,000,000 in cash, pursuant to the terms and conditions of Schedule “B” to the Eagle Acquisition Agreement
- (33) “**Edge**” means Edge Geological Consulting Inc.
- (34) “**Edge Acquisition Agreement**” means the mineral claims acquisition agreement dated August 31, 2020, between the Vendor and Edge.

- (35) **“Edge NSR”** means the two percent (2%) net smelter returns royalty payable to Edge, subject to a buydown to one percent (1%) at the option of the Vendor by paying Edge \$1,000,000 in cash, pursuant to the terms and conditions of Schedule “B” to the Edge Acquisition Agreement
- (36) **“Environmental Laws”** means Applicable Law in respect of the natural environment or any species or organisms that make use thereof, public or occupational health or safety, or the manufacture, importation, handling, transportation, storage, disposal and treatment of Hazardous Substances.
- (37) **“Environmental Liabilities”** means, with respect to any Person, all liabilities, obligations, responsibilities, responses, losses and damages (including control, remedial and removal costs, investigation costs, capital costs, operation and maintenance costs) incurred as a result of or related to any claim, suit, action, administrative, regulatory or court order, investigation, proceeding or demand by any Person, arising under or related to any Environmental Laws, or in connection with any:
- (a) Release or threatened Release or presence of a Hazardous Substance;
 - (b) tank, drum, pipe or other container that contains or contained a Hazardous Substance;
 - (c) use, generation, disposal, treatment, processing, recycling, handling, transport, transfer, import, export or sale of Hazardous Substances; or
 - (d) physical disturbance of the natural environment (including without limitation, ambient air, ground, surface water and groundwater).
- (38) **“Exemptions”** has the meaning given in Section 2.3(2)(a);
- (39) **“Government Official”** means:
- (a) any Person who holds a legislative, administrative or judicial position in or with a Governmental Authority;
 - (b) any officer, director, employee, agent, contractor or representative of any Governmental Authority;
 - (c) any Person acting in an official capacity for or on behalf of any Governmental Authority;
 - (d) any candidate for political office, any political party or any official of a political party;
 - (e) any officer, employee, agent, contractor or representative of any public international organization, including the United Nations and World Bank;
 - (f) any immediate family member of any of the above Persons; or
 - (g) any agent or intermediary of any Person in any of (a) through (f) above.
- (40) **“Governmental Authority”** means:
- (a) any domestic or foreign government, whether national, federal, provincial, state, territorial, municipal or local (whether administrative, legislative, executive or otherwise);

- (b) any agency, authority, ministry, department, regulatory body, court, central bank, bureau, board or other instrumentality having legislative, judicial, taxing, regulatory, prosecutorial or administrative powers or functions of, or pertaining to, government;
 - (c) any court, tribunal, commission, individual, arbitrator, arbitration panel or other body having adjudicative, regulatory, judicial, quasi-judicial, administrative or similar functions; and
 - (d) any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, including the TSXV and the CSE, or professional association.
- (41) “**GST**” means all goods and services tax imposed under Part IX of the *Excise Tax Act* (Canada).
- (42) “**Hazardous Substance**” means any substance, material, effluent or waste defined, regulated, listed or prohibited by Environmental Laws, including pollutants, contaminants, chemicals, deleterious substances, dangerous goods, hazardous or industrial toxic wastes or substances, tailings, radioactive materials, explosives, petroleum and petroleum products and polychlorinated biphenyls.
- (43) “**Heritage Property Act**” means *The Heritage Property Act* (Saskatchewan).
- (44) “**IFRS**” means International Financial Reporting Standards as described in the CPA Canada Standards and Guidance Collection and as issued by the international Accounting Standards Board, at the relevant time applied on a consistent basis;
- (45) “**including**” means “including without limitation”, and “**includes**” means “includes without limitation”.
- (46) “**Indemnified Party**” means, as applicable, a Seller Indemnified Party or a Buyer Indemnified Party.
- (47) “**Indemnifying Party**” means, in relation to an Indemnified Party, the Party to this Agreement that has agreed to indemnify that Indemnified Party under Article 6.
- (48) “**Indigenous Groups**” means, together with the Inuit and the Métis, aboriginal peoples of Canada within the meaning section 35(2) of the *Constitution Act, 1982*, and “**Indigenous Group**” means a recognized group of aboriginal peoples, including a band within the meaning of the *Indian Act* (Canada).
- (49) “**Information Circular**” means the information circular to be prepared by the Buyer in connection with the special meeting of Buyer Shareholders to be called to consider and, if thought fit, authorize and approve the Transaction, and includes any amendments thereto.
- (50) “**Interim Period**” means the period from the date of execution of this Agreement to the Closing Time.
- (51) “**ITA**” means the *Income Tax Act* (Canada).
- (52) “**Legal Proceeding**” means any litigation, action, application, suit, investigation, hearing, claim, formal grievance, civil, administrative, regulatory, criminal, or arbitration proceeding or other

similar proceeding, before or by any court, tribunal or Governmental Authority, and includes any appeal or review thereof and any application for leave for appeal or review.

- (53) “**Liabilities**” means all costs, expenses, charges, debts, liabilities, claims, demands and obligations, of every kind, however arising (whether direct, indirect, fixed, contingent, absolute or otherwise, and whether arising under or in respect of any contract, agreement, arrangement, lease, commitment, undertaking or Applicable Law).
- (54) “**Lien**” means any lien, mortgage, charge, hypothec, pledge, security interest, prior assignment, option, warrant, lease, sublease, royalty, profit à prendre, right to possession, encumbrance, claim, right or restriction which affects, by way of a conflicting ownership interest or otherwise, the right, title or interest in or to the Purchased Assets, but for certainty does not include the presence on the land of any “heritage property”, “archaeological object”, “Municipal Heritage Property”, “Municipal Heritage Conservation District” or “Provincial Heritage Property” within the meaning of the Heritage Property Act.
- (55) “**Listing Statement**” means the listing statement of the Buyer pertaining to the Transaction.
- (56) “**LOI**” means the letter of intent dated December 1, 2023, entered into between the Parties.
- (57) “**Material Adverse Change**” means, with respect to a Person, any matter or action that has an effect or change that is, or would reasonably be expected to be, material and adverse to the business, results of operations, assets, capitalization, financial condition, rights, liabilities or prospects, contractual or otherwise, of such Person and its subsidiaries, if applicable, taken as a whole, other than any matter, action, effect or change relating to or resulting from: (i) a matter that has been publicly disclosed prior to the date of this Agreement or otherwise disclosed in writing by a Party to the other Party prior to the date of this Agreement; (ii) any action or inaction taken by such Person to which the other Person had consented in writing; (iii) the announcement of the transactions contemplated by this Agreement; or (iv) general economic, financial, currency exchange, securities, banking or commodity market conditions in the United States, Canada or worldwide;
- (58) “**MER**” means the Ministry of Energy and Resources for the Province of Saskatchewan.
- (59) “**Mineral Claims**” means the thirteen (13) contiguous mineral claims totaling 4,293.213 hectares located in the Province of Saskatchewan, as set out in Schedule “A”.
- (60) “**Outside Date**” means 120 days from the date hereof, or such later date as may be agreed by the Parties.
- (61) “**Party**” means a party to this Agreement and any reference to a Party includes its successors and permitted assigns, and “**Parties**” means every Party.
- (62) “**Permitted Liens**” means:
 - (a) any inchoate right, lien or interest of a Governmental Authority;
 - (b) any inchoate Liens for Taxes not yet due and payable, not in arrears and accrued in the ordinary course of the Seller’s Activities;

- (c) agreements in favour of municipalities or public utilities if they have been complied with and do not individually, or in aggregate, materially adversely affect or impair the Mineral Claims;
 - (d) undetermined or inchoate construction or repair or storage Liens arising in the ordinary course of business, a claim for which has not been filed or registered pursuant to law or which notice in writing has not been given to the Seller and the debt for which is not in arrears;
 - (e) any reservations or exceptions contained in the original grants from the Crown or arising pursuant to Applicable Law, including without limitation *The Mineral Resources Act, 1985* (Saskatchewan), *The Crown Minerals Act* (Saskatchewan), *The Provincial Lands Act, 2016* (Saskatchewan) and *The Land Titles Act, 2000* (Saskatchewan); and
 - (f) the Permitted Royalties.
- (63) **“Permitted Royalties”** means Edge NSR and the Eagle NSR.
- (64) **“Person”** includes an individual, a corporation, a joint venture, a partnership, a trust, an unincorporated organization, a Governmental Authority, an Indigenous Group, and the executors, administrators or other legal representatives of an individual in such capacity.
- (65) **“Purchase Price”** means the product of 1,000,000 multiplied by the Concurrent Financing Price.
- (66) **“Purchased Assets”** means:
- (a) the Data and Information; and
 - (b) all rights, title and interest of the Seller under and relating to the Mineral Claims.
- (67) **“Release”** includes an actual or potential discharge, deposit, spill, leak, pumping, pouring, emission, emptying, injection, escape, leaching, seepage, migration or disposal of a Hazardous Substance, including without limitation the movement of Hazardous Substances through air, soil, subsoil, ground or surface water.
- (68) **“Representative”** when used with respect to a Person means each director, officer, employee, consultant, equity financier, financial adviser, legal counsel, accountant and other agent, adviser or representative of that Person who is involved in the transactions contemplated by this Agreement.
- (69) **“Securities Laws”** means the securities laws of each of the provinces and territories of Canada, the policies and regulations of the TSXV and the CSE, as they may be promulgated or amended from time to time.
- (70) **“Seller”** means SKRR Exploration Inc., and its successors and permitted assigns.
- (71) **“Seller Indemnified Party”** has the meaning given in Section 6.2(1).
- (72) **“Seller TSXV Approval”** means the approval of the TSXV with respect to the Seller for the transactions contemplated by this Agreement.
- (73) **“Shareholder Approval”** means the approval of the Transaction by shareholders of the Buyer in accordance with the policies of the CSE and applicable Securities Laws.

- (74) “**Taxes**” means any tax (including any income tax, franchise tax, capital gains tax, estimated tax, gross receipts tax, value added tax, surtax, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, business tax, occupation tax, inventory tax, occupancy tax, withholding tax or payroll tax), levy, assessment, tariff, impost, imposition, toll, duty (including any customs duty), deficiency or fee, and any related charge or amount (including any fine, penalty or interest), that is, has been or may in the future be (a) imposed, assessed or collected by or under the authority of any Governmental Authority, or (b) payable pursuant to any tax sharing agreement or similar agreement.
- (75) “**Third Party**” has the meaning given in Section 6.5(4).
- (76) “**Third Party Claim**” has the meaning given in Section 6.3.
- (77) “**Transaction**” means, collectively, the Buyer’s acquisition of the Purchased Assets in accordance with this Agreement and the Buyer’s concurrent Change of Business.
- (78) “**Transfer Taxes**” means all transfer, land transfer, value added, excise, sales, goods or services, provincial sales, retail sales or other similar taxes or duties that relate directly to the transfer by the Seller to the Buyer of the Purchased Assets, and any interest, fines and penalties imposed by any Governmental Authority in respect thereof, whether disputed or not.
- (79) “**TSXV**” means the TSX Venture Exchange.

Section 1.2 Headings and Table of Contents

The division of this Agreement into Articles and Sections, the insertion of headings, and the provision of any table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

Section 1.3 Number and Gender

Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.

Section 1.4 Business Days

If any payment is required to be made or other action is required to be taken pursuant to this Agreement on a day which is not a Business Day, then such payment or action shall be made or taken on the next Business Day.

Section 1.5 Currency and Payment Obligations

Except as otherwise expressly provided in this Agreement all dollar amounts referred to in this Agreement are stated in Canadian dollars.

Section 1.6 Statute References

Any reference in this Agreement to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute, and any regulations promulgated thereunder, or section thereof as amended, restated or re-enacted from time to time.

Section 1.7 Section and Schedule References

Unless the context requires otherwise, references in this Agreement to Articles, Sections or Schedules are to Articles, Sections or Schedules of this Agreement and each of the Schedules to this Agreement are incorporated herein by reference.

Section 1.8 Definition of Knowledge

The words “to the knowledge of the Seller” (or words of similar effect) mean, when modifying a representation, warranty or other statement of the Seller, that such representation, warranty or other statement is made based on (i) the actual knowledge of Sherman Dahl and Ryan Cheung, and (ii) the knowledge such persons are deemed to have after making due and proper inquiries to the Seller’s personnel who would reasonably be expected to have knowledge of the applicable matter.

Section 1.9 Schedules

The following schedules are attached to and form part of this Agreement:

Schedule “A” – Mineral Claims

Schedule “B” – Purchase Price Allocation

ARTICLE 2 – PURCHASE OF ASSETS

Section 2.1 Purchase and Sale

At the Closing Time, on and subject to the terms and conditions of this Agreement, the Seller shall sell, assign and transfer to the Buyer, and the Buyer shall purchase and acquire from the Seller, all of the Seller’s right, title and interest in the Purchased Assets, free and clear of all Liens, other than the Permitted Liens.

Section 2.2 Consideration

In consideration for the Purchased Assets, on the Closing Date the Buyer shall issue to the Vendor the Consideration Shares. The Consideration Shares shall be issued as fully-paid and non-assessable common shares in the capital of the Buyer.

Section 2.3 Share Consideration Transfer Restrictions

- (1) The Consideration Shares will be subject to a restricted resale period of four (4) months plus one (1) day in accordance with applicable Securities Laws and the certificates or Direct Registration Statement representing the Consideration Shares will bear a legend to such effect.
- (2) The Vendor acknowledges and agrees as follows:
 - (a) the issuance of the Consideration Shares will be made pursuant to appropriate exemptions (the “**Exemptions**”) from prospectus requirements of applicable Securities Laws;
 - (b) that the CSE, in addition to any restrictions on transfer imposed by applicable Securities Laws, may require certain of the Consideration Shares be held in escrow in accordance with the policies of the CSE;

- (c) the certificates or Direct Registration Statement representing the Consideration Shares will bear such legends as required by Securities Laws and the policies of the CSE and it is the responsibility of the Vendor to find out what those restrictions are and to comply with them before selling the Consideration Shares; and
 - (d) the Vendor is knowledgeable of, or has been independently advised as to, the applicable laws of that jurisdiction which apply to the sale of the Consideration Shares, and the issuance of the Consideration Shares, and which may impose restrictions on the resale of such Consideration Shares in that jurisdiction and it is the responsibility of the Vendor to find out what those resale restrictions are, and to comply with them before selling Consideration Shares.
- (3) In addition to any resale conditions required pursuant to applicable Securities Laws, the Consideration Shares shall be subject to contractual resale restrictions pursuant to which:
- (a) fifty percent (50%) of the Consideration Shares will be released on the date that is four (4) months following the Closing Date;
 - (b) twenty-five percent (25%) of the Consideration Shares will be released on the date that is six (6) months following the Closing Date; and
 - (c) twenty-five percent (25%) of the Consideration Shares will be released on the date that is eight (8) months following the Closing Date,
- and the Vendor acknowledges that the certificates or Direct Registration Statement representing the Consideration Shares will bear a legend to such effect.

Section 2.4 Allocation of Consideration

The Purchase Price will be allocated among the Purchased Assets in accordance with Schedule "B". The Buyer and the Seller hereby agree that they will use such values and allocations in all filings requiring the use of fair market values or fair values made under the ITA, the *Excise Tax Act* (Canada), *The Income Tax Act, 2000* (Saskatchewan) and *The Provincial Sales Tax Act* (Saskatchewan) and all other similar Applicable Laws, so that for income, goods and services, provincial sales, transfer and similar taxation purposes such amounts represent the fair market values or fair values and become such Parties' proceeds of disposition and costs of acquisition respectively.

Section 2.5 Taxes

- (1) The Buyer is liable for and will pay, or cause to be paid, directly to the appropriate taxing authorities, all Transfer Taxes payable directly or indirectly in connection with the conveyances of legal and beneficial title to the Purchased Assets and the completion of the transactions contemplated herein (exclusive of any GST, which is dealt with in Section 2.5(1)) on or before the due date for any such payments.
- (2) The Buyer will pay to the Seller at the Closing any GST in respect of the Purchased Assets. The Seller must submit a valid tax invoice to the Buyer. Where the Buyer has paid GST to the Seller, the Seller will timely remit any such GST and applicable provincial sales Tax to the appropriate Governmental Authority.

- (3) Upon the reasonable request of the Seller, the Buyer shall furnish proof of payment of the Transfer Taxes to be paid pursuant to Section 2.5(1). To the extent that any Transfer Taxes for which the Buyer is liable under Section 2.5(1) are required to be paid by and are imposed upon the Seller, the Buyer will reimburse, or cause to be reimbursed, to the Seller such Transfer Taxes within five Business Days of the Seller providing the Buyer with evidence of the payment of such Transfer Taxes by the Seller and evidence, to the satisfaction of the Buyer (acting reasonably) that such amounts were required to be paid under Applicable Law.

Section 2.6 Cooperation on Tax Matters

Each Party will furnish, or cause to be furnished, to the other Party, as promptly as practicable, such reasonable information, documentation and assistance relating to the Purchased Assets as is reasonably necessary for the filing of any Tax returns, for the claim or application for any relief, for the claim of any Tax credit, refund or similar payment, for the preparation of any audit and for the prosecution or defence of any Claim, relating to any adjustment or proposed adjustment with respect to Taxes.

ARTICLE 3– CLOSING ARRANGEMENTS

Section 3.1 Closing

The Parties agree to use commercially reasonable efforts to schedule the Closing on or before the date which is ninety (90) days from the date of the Agreement and in any case, before the Outside Date. The Closing shall take place electronically at 10:00 a.m. (Vancouver time) (the “**Closing Time**”) on the Closing Date, or at such other time on the Closing Date or such other place as may be agreed in writing by the Seller and the Buyer.

Section 3.2 Seller’s Closing Deliveries

At the Closing, the Seller shall deliver or cause to be delivered to the Buyer the following documents (all in form and substance satisfactory to the Buyer, acting reasonably):

- (a) registrable transfer(s) of subsurface mineral dispositions, in the form required pursuant to *The Subsurface Mineral Tenure Regulations*, sufficient to permit the transfer of ownership of the Mineral Claims on submission thereof to MER;
- (b) all deeds, bills of sale, conveyances, transfers, assignments, instruments and other documents which are necessary to assign, sell and transfer the Purchased Assets effective as of the Closing Time to the Buyer as contemplated by this Agreement in such form and content as the Buyer may require to give effect to the transactions contemplated by this Agreement, acting reasonably;
- (c) an officer’s certificate from the Seller, dated as of the Closing Date, as contemplated by Section 4.1(2) and Section 4.1(3).
- (d) an officer’s certificate from the Seller, dated as of the Closing Date, certifying that the Seller has obtained TSXV Approval, if required;
- (e) audited “carve-out” financial statements on the business related to the Mineral Claims prepared in accordance with IFRS and Securities Laws;

- (f) a written consent to the assignment of the Buyer's obligations pursuant to the Edge NSR, executed by Edge, in a form satisfactory to the Buyer, acting reasonably;
- (g) a written consent to the assignment of the Buyer's obligations pursuant to the Eagle NSR, executed by Eagle, in a form satisfactory to the Buyer, acting reasonably;
- (h) a certificate of good standing of the Seller issued as of a date no later than two (2) Business Days prior to the Closing Date by the British Columbia Registrar of Companies; and
- (i) all such other assurances, consents, agreements, documents and instruments as may be necessary, in the reasonable opinion of the Buyer, to complete the transactions provided for in this Agreement.

Section 3.3 Buyer's Closing Deliveries

At the Closing, the Buyer shall deliver or cause to be delivered to the Seller the following documents and payments (all in form and substance satisfactory to the Seller, acting reasonably):

- (a) delivery of a DRS statement or share certificate representing the Consideration Shares;
- (b) an officer's certificate from the Buyer, dated as of the Closing Date, as contemplated by Section 4.3(2) and Section 4.3(3).
- (c) an officer's certificate from the Buyer, dated as of the Closing Date, certifying that the Buyer has obtained Shareholder Approval and CSE Approval;
- (d) a certificate of good standing of the Buyer issued as of a date no later than two (2) Business Days prior to the Closing Date by the British Columbia Registrar of Companies;
- (e) all such other assurances, consents, agreements, documents and instruments as may be necessary, in the reasonable opinion of the Seller, to complete the transactions provided for in this Agreement.

Section 3.4 Concurrent Delivery

Subject to Section 3.5, it shall be a condition of the Closing that all matters of payment, the execution and delivery of the documents by any Party to the other, and the performance of any steps by any Party that are required pursuant to the terms of this Agreement to be delivered at the Closing Time shall be concurrent requirements and that nothing will be complete at the Closing until everything is required as a condition precedent to the Closing has been paid, executed and delivered as the case may be.

Section 3.5 Transfer of Mineral Claims

Once legal counsel for each of the Parties have confirmed that all closing deliveries contemplated by Section 3.2 and Section 3.3 other than the Consideration Shares under Section 2.2 have been delivered and are in order, the Buyer shall submit a treasury order to its transfer agent issuing the Consideration Shares and provide evidence of such submission to the Seller. The Buyer shall immediately thereafter submit the transfer(s) of subsurface mineral dispositions to MER for registration of the Mineral Claims in the Buyer's name, and shall provide confirmation of the same to the Seller upon receipt of such confirmation from MER.

ARTICLE 4 – CONDITIONS OF CLOSING

Section 4.1 Buyer's Conditions

The Buyer shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Time, each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Buyer and may be waived, in whole or in part, in writing by the Buyer at any time:

- (1) Deliverables. The Seller shall have tendered all closing deliverables set forth in Section 3.2.
- (2) Representations and Warranties. Each of the representations and warranties of the Seller in Section 5.1 shall be true and correct in all material respects on the Closing Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, then as of such date) and the Seller shall have provided to the Buyer an officer's certificate to the foregoing effect.
- (3) Seller's Compliance. The Seller shall have performed and complied in all material respects with all of the terms and conditions in this Agreement on its part to be performed or complied with at or before the Closing Time and shall have executed and delivered or caused to have been executed and delivered to the Buyer at the Closing Time (i) all the documents contemplated in Section 3.2 or elsewhere in this Agreement, and (ii) an officer's certificate to the foregoing effect.
- (4) Concurrent Financing. The Concurrent Financing shall have been completed on terms satisfactory to the Buyer, acting reasonably.
- (5) TSXV Approval. The Seller shall have received seller TSXV Approval, if required.
- (6) Shareholder Approval. The Buyer shall have received Shareholder Approval.
- (7) CSE Approval. The Buyer shall have received CSE Approval.
- (8) Technical Report. If required by applicable Securities Laws, the Buyer shall have received a technical report prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* with respect to the Mineral Claims, in form and content satisfactory to the Buyer, acting reasonably, and satisfactory to the CSE;
- (9) Agreement Continuing. This Agreement shall not have been terminated in accordance with its terms.
- (10) No Material Adverse Change. There shall have been no Material Adverse Change with respect to the Purchased Assets or the prospects, operation, or condition of the Mineral Claims.
- (11) No Litigation. There shall be no Legal Proceeding:
 - (a) pending or threatened in writing against any of the Parties or against any of their respective Affiliates or any of their respective directors or officers, for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated by this Agreement; or

- (b) pending or threatened in writing against any of the Parties or against any of their respective Affiliates or any of their respective directors or officers which could materially adversely affect the right of the Buyer to acquire, retain, or enjoy the quiet possession of, the Purchased Assets or the right of the Seller to dispose of the Purchased Assets.
- (12) No Law. During the Interim Period, no Governmental Authority shall have enacted, issued or promulgated any law which has the effect of (i) making any of the transactions contemplated by this Agreement illegal; or (ii) otherwise prohibiting, preventing, or restraining the consummation of any of the transactions contemplated by this Agreement.

Section 4.2 Condition not Fulfilled

If any condition in Section 4.1 has not been fulfilled by the Outside Date, then the Buyer in its sole discretion may, without limiting any rights or remedies available to the Buyer at law or in equity, either:

- (1) terminate this Agreement by notice to the Seller, in which event the Buyer shall be released from its obligations under this Agreement to complete the purchase of the Purchased Assets, except that the right to terminate this Agreement under this Section 4.2(1) shall not be available to the Buyer if it is then in material breach of this Agreement so as to cause any of the conditions contained in Section 4.1 not to be satisfied; or
- (2) waive compliance with any such condition, which shall be without prejudice to its right of termination in the event of non-fulfilment of any other condition or its right to sue for any breach by the Seller of this Agreement, unless otherwise provided herein.

Section 4.3 Seller's Conditions

The Seller shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Time, each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Seller, and may be waived, in whole or in part, in writing by the Seller at any time:

- (1) Deliverables. The Buyer shall have tendered all closing deliverables set forth in Section 3.3.
- (2) Representations and Warranties. Each of the representations and warranties of the Buyer in Section 5.2 shall be true and correct in all material respects on the Closing Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, then as of such date) and the Buyer shall have provided to the Seller an officer's certificate to the foregoing effect.
- (3) Buyer's Compliance. The Buyer shall have performed and complied in all material respects with all of the terms and conditions in this Agreement on its part to be performed or complied with at or before the Closing Time and shall have executed and delivered or caused to have been executed and delivered to the Seller at the Closing Time all the documents contemplated in (i) Section 3.3 or elsewhere in this Agreement, and (ii) an officer's certificate to the foregoing effect.
- (4) Agreement Continuing. This Agreement shall not have been terminated in accordance with its terms.
- (5) Concurrent Financing. The Concurrent Financing shall have been completed on terms satisfactory to the Buyer, acting reasonably.

- (6) TSXV Approval. The Seller shall have received seller TSXV Approval, if required.
- (7) Shareholder Approval. The Buyer shall have received Shareholder Approval.
- (8) CSE Approval. The Buyer shall have received CSE Approval.
- (9) No Litigation. There shall be no Legal Proceeding:
 - (a) pending or threatened in writing against any of the Parties or against any of their respective Affiliates or any of their respective directors or officers, for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated by this Agreement; or
 - (b) pending or threatened in writing against any of the Parties or against any of their respective Affiliates or any of their respective directors or officers which in the result, could materially adversely affect the right of the Seller to dispose of the Purchased Assets or the right of the Buyer to acquire or retain the Purchased Assets.
- (10) No Law. During the Interim Period, no Governmental Authority shall have enacted, issued or promulgated any law which has the effect of (i) making any of the transactions contemplated by this Agreement illegal; or (ii) otherwise prohibiting, preventing, or restraining the consummation of any of the transactions contemplated by this Agreement.

Section 4.4 Condition not Fulfilled

If any condition in Section 4.3 shall not have been fulfilled by the Outside Date, then the Seller in its sole discretion may, without limiting any rights or remedies available to the Seller at law or in equity, either:

- (1) terminate this Agreement by notice to the Buyer, in which event the Seller shall be released from all obligations under this Agreement, except that the right to terminate this Agreement under this Section 4.4(1) shall not be available to the Seller if it is then in material breach of this Agreement so as to cause any of the conditions contained in Section 4.3 not to be satisfied; or
- (2) waive compliance with any such condition, which shall be without prejudice to its right of termination in the event of non-fulfilment of any other condition or its right to sue for any breach by the Seller of this Agreement, unless otherwise provided herein.

ARTICLE 5 – REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of the Seller

The Seller hereby represents and warrants to the Buyer as follows as of the date hereof, and as of the Closing Time:

- (1) Corporate Power and Authorization. The Seller has the power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments. The execution and delivery of this Agreement and such other agreements and instruments to be executed by the Seller and the completion of the transactions by the Seller as contemplated by this Agreement and such other agreements and instruments have been duly

authorized or will, at Closing, be duly authorized, by all necessary corporate action on the part of the Seller.

- (2) Incorporation and Organization. The Seller is a valid and subsisting corporation, in good standing, under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to carry on its business as now conducted or proposed to be conducted and to own or lease and operate the property and assets thereof.
- (3) Bankruptcy. The Seller is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada), has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof and has not had any petition for a receiving order presented in respect of it. The Seller has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver has been appointed in respect of the Seller or any of its assets and no execution or distress has been levied upon any of its assets.
- (4) Purchased Assets. The Seller is the sole legal and beneficial owner of the Purchased Assets, free and clear of any and all Liens other than Permitted Liens. There is no agreement, option or other right or privilege outstanding in favour of any Person for the purchase of the Seller's interest in the Purchased Assets from the Seller and no Person (other than the Buyer) has any right capable of becoming any such agreement, option, right or privilege. There are no restrictions of any kind on the sale, assignment, or transfer of the Seller's interest in the Purchased Assets.
- (5) Enforceability. This Agreement has been, and all other agreements and instruments to be executed by the Seller as contemplated by this Agreement will be, duly executed by the Seller, and constitute valid and binding obligations of the Seller, enforceable against the Seller in accordance with their terms subject, however, to limitations on enforcement imposed by bankruptcy, insolvency, reorganization or other laws affecting the enforcement of the rights of creditors and others and to the extent that equitable remedies such as specific performance and injunctions are only available in the discretion of the court from which they are sought. There is no order, directive, instrument, decree, injunction, decision, ruling, award, or writ of any Governmental Authority outstanding against or affecting the Seller which affects adversely, or might affect adversely, the ability of the Seller to enter into this Agreement or perform its obligations hereunder.
- (6) No Conflict. The execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by the Seller as contemplated by this Agreement, and the performance of and completion by the Seller hereunder of the transactions contemplated by this Agreement do not and will not result in or constitute a default, breach or violation or an event that, with notice or lapse of time or both, would be a default, breach or violation of any of the terms, conditions or provisions of any agreement to which the Seller's interest in the Purchased Assets or the Seller is bound, any Applicable Law, any directors' or shareholders' resolution of the Seller or its Affiliates or the constating documents of the Seller.
- (7) Contracts. The Seller is not a party to any material contract, agreement or commitment, including, without limitation, any mining leases, exploration agreements, option agreements, royalty agreements, streaming agreements, hedging agreements, off-take agreements, forward sales agreements, impact benefit agreements, or other similar contracts with respect to the Mineral Claims or the Purchased Assets, other than the Permitted Liens.
- (8) Seller Consents and Approvals. No consent or approval is required to be obtained by the Seller from any Person in connection with the execution and delivery of this Agreement by the Seller, the

performance by the Seller of its obligations hereunder or the completion of the transactions contemplated by this Agreement by the Seller.

- (9) Seller Notices. No notice is required to be delivered by the Seller to any Person in connection with the execution and delivery of this Agreement by the Seller, the performance by the Seller of its obligations hereunder or the completion of the transactions contemplated by this Agreement by the Seller.
- (10) Litigation. There is no Legal Proceeding pending or, to the best of the Seller's knowledge, threatened by or against the Seller relating to or affecting the Purchased Assets or the transactions contemplated by this Agreement.
- (11) Leases. The Seller is not a party to or bound by or subject to, and the Seller has not agreed or become bound to enter into, any real or personal property lease or other right of occupancy relating to the Mineral Claims or the Activities conducted by the Seller.
- (12) Land. Other than the Mineral Claims listed in Schedule "A" the Seller does not have any interest or rights in respect of any freehold land, leasehold land or otherwise relating to the Mineral Claims.
- (13) Mineral Claims.
 - (a) The Mineral Claims set out in Schedule "A" are all of the mineral interests, mining concessions, mining tenements or other mineral rights comprising the Mineral Claims. The Seller is the sole legal and beneficial owner of the Mineral Claims, free and clear of all Liens other than Permitted Liens.
 - (b) Other than the Permitted Liens:
 - (i) no Person has any interest in any of the Mineral Claims or the production or profits therefrom or any royalty, offtake right, licence, fee or similar payment in respect thereof or any right to acquire any such interest and the Seller has the exclusive right to sell the Mineral Claims; and
 - (ii) there are no back-in rights, earn-in rights, rights of first refusal or similar provisions or rights which would, after Closing, adversely affect the interest of the Buyer in any of the Mineral Claims.
 - (c) The Mineral Claims are valid, subsisting and enforceable and in good standing and all work required to be performed and filed in respect thereof has been performed and filed, all Taxes, rentals, fees, expenditures and other payments in respect thereof have been paid or incurred, all filings in respect thereof have been made and all other obligations of the Seller arising from and under the Mineral Claims have been performed or complied with in all material respects.
 - (d) The Mineral Claims and the Activities comply in all material respects with Applicable Law. Neither the Seller nor, to the knowledge of the Seller, any predecessor holders of the Mineral Claims has received notice of any material violation of any Applicable Law or of any covenant, restriction or easement affecting the Mineral Claims or any part of them or with respect to the use or occupancy of the Mineral Claims or any part of them from any Governmental Authority having jurisdiction over the Mineral Claims or any other Person entitled to enforce the same.

- (e) There are no existing or, to the knowledge of the Seller, proposed, contemplated or threatened expropriation proceedings that would result in the taking of all or any part of the Mineral Claims or that would adversely affect Mineral Claims. Except for Permitted Liens, there is no claim against or challenge to the title to or ownership or use of the Mineral Claims.
 - (f) To the knowledge of the Seller, none of the Mineral Claims are located:
 - (i) on land within an area in which mining is prohibited under *The Environmental Management and Protection Act, 2010* (Saskatchewan) or *The Provincial Lands Act, 2016* (Saskatchewan);
 - (ii) on land within a park under *The Parks Act* (Saskatchewan) or a regional park under *The Regional Parks Act* (Saskatchewan);
 - (iii) on land within an ecological reserve under *The Provincial Lands Act, 2016* (Saskatchewan);
 - (iv) on land declared to be a protected heritage property; or
 - (v) within potash restricted drilling areas established pursuant to *The Oil and Gas Conservation Act* (Saskatchewan).
 - (g) All Taxes with respect to the Mineral Claims that are due have been paid in full, and there are no local Taxes, improvement charges or special levies outstanding in respect of the Mineral Claims and the Seller has not received any notice of proposed local Taxes, improvement charges or special levies. Other than Permitted Liens, there are no Liens against any of the Purchased Assets arising as a result of the Seller's failure to pay Taxes when due and payable or to make any filings with respect to Taxes in a timely manner.
 - (h) To the knowledge of the Seller, there is no Claim or the basis for any Claim that might or could materially adversely affect the right of the Buyer to use, transfer or, upon issuance of the necessary mineral rights, permits, licences, or authorizations allowing for exploration, development or exploitation of the Mineral Claims, conduct exploration, development or exploitation activities on the Mineral Claims.
- (14) Permits. The Seller does not hold any material licences, registrations, permits, authorizations, approvals and other evidences of authority issued or granted to, conferred upon, or otherwise created for, the Seller and related to the Activities or any of the Purchased Assets by any Governmental Authority. To the knowledge of the Seller, there are no facts or circumstances that might reasonably be expected to adversely affect the issuance or obtaining of any material licences, registrations, permits, authorizations, approvals and other evidences of authority that, based on Applicable Law as of the date hereof or the Closing Date (as applicable), would be required for the conduct of exploration and development activities on the Mineral Claims.
- (15) Environmental Matters.
- (a) To the knowledge of the Seller, the Activities conducted by, or for the Seller were conducted in material compliance with all Applicable Law, including all Environmental Laws;

- (b) The Seller has not received any order, request or notice from any Person alleging a material violation of any Environmental Law relating to the Mineral Claims or the Activities and the Seller is not, and has not been, in material violation with any Environmental Law relating to the Mineral Claims or the Activities.
 - (c) The Seller is not a party to any Legal Proceeding, nor, to the knowledge of the Seller, has any Legal Proceeding been threatened, in respect of the Mineral Claims, which asserts or alleges that the Seller:
 - (i) violated any Environmental Laws;
 - (ii) is required to clean up, remove or take remedial or other response action due to the Release of any Hazardous Substances; or
 - (iii) is required to pay all or a portion of the cost of any past, present or future clean-up, removal or remedial or other response action which arises out of or is related to the Release of any Hazardous Substances or any other Environmental Liabilities.
 - (d) To the knowledge of the Seller, there are no conditions existing currently that could reasonably be expected to subject the Seller to any Environmental Liabilities or other damages, penalties, injunctive relief or clean-up costs relating to the Mineral Claims under any Environmental Laws or that require or are likely to require clean-up, removal, remedial action or other response pursuant to applicable Environmental Laws, other than customary reclamation obligations under Applicable Laws to be carried out at the conclusion of all Activities on the Mineral Claims.
 - (e) The Seller has not, nor to the knowledge of the Seller, have any predecessors in title, used any of the Mineral Claims, or permitted them to be used, to generate, manufacture, treat, transport, store, handle, dispose, transfer, produce or process Hazardous Substances except in compliance in all material respects with all Environmental Laws, or caused or permitted the Release of any Hazardous Substances at, on or under the Mineral Claims, or the Release of any Hazardous Substance off-site of the Mineral Claims, except in compliance in all material respects with Environmental Laws.
 - (f) The Seller is not subject to any judgment, decree, order or citation related to the Mineral Claims and arising out of applicable Environmental Law and has not been named or listed as a potentially responsible party by any Governmental Authority in a matter arising under any Environmental Laws.
- (16) Indigenous Groups. To the knowledge of the Seller, there are no actions, suits, orders, work orders, petitions, prosecutions or other similar proceedings with respect to Indigenous Groups' rights or title currently pending or, to the knowledge of the Seller, threatened with respect to the lands on which the Mineral Claims are situated. The Seller has no knowledge of any land entitlement claims or indigenous land claims having been asserted or any legal actions relating to indigenous issues having been instituted with respect to the lands on which the Mineral Claims are situated, where such claims or actions would reasonably be expected to prevent the Seller from conducting the Activities. Copies of all material correspondence between the Seller and any Indigenous Groups in respect of the Mineral Claims or the Activities have been provided by the Seller to the Buyer.

- (17) Heritage Property Act. The Seller has no knowledge of the existence of, or any claim of the existence of, any “heritage property”, “archaeological object”, “Municipal Heritage Property”, “Municipal Heritage Conservation District” or “Provincial Heritage Property” within the meaning of the Heritage Property Act with respect to the land on which the Mineral Claims are situated.
- (18) Anti-Corruption Practices. Neither the Seller nor any of its Representatives or any other Person associated with or acting on behalf of the Seller has, in connection with any activities of the Seller, (i) offered, promised, made or authorized, or agreed to offer, promise, make or authorize, any contribution, expense, payment or gift of funds, property or anything of value to or for the use or benefit of any Government Official for the purpose of securing action or inaction or a decision of a Governmental Authority or a Government Official, influence over such action, inaction or decision, or any improper advantage contrary to Applicable Laws; (ii) taken or committed to take any action that would violate any applicable money laundering or anti-terrorism law or regulations, or has otherwise taken or committed to take any action that would constitute a violation of the US Foreign Corrupt Practices Act (US), *Corruption of Foreign Public Officials Act* (Canada), the *Criminal Code* (Canada), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), Applicable Laws enacted pursuant to the Organization of Economic Cooperation and Development (OECD) Convention on Continuing Bribery of Foreign Public Officials in International Business Transactions, or other Applicable Laws restricting the payment of bribes, gratuities, kickbacks, lobbying expenditures, political contributions or contingent fee arrangements, or any Applicable Laws of similar effect, or the rules and regulations promulgated under any of the aforementioned laws (“**Anti-Corruption Laws**”); (iii) established or maintained any fund or asset with respect to the Seller that has not been recorded in its books and records; or (iv) taken or committed any action that would violate any Applicable Laws with respect to antitrust matters.
- (19) Data and Information. At the Closing Time, the Data and Information will not include any documents, information or materials in respect of which the Seller is under a legal obligation of non-disclosure or confidentiality that has not been waived.
- (20) Full Disclosure. The documentation provided in the due diligence data room provided by the Seller to the Buyer includes all material documents relating to the Purchased Assets that are in the Seller’s possession.
- (21) Not a Non-Resident. The Seller is not a non-resident of Canada for purposes of the ITA.

Section 5.2 Representations and Warranties of the Buyer

The Buyer hereby represents and warrants to the Seller as follows as of the date hereof, and as of the Closing Time:

- (1) Corporate Power and Authorization. The Buyer has the power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments. The execution and delivery of this Agreement and such other agreements and instruments to be executed by the Buyer and the completion of the transactions by the Buyer as contemplated by this Agreement and such other agreements and instruments have been duly authorized or will, at Closing, be duly authorized, by all necessary corporate action on the part of the Buyer.

- (2) Incorporation and Organization. The Buyer is a valid and subsisting corporation, in good standing, under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to carry on its business as now conducted or proposed to be conducted and to own or lease and operate the property and assets thereof.
- (3) Authorized and Issued Shares. The authorized capital of the Buyer consists of an unlimited number of Buyer Shares, of which, as of the date hereof there are 16,658,358 Buyer Shares issued and outstanding. Other than (i) the currently issued and outstanding Buyer Shares, (ii) the securities to be issued pursuant to the Bridge Financing and the Concurrent Financing, (iii) 422,601 stock options exercisable into 422,601 Buyer Shares, (iv) 8,539,154 warrants exercisable into 8,539,154 Buyer Shares, and (v) Convertible Debentures with an aggregate principal amount of \$500,000, as of the Closing Time no Person will have any agreement, option or right to acquire or capable of becoming an agreement for the purchase or acquisition of any of the unissued Buyer Shares or any other securities of Buyer, and there will be no other outstanding securities or instruments which are convertible into or exchangeable for Buyer Shares.
- (4) Consideration Shares. As of the Closing Time, the Consideration Shares to be issued to the Seller will have been duly authorized for issuance and, upon issuance pursuant to the provisions hereof, such Consideration Shares will be validly issued as fully paid and non-assessable shares in the capital of the Buyer.
- (5) Securities Laws. The Buyer is a “reporting issuer” as that term is defined under applicable Securities Law in each of the Provinces of Canada, other than Quebec, and the Buyer is in compliance with its timely and continuous disclosure obligations under the Securities Laws of each of the Provinces of Canada, other than Quebec. The Buyer has filed all documents required to be filed by it in accordance with applicable Securities Laws and the rules and policies of the CSE. The Buyer Information Record includes a true and complete copy of all forms, reports, statements, certifications, and other documents required to be filed by the Buyer in all material respects. Such forms, reports, statements, certifications, and other documents, at the time filed or, if amended, as of the date of such amendment: (i) did not contain any misrepresentation; and (ii) complied in all material respects with the requirements of applicable Securities Laws except where such non-compliance has not had or would not reasonably be expected to have a Material Adverse Change on the Buyer.
- (6) CSE Listing. The Buyer Shares are listed and posted for trading on the CSE under the trading symbol “XONE”.
- (7) Bankruptcy. The Buyer has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof and has not had any petition for a receiving order presented in respect of it. The Buyer has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver has been appointed in respect of the Buyer or any of its assets and no execution or distress has been levied upon any of its assets.
- (8) Enforceability. This Agreement has been, and all other agreements and instruments to be executed by the Buyer as contemplated by this Agreement will be, duly executed by the Buyer, and constitute valid and binding obligations of the Buyer, enforceable against the Buyer, in accordance with their terms subject, however, to limitations on enforcement imposed by bankruptcy, insolvency, reorganization or other laws affecting the enforcement of the rights of creditors and others and to the extent that equitable remedies such as specific performance and injunctions are only available in the discretion of the court from which they are sought. There is no order, directive, instrument,

decree, injunction, decision, ruling, award, or writ of any Governmental Authority outstanding against or affecting the Buyer which affects adversely, or might affect adversely, the ability of the Buyer to enter into this Agreement or perform its obligations hereunder.

- (9) No Conflicts. The execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by the Buyer as contemplated by this Agreement and the performance of and completion by the Buyer hereunder of the transactions contemplated by this Agreement do not and will not result in or constitute a default, breach or violation or an event that, with notice or lapse of time or both, would be a default, breach or violation of any of the terms, conditions or provisions of any Applicable Law, any directors' or shareholders' resolution of the Buyer or the constating documents of the Buyer.

Section 5.3 Survival of Representations and Warranties

- (1) The representations and warranties of the Seller contained in Section 5.1 or any other agreement, certificate or instrument delivered pursuant to this Agreement shall survive the Closing, and notwithstanding the Closing and any inspection or inquiries made by or on behalf of the Buyer, shall continue in full force and effect for the benefit of the Buyer for a period of two years following the Closing Date, except that the representations and warranties of the Seller made in Section 5.1(1), Section 5.1(2), Section 5.1(3), Section 5.1(4), Section 5.1(5), Section 5.1(12), Section 5.1(13), Section 5.1(15) and Section 5.1(16) shall survive for a period of five years following the Closing Date. Notwithstanding the foregoing, in the case of fraud or intentional misrepresentation, the applicable representations and warranties shall survive indefinitely.
- (2) The representations and warranties of the Buyer contained in Section 5.2 or any other agreement, certificate or instrument delivered pursuant to this Agreement shall survive the Closing and notwithstanding the Closing and any inspection or inquiries made by or on behalf of the Seller, shall continue in full force and effect for the benefit of the Seller for a period of two years following the Closing Date, except that the representations and warranties of the Buyer made in Section 5.2(1), Section 5.2(1)Section 5.2(2), Section 5.2(3), Section 5.2(4) Section 5.2(7) and Section 5.2(8), shall survive for a period of five years following the Closing Date. Notwithstanding the foregoing, in the case of fraud or intentional misrepresentation, the applicable representations and warranties shall survive indefinitely.

ARTICLE 6 – INDEMNIFICATION AND LIMITATION OF LIABILITY

Section 6.1 Indemnity by the Seller

- (1) Subject to the limitations provided in Section 5.3(1) and this Article 6, the Seller shall indemnify and hold the Buyer, its Affiliates and their respective directors, officers, employees, agents, Representatives (in this Section 6.1, each a “**Buyer Indemnified Party**”) harmless in respect of any Damages it may suffer or incur directly or indirectly as a result of, in respect of or arising out of:
- (a) any incorrectness in or breach of any representation or warranty of the Seller contained in Section 5.1 of this Agreement or under any other agreement, certificate or instrument executed and delivered by the Seller at Closing pursuant to this Agreement; and
 - (b) any breach of or any non-fulfilment of any covenant or agreement on the part of the Seller under this Agreement or under any other agreement, certificate or instrument executed and delivered by the Seller at Closing pursuant to this Agreement.

- (2) The Buyer accepts the indemnities in Section 6.1(1) in favour of the Buyer Indemnified Parties as agent and trustee for each such Buyer Indemnified Parties which is not a Party, and the Seller agrees that the Buyer may enforce such indemnity in favour and for the benefit of such Buyer Indemnified Parties.

Section 6.2 Indemnity by the Buyer

- (1) Subject to the limitations provided herein, the Buyer shall indemnify and hold the Seller, its Affiliates and their respective directors, officers, employees, agents, Representatives and Affiliates (in this Section 6.2, each a “**Seller Indemnified Party**”) harmless in respect of any Damages it may suffer or incur directly or indirectly as a result of, in respect of or arising out of:
 - (a) any incorrectness in or breach of any representation or warranty of the Buyer contained in Section 5.2 of this Agreement or under any other agreement, certificate or instrument executed and delivered by the Buyer at Closing pursuant to this Agreement; and
 - (b) any breach of or any non-fulfilment of any covenant or agreement on the part of the Buyer under this Agreement or under any other agreement, certificate or instrument executed and delivered by the Buyer at Closing pursuant to this Agreement.
- (2) The Seller accepts the indemnities in Section 6.2(1) in favour of the Seller Indemnified Parties as agent and trustee for each such Seller Indemnified Parties which is not a Party, and the Buyer agrees that the Seller may enforce such indemnity in favour and for the benefit of such Seller Indemnified Parties.

Section 6.3 Notice of Claim

If an Indemnified Party becomes aware of any act, omission or state of facts which may give rise to Damages in respect of which indemnification is provided for pursuant to either of Section 6.1 or Section 6.2, the Indemnified Party shall promptly give notice of the claim to the Indemnifying Party (a “**Claim Notice**”). Such Claim Notice shall specify whether the Damages arise as a result of a claim by a Person against the Indemnified Party (a “**Third Party Claim**”) or whether the Damages do not so arise (a “**Direct Claim**”), and shall also specify with reasonable particularity (to the extent that the information is available):

- (a) the factual basis for the Direct Claim or Third Party Claim; and
- (b) the amount of the potential Damages, if known.

Section 6.4 Direct Claims

In the case of a Direct Claim, the Indemnifying Party shall have sixty (60) days from receipt of Claim Notice within which to make such investigation of the Direct Claim as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Direct Claim, together with all such other information as the Indemnifying Party may reasonably request. If both parties agree at or before the expiration of such sixty (60) day period (or any mutually agreed upon extension thereof) to the validity and amount of such Direct Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Direct Claim, failing which the matter shall be determined by a court of competent jurisdiction.

Section 6.5 Third Party Claims

- (1) Rights of Indemnifying Party. In the event a Claim Notice is delivered with respect to a Third Party Claim, the Indemnifying Party shall have the right, at its expense, to participate in but not control the negotiation, settlement or defence of the Third Party Claim, which control shall rest at all times with the Indemnified Party, unless the Indemnifying Party:
 - (a) irrevocably and unconditionally acknowledges in writing complete responsibility for, and agrees to indemnify the Indemnified Party in respect of all Damages relating to, the Third Party Claim; and
 - (b) furnishes evidence to the Indemnified Party whenever requested by the Indemnified Party, which is satisfactory to the Indemnified Party of the Indemnifying Party's financial ability to indemnify the Indemnified Party,

in which case the Indemnifying Party may assume such control at its expense through counsel of its choice; provided, however, that notwithstanding the foregoing, the Indemnifying Party shall not be permitted to assume control of the negotiation, settlement or defence of the Third Party Claim if: (i) such Third Party Claim seeks equitable relief against the Indemnified Party as a primary form of relief; or (ii) such Third Party Claim involves criminal liability of the Indemnified Party.

- (2) Respective Rights on Indemnifying Party's Assumption of Control. If the Indemnifying Party elects to assume control as contemplated in Section 6.5(1), the Indemnifying Party shall reimburse the Indemnified Party for all of the Indemnified Party's out-of-pocket expenses incurred as a result of such assumption. The Indemnified Party shall continue to have the right to participate in the negotiation, settlement or defence of such Third Party Claim and to retain counsel to act on its behalf, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless the Indemnifying Party consents to the retention of such counsel at its expense or unless the named parties to any action or proceeding include both the Indemnifying Party and the Indemnified Party and a representation of both the Indemnifying Party and the Indemnified Party by the same counsel would be inappropriate due to the actual or potential differing interests between them (such as the availability of different defences), in which case the fees and disbursements of such counsel shall be paid by the Indemnifying Party. The Indemnified Party shall co-operate with the Indemnifying Party so as to permit the Indemnifying Party to conduct such negotiation, settlement and defence and for this purpose shall preserve all relevant documents in relation to the Third Party Claim, allow the Indemnifying Party access on reasonable notice to inspect and take copies of all such documents and require its personnel to provide such statements as the Indemnifying Party may reasonably require and to attend and give evidence at any trial or hearing in respect of the Third Party Claim.
- (3) Lack of Reasonable Diligence. If, having elected to assume control as contemplated by Section 6.5(1), the Indemnifying Party thereafter fails to conduct the negotiation, settlement or defence of the relevant Third Party Claim with reasonable diligence, then the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.
- (4) Commercially Necessary Payments Prior to Settlement. If any Third Party Claim is of a nature such that it is necessary in the reasonable view of the Indemnified Party acting in a manner consistent with reasonable commercial practices, in order to preserve the rights of the Indemnified Party under contract, to make a payment to any Person (a "**Third Party**") with respect to the Third Party Claim before the completion of settlement negotiations or related Legal Proceedings, as the

case may be, then the Indemnified Party may make such payment and the Indemnifying Party shall, promptly after demand by the Indemnified Party, reimburse the Indemnified Party for such payment. If the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, promptly after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party.

- (5) Other Rights of Indemnified Party. If the Indemnifying Party does not, or is not permitted to, assume control of the defence of any Third Party Claim pursuant to Section 6.5(1), the Indemnified Party shall have the exclusive right to contest, settle or pay the amount claimed and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim. Whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnifying Party shall not settle any Third Party Claim without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed.

Section 6.6 Limitations on Liability

- (1) The Indemnifying Party shall not be liable to the Indemnified Party for indemnification pursuant to Section 6.1 or Section 6.2, as the case may be, until the aggregate amount of all Damages in respect of indemnification pursuant to Section 6.1 or Section 6.2, as applicable exceeds \$25,000.
- (2) No Indemnified Party shall deliver a Claim Notice under Section 6.3 of a claim for indemnification pursuant to Section 6.1 or Section 6.2 in connection with a breach of a representation or warranty after the survival period of the applicable representation or warranty as set forth in Section 5.3. The maximum aggregate liability of the Seller under Section 6.1(1)(a) and Section 6.1(1)(b) and of the Buyer under Section 6.2(1)(a) and Section 6.2(1)(b), respectively, shall be an amount equal to the Purchase Price, Damages caused by fraud or wilful misconduct shall be uncapped. This Section 6.6 shall not prevent the Indemnified Party from being indemnified for Damages in accordance with this Agreement in respect of a breach of a representation or warranty, if the general subject matter of the Damages was set out in a Claim Notice prior to expiry of the survival period of the applicable representation or warranty set out in Section 5.3.

Section 6.7 Excluded Damages

No Party hereto shall be liable to another Party hereto in contract, tort or otherwise for incidental, indirect, consequential, aggravated, exemplary or punitive damages, including, without limiting the generality of the foregoing, loss of profits or revenues suffered by the Indemnified Party. The limits on liability set out in this Section 6.7 do not apply to (i) any foreseeable diminution of value suffered by a Party that a court of competent jurisdiction determines to be direct damages for breach of contract; (ii) any Third Party Claims against the Indemnified Party for its incidental, indirect, consequential, aggravated, exemplary or punitive damages; and (iii) any claim arising from or in connection with fraud or fraudulent or intentional misrepresentation.

Section 6.8 Reasonable Steps to Mitigate

The Indemnified Party will take commercially reasonable steps to mitigate all Damages, including, including availing itself of any defences, limitations, rights of contribution, claims against third persons, and other rights at law or equity and will provide such evidence and documentation of the nature and extent

of the Damages as may be reasonably requested by the Indemnifying Party and, in determining the amount of any Damages, reasonable mitigation will be taken into account.

Section 6.9 Effect of Investigation

The Seller shall not be liable for any Damages based upon or arising out of any inaccuracy, breach of representation, warranty, covenant, or agreement of the Seller if any of the Buyer had knowledge of such inaccuracy, breach of representation, warranty, covenant, or agreement of the Seller prior Closing.

Section 6.10 Exclusive Remedy

The parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Article 6. In furtherance of the foregoing, each party hereby waives, to the fullest extent permitted by law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other parties hereto and their Affiliates arising under or based upon any law, except pursuant to the indemnification provisions set forth in this Article 6. Notwithstanding anything to the contrary in this Agreement, nothing in this Article 6 shall limit the rights or remedies of any party to this Agreement based upon or in connection with fraud or intentional misrepresentation.

ARTICLE 7- OTHER COVENANTS OF THE PARTIES

Section 7.1 Investigation

Until the Closing, the Buyer and its Representatives and advisers shall be permitted to make such investigations, inspections of the Purchased Assets as the Buyer deems necessary or desirable to familiarize itself with the Purchased Assets and the Activities, and the Seller and its Affiliates shall continue to provide the Buyer with all information and documentation relating to the Purchased Assets and the Activities reasonably requested by the Buyer as soon as practicable following the Seller or its Affiliates becoming aware of such information and documentation. Without limiting the generality of the foregoing, until the Closing the Buyer shall, during normal business hours, upon reasonable notice, be permitted reasonable access to all documents relating to: information scheduled or required to be disclosed under this Agreement; the Purchased Assets; records regarding regulators and environmental reports; surveys; inspection reports; and all other reports prepared by advisers of the Seller relating to the Purchased Assets and the Seller shall provide photocopies to the Buyer of all such written information and documents as may be reasonably requested by the Buyer. Upon the Buyer's request, until the Closing, the Seller shall, if applicable, provide the Buyer with reasonable access to any key employees with knowledge of the Purchased Assets and shall provide such other reasonable assistance as may be requested by the Buyer for the purpose of or in connection with its investigations and inspections. Any such investigations and inspections to be made by the Buyer, and any photocopies or documents to be provided by the Seller, shall be made at the Buyer's expense and without interruption to the normal operations of the Seller.

Section 7.2 Authorizations

The Seller shall execute and deliver any authorizations required to permit the investigations and inspections described in Section 7.1, provided that such authorizations shall be limited to permitting consenting third parties to disclose information contained in their files pertaining to the Purchased Assets and the Activities.

Section 7.3 TSXV Approval

The Seller agrees to use its commercially reasonable efforts to obtain TSXV Approval as soon as reasonably practicable, if required, and the Buyer agrees to reasonably co-operate with the Seller to provide any documents or information reasonably required in connection therewith.

Section 7.4 CSE Matters

- (1) Promptly after the execution of this Agreement, the Buyer shall prepare and complete the Information Circular, the Listing Statement, and any other documents required by the BCBCA, applicable Securities Laws and other Applicable Laws and the rules and policies of the CSE in connection with the Transaction, and Buyer shall, after obtaining the approval of the CSE as to the final Listing Statement, file such final Listing Statement on SEDAR+.
- (2) The Seller shall provide the Buyer with all information related to the Seller and the Purchased Assets as required to complete the Information Circular and the Listing Statement. The Seller and its legal counsel shall be given a reasonable opportunity to review and comment on drafts of the Information Circular and Listing Statement and other documents related thereto, and reasonable consideration shall be given to any comments made by Seller and its legal counsel.
- (3) The Buyer represents and warrants that the Information Circular and Listing Statement will comply in all material respects with all applicable Securities Laws, and, without limiting the generality of the foregoing, that the Information Circular and Listing Statement shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (provided that the Buyer shall not be responsible for the accuracy of any information relating to the Seller or the Purchased Assets that is furnished in writing by the Seller for inclusion in the Information Circular or the Listing Statement).
- (4) The Seller represents and warrants that any information or disclosure relating to the Seller and the Purchased Assets that is furnished in writing by the Seller for inclusion in the Information Circular and Listing Statement will comply in all material respects with all applicable Securities Laws, and, without limiting the generality of the foregoing, that the Information Circular and the Listing Statement shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (provided that the Seller shall not be responsible for the accuracy of any information relating to the Buyer in the Information Circular or the Listing Statement).
- (5) The Parties shall promptly notify each other if at any time before the date of filing in respect of the Information Circular or Listing Statement, either party becomes aware that the Information Circular or Listing Statement contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the Information Circular or Listing Statement and the parties shall cooperate in the preparation of any amendment or supplement to such documents, as the case may be, as required or appropriate.

Section 7.5 Risk of Loss

Title to the Purchased Assets shall pass to the Buyer as of the Closing and risk of loss and damage to the Purchased Assets shall remain with the Seller until the title to the Purchased Assets passes to Buyer at the Closing as set forth in this Agreement.

Section 7.6 Maintenance of Properties

During the Interim Period, except with the prior written consent of the Buyer (which consent may not be unreasonably withheld or delayed) and except as contemplated under this Agreement, the Seller agrees to:

- (a) maintain and preserve the Purchased Assets in good standing, free and clear of all Liens other than Permitted Liens;
- (b) not to, directly or indirectly, sell, assign, transfer, mortgage, pledge or otherwise encumber any of the Purchased Assets other than through the creation of Permitted Liens in the ordinary course of business, consistent with past practice;
- (c) pay all maintenance fees, rentals, rates, Taxes, bonds, deferred payments and other payments related to the Purchased Assets, to the extent due and payable prior to the Closing Time;
- (d) to the extent the Seller is conducting any Activities, conduct such Activities substantially in accordance with past practice and any existing program and budget, approved by the management or the board of the Seller (which program and budget shall be disclosed to the Buyer prior to the date hereof);
- (e) pay and discharge all Liabilities relating to the Mineral Claims and the Activities in the ordinary course consistent with past practice;
- (f) not waive or surrender any material rights in respect of the Purchased Assets;
- (g) not enter into any new contract or assume any Liability in respect of the Purchased Assets, except in the ordinary course of business consistent with past practice, or to maintain and preserve the Purchased Assets;
- (h) not take any action that could reasonably be expected to interfere with or be inconsistent with the Buyer's rights under this Agreement or the completion of the transactions contemplated by this Agreement; and
- (i) promptly advise the Buyer orally and, if then requested, in writing:
 - (i) of any event occurring subsequent to the date of this Agreement that would render any representation or warranty of the Seller contained in this Agreement (except any such representation or warranty which speaks as of a date prior to the occurrence of such event), if made on the Closing Date, untrue or inaccurate in any material respect;
 - (ii) of any Material Adverse Change;

- (iii) of any material correspondence received from any Governmental Authority or Indigenous Group with respect to the Purchased Assets; and
- (iv) of any material breach by the Seller of any covenant or agreement contained in this Agreement.

Section 7.7 Conditions

The Seller will take all such actions, steps and proceedings as are reasonably within its control as may be necessary to ensure that the conditions in Section 4.1, as they relate to the Seller, are fulfilled at or before the Closing Time. The Buyer will take all such actions, steps and proceedings as are reasonably within the Buyer's control as may be necessary to ensure that the conditions in Section 4.3, as they relate to the Buyer, are fulfilled at or before the Closing Time. Subject to Applicable Law, the Seller and the Buyer each agree to not take any action, refrain from taking any action, or permit any action to be taken or not taken inconsistent with this Agreement or which would reasonably be expected to significantly impede the consummation of the transactions contemplated by this Agreement.

ARTICLE 8– TERMINATION

Section 8.1 Termination

- (1) If any condition contained in Section 4.1 is not satisfied or waived by the Buyer at or before the Outside Date to the satisfaction of the Buyer or is incapable of being satisfied by the Outside Date, then the Buyer may by notice to the Seller terminate this Agreement under Section 4.2(1) and the obligations of the Parties hereunder, except that the right to terminate this Agreement under this Section 8.1(1) shall not be available to the Buyer if it is then in breach of this Agreement so as to cause any of the conditions contained in Section 4.1 not to be satisfied.
- (2) If any condition contained in Section 4.3 is not satisfied or waived by the Seller at or before the Outside Date to the satisfaction of the Seller or is incapable of being satisfied by the Outside Date, then the Seller may by notice to the Buyer terminate this Agreement under Section 4.2(1) and the obligations of the Parties hereunder, except that the right to terminate this Agreement under this Section 8.1(1) shall not be available to the Seller if they are then in breach of this Agreement so as to cause any of the conditions contained in Section 4.3 not to be satisfied.
- (3) If either Party is in breach of this Agreement and such breach is not remedied within ten (10) Business Days of written notice of the breach by the other party, the non-breaching party may terminate this Agreement.
- (4) This Agreement may be terminated by:
 - (a) the mutual written agreement of the Parties;
 - (b) either the Buyer or the Seller if the Closing has not occurred by the Outside Date except that the right to terminate this Agreement under this Section 8.1(4)(b) shall not be available to any Party whose failure to fulfill any of its covenants or obligations or breach of any of its representations or warranties under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur by the Outside Date; or
 - (c) either the Buyer or the Seller if there shall be passed any law or regulation that makes consummation of the transactions contemplated by this Agreement illegal or otherwise

prohibited or if any injunction, order or decree enjoining the Buyer or the Seller from consummating the transactions contemplated by this Agreement is entered and such injunction, order or decree shall become final and non-appealable (unless such injunction, order or decree has been withdrawn, reversed or otherwise made inapplicable).

Section 8.2 No Prejudice on Termination

Unless otherwise herein provided, any termination of this Agreement under Section 8.1 shall be without prejudice to the rights of the Parties arising on or before termination of this Agreement, including with respect to any liability for any breaches of this Agreement.

ARTICLE 9 – GENERAL

Section 9.1 Expenses

Each Party shall be responsible for their own legal and other expenses (including any Taxes imposed on such expenses) incurred in connection with their own due diligence and the negotiation, preparation, execution, delivery and performance of this Agreement and the completion of the transactions contemplated by this Agreement and for the payment of any broker's commission, finder's fee or like payment payable by it in respect of the transactions herein contemplated (and including without limitation any fees or other payments to directors, officers and employees in connection with the foregoing) whether accruing before, at or after the Closing.

Section 9.2 Notices

(1) Any notice, certificate, consent, determination or other communication required or permitted to be given or made under this Agreement shall be in writing and shall be effectively given and made if (i) delivered personally, (ii) sent by prepaid courier service, or (iii) sent by means of electronic communication (other than legal notices), in each case to the applicable address set out below:

(a) if to the Buyer, to:

X1 Entertainment Group Inc.
#615 – 800 West Pender Street
Vancouver, BC V6C 2V6

Attention: Latika Prasad, CEO and Director
E-mail: [Redacted - Personal Information]

with a copy (which shall not constitute notice) to:

McMillan LLP
Suite 1500, Royal Centre
1055 West Georgia Street
Vancouver, BC V6E 4N7

Attention: Sasa Jarvis
E-mail: [Redacted - Personal Information]

(b) if to the Seller, to:

SKRR Exploration Inc.
#228 – 1122 Mainland Street
Vancouver, BC V6B 5L1

Attention: Sherman Dahl, CEO and Director; Ryan Cheung, CFO
E-mail: [Redacted - Personal Information]

with a copy (which shall not constitute notice) to:

AFG Law LLP
#228 – 1122 Mainland Street
Vancouver, BC V6B 5L1

Attention: Nick Ayling
E-mail: [Redacted - Personal Information]

Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of sending by means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered or sent during normal business hours (recipient location time) on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day. Any such communication sent by mail shall be deemed to have been given and made and to have been received on the fifth Business Day following the mailing thereof; provided however that no such communication shall be mailed during any actual or apprehended disruption of postal services. Any such communication given or made in any other manner shall be deemed to have been given or made and to have been received only upon actual receipt.

- (2) Any Party may from time to time change its address under this Section by notice to the other Party given in the manner provided by this Section.

Section 9.3 Public Announcements

The Parties may each publicly announce the transactions contemplated hereby following the execution and delivery of this Agreement, provided that the text and timing of each disclosing Party's announcement must be approved by the other Party in advance, acting reasonably. No Party shall issue any press release or otherwise make public announcements with respect to this Agreement without the consent of the other Party (which consent shall not be unreasonably withheld or delayed); provided, however, that the foregoing shall be subject to each Party's overriding obligation to make any disclosure or filing required under Applicable Laws, and the Party making such disclosure shall use all commercially reasonable efforts to give prior oral or written notice to the other Party and reasonable opportunity to review or comment on the disclosure or filing, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure or filing.

Section 9.4 Time of Essence

Time shall be of the essence of this Agreement in all respects.

Section 9.5 Entire Agreement

This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, including the LOI. There are no conditions, warranties, representations or other agreements between the Parties in connection with the subject matter of this Agreement (whether oral or written, express or implied, statutory or otherwise) except as specifically set out in this Agreement.

Section 9.6 Waiver

A waiver of any default, breach or non-compliance under this Agreement and any other agreement contemplated in this Agreement is not effective unless in writing and signed by the Party to be bound by the waiver. No waiver shall be inferred from or implied by any failure to act or delay in acting by a Party in respect of any default, breach or non-observance or by anything done or omitted to be done by the other Party. The waiver by a Party of any default, breach or non-compliance under this Agreement shall not operate as a waiver of that Party's rights under this Agreement in respect of any continuing or subsequent default, breach or non-observance (whether of the same or any other nature).

Section 9.7 Severability

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 9.8 Remedies Cumulative

The rights and remedies of the Parties under this Agreement are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that Party may be entitled.

Section 9.9 Further Assurances

Each Party shall promptly do, execute, deliver or cause to be done, executed and delivered all further acts, documents and things in connection with this Agreement that the other Parties may reasonably require for the purposes of giving effect to this Agreement.

Section 9.10 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable in that Province and shall be treated, in all respects, as a British Columbia contract. Each Party agrees that any action or proceeding related to this Agreement or the transactions contemplated herein be brought in any court of competent jurisdiction in the Province of British Columbia and for that purpose hereby attorns and submits to the jurisdiction of such British Columbia court, sitting in Vancouver.

Section 9.11 Successors and Assigns

This Agreement shall enure to the benefit of, and be binding on, the Parties and their respective successors and permitted assigns.

Section 9.12 Assignment

Unless otherwise provided herein, no Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its respective rights or obligations under this Agreement without the prior written consent of the other Party, not to be unreasonably withheld. Notwithstanding the foregoing, the Buyer shall not require the consent of the Seller to transfer its rights and obligations under this Agreement to an Affiliate of the Buyer (the “**Assignee**”) provided that the Assignee executes an assumption agreement among the Buyer, the Seller and the Assignee, in a form satisfactory to the Seller, acting reasonably, pursuant to which the Assignee agrees to be bound by the terms of this Agreement and to satisfy all obligations of the Buyer set out hereunder.

Section 9.13 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original or electronic form and each Party agrees to adopt any signatures received electronically from the other Party as original signatures of such Party.

[remainder of page intentionally left blank]

The Parties hereto, intending to be legally bound, have executed this Agreement as of the day and year first above written.

X1 ENTERTAINMENT GROUP INC.

By: (Signed) "*Latika Prasad*"

Name: Latika Prasad

Title: Chief Executive Officer and Director

SKRR EXPLORATION LTD.

By: (Signed) "*Sherman Dahl*"

Name: Sherman Dahl

Title: Chief Executive Officer and Director

Schedule "A"

Mineral Claims

Disposition#	Type	Status	Holder	Area(ha)	Issue Date	Good Standing
MC00012368	Mineral Claim	Active	SKRR Exploration Inc. 100.000	398.638	August 29, 2018	November 27, 2036
MC00013986	Mineral Claim	Active	SKRR Exploration Inc. 100.000	607.636	June 17, 2020	September 15, 2036
MC00013987	Mineral Claim	Active	SKRR Exploration Inc. 100.000	16.134	June 17, 2020	September 15, 2043
MC00013989	Mineral Claim	Active	SKRR Exploration Inc. 100.000	16.133	June 17, 2020	September 15, 2043
MC00013993	Mineral Claim	Active	SKRR Exploration Inc. 100.000	16.136	June 17, 2020	September 15, 2043
MC00013994	Mineral Claim	Active	SKRR Exploration Inc. 100.000	16.134	June 17, 2020	September 15, 2043
MC00014013	Mineral Claim	Active	SKRR Exploration Inc. 100.000	162.896	June 17, 2020	September 15, 2036
MC00014014	Mineral Claim	Active	SKRR Exploration Inc. 100.000	165.454	June 17, 2020	September 15, 2036
MC00014015	Mineral Claim	Active	SKRR Exploration Inc. 100.000	815.273	June 17, 2020	September 15, 2035
MC00014021	Mineral Claim	Active	SKRR Exploration Inc. 100.000	526.155	June 17, 2020	September 15, 2035
MC00014034	Mineral Claim	Active	SKRR Exploration Inc. 100.000	491.63	June 18, 2020	September 16, 2036
MC00014278	Mineral Claim	Active	SKRR Exploration Inc. 100.000	511.759	August 31, 2020	November 29, 2035
MC00014279	Mineral Claim	Active	SKRR Exploration Inc. 100.000	549.235	August 31, 2020	November 29, 2035

Schedule "B"

Purchase Price Allocation

<u>Purchased Asset</u>	<u>Purchase Price Allocation</u>
Data and Information	0.1%
Mineral Claims	99.9%
<u>Total</u>	<u>100%</u>

SCHEDULE “B”

THE COMPANY FOLLOWING THE COMPLETION OF THE PROPOSED TRANSACTION AND CHANGE OF BUSINESS

All capitalized terms used in this Schedule “B” and not defined herein have the meaning ascribed to such terms in the Circular. Unless otherwise indicated herein, references to “\$” are to Canadian dollars. See “Cautionary Notice Regarding Forward-Looking Information” in the Circular in respect of forward-looking statements that are included in this Schedule “B”.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated under the *Business Corporations Act* (British Columbia) on January 9, 2020 under the name “1236705 B.C. Ltd.” On April 23, 2021, the Company changed its name from “1236705 B.C. Ltd.” to “X1 Esports and Entertainment Ltd.” Subsequently, on October 19, 2022, the Company changed its name from “X1 Esports and Entertainment Ltd.” to “X1 Entertainment Group Inc.” The head office of the Company is located at 615 – 800 West Pender Street, Vancouver, British Columbia, V6C 2V6 and the registered and records office of the Company is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

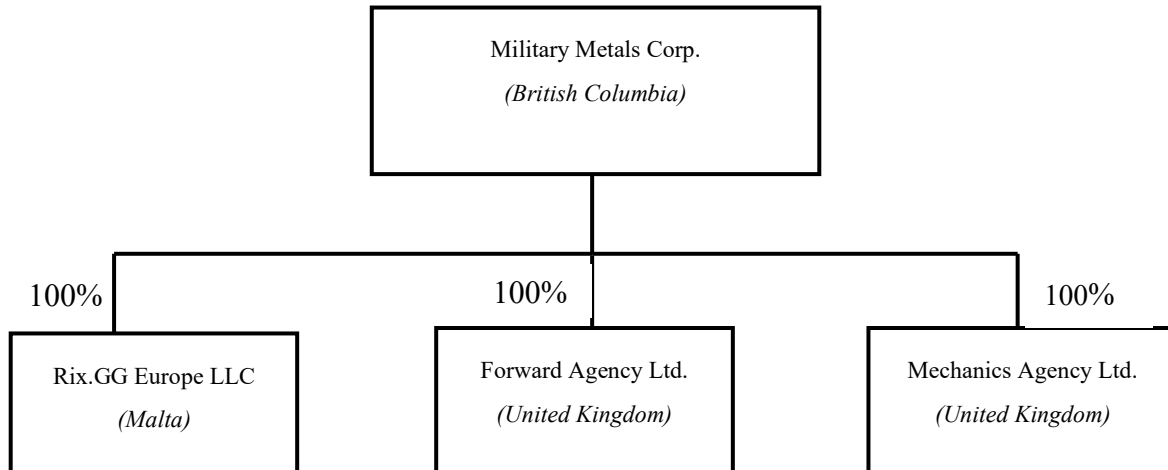
The Company is a reporting issuer in good standing in each of the provinces of Canada, except Quebec. The British Columbia Securities Commission is the Company’s principal regulator. The Company’s Common Shares are listed for trading on the CSE under stock symbol “XONE”. The Company’s Common Shares are also listed on the OTC Pink market under stock symbol “XOEEF” and on the Frankfurt Stock Exchange under stock symbol “QN9”.

Following the completion of the Proposed Transaction and Change of Business the Company will continue to be a reporting issuer in each of the provinces of Canada, except Quebec, and its Common Shares will be listed for trading on the CSE under the symbol “MILI.” The Common Shares will continue be listed on the OTC Pink market under stock symbol “XOEEF” and on the Frankfurt Stock Exchange under stock symbol “QN9”. The head office of the Company will continue to be located at 615 – 800 West Pender Street, Vancouver, British Columbia, V6C 2V6 and the registered and records office of the Company will be located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

Intercorporate Relationships

The Company has three direct subsidiaries, RixGG Europe LLC (“**RixGG**”), Forward Agency Ltd. (“**Forward Agency**”), and Mechanics Agency Ltd. (“**Mechanics Agency**”). RixGG, Forward Agency, and Mechanics Agency are immaterial subsidiaries and the Company is currently in the process of satisfying all outstanding obligations related to such subsidiaries. Following the satisfaction of all outstanding obligations the Company intends to wind down and dissolve each of RixGG, Forward Agency, and Mechanics Agency.

Following the completion of the Proposed Transaction and Change of Business the Company’s corporate chart will be as follows:



DESCRIPTION OF THE BUSINESS

Overview

Following the completion of the Proposed Transaction and the Change of Business, the Company will be a British Columbia-based mineral exploration company that is primarily engaged in the acquisition and exploration of mineral properties. The Company will engage in the business of the acquisition, exploration, and development of mineral resource properties. The Company's sole mineral property interest is the Property. The available funds of the Company, including net proceeds from the Concurrent Financing, will be applied predominately for exploration of the Property. In connection with the completion of the Concurrent Financing, the Company anticipates changing its name from "X1 Entertainment Group Inc." to "Military Metals Corp." with such name change to be effective immediately before completion of the Concurrent Financing. Additionally, the new trading symbol for the Company is expected to be "MIL".

Three-Year History

Set out below are certain significant events in the development of the Company's business over the last three years and up to the date of the Circular. All figures below are displayed on a post Share Consolidations (defined herein) basis.

Year Ended August 31, 2021

- On February 5, 2021, a prior officer of the Company incorporated Forward Agency on behalf of the Company and on February 24, 2021, transferred the entirety of the shares in the capital of Forward Agency to the Company making it a wholly-owned subsidiary of the Company. Concurrently, the prior officer incorporated Mechanics Agency and subsequently transferred the entirety of the shares in the capital of Mechanics Agency to the Company, making it a wholly-owned subsidiary of the Company.
- On April 16, 2021, the Company acquired RixGG, a limited liability company incorporated pursuant to the laws of Malta pursuant to an arm's length transaction. The Company issued 2,000,000 Common Shares to the owners of RixGG for the acquisition of the business, with the transaction being accounted for as a reverse takeover of the Company by RixGG shareholders. Prior to the acquisition of RixGG, the Company did not have an active business, and following its

acquisition the business of RixGG became the business of the Company.

- On April 20, 2021, the Company issued 2,000,000 Common Shares at an issue price of \$0.25 per Common Share, for gross aggregate proceeds of \$650,000.
- On April 23, 2021, the Company consolidated its Common Shares on the basis of two pre-consolidation Common Shares for each one post-consolidation Common Share (the “**2021 Consolidation**”).
- On May 21, 2021, the Company issued 2,433,200 Common Shares at an issue price of \$0.75 for gross aggregate proceeds of \$1,824,900.
- The Company issued a further 908,223 Common Shares at an issue price of \$1.75 per Common Share for gross aggregate proceeds of \$1,589,390.25 in six tranches dated June 9, 2021, June 25, 2021, July 5, 2021, September 10, 2021, September 28, 2021, and October 27, 2021.

Year Ended August 31, 2022

- On March 7, 2022, the Company entered into a non-binding term sheet with sole member of Tyrus, LLC (“**Tyrus**”), a limited liability company formed pursuant to the laws of the State of Wyoming, pursuant to which X1 Esports may acquire Tyrus.
- On March 11, 2022, the Company entered into a non-binding term sheet with the owners of the business known and operated as “Shift Media” (“**Shift Media**”), to acquire all assets associated with the business, including websites, social media accounts, good will, and intellectual property (the “**Shift Media Assets**”).
- On June 29, 2022, the Company completed its initial public offering of 1,382,964 units of the Company at a price of \$2.25 per unit for gross proceeds of \$3,111,669.
- On June 30, 2022, the Company’s Common Shares began trading on the CSE under the symbol “XONE”.
- On July 15, 2022, the Company entered into a membership interest purchase agreement pursuant to which the Company agreed to acquire 100% of the issued and outstanding membership interest of Tyrus for total consideration of approximately US\$350,000.
- On July 22, 2022, the Company entered into an asset purchase agreement pursuant to which the Company agreed to acquire the Shift Media Assets for total consideration of (i) US\$50,000; (ii) 66,666 Common Shares; and (iii) a 7% share of gross revenues Shift Media earns in the first (36) months following closing of the transaction.
- On August 4, 2022, the Company completed its acquisition of Tyrus.
- On August 4, 2022, the Company’s Common Shares began trading on the OTC Pink Market.
- On August 9, 2022, the Company completed its acquisition of the Shift Media Assets.

Year Ended August 31, 2023

- On September 14, 2022, the Company entered into an asset purchase agreement pursuant to which

the Company agreed to acquire the assets of Octane.GG (“**Octane**”).

- On October 3, 2022, Jan Hoffman resigned as a director of the Company and from their position as Chief Executive Officer of RixGG. Samantha Shorter was appointed to fill the vacancy on the Board. In connection with her appointment to the Board, Ms. Shorter resigned as Chief Financial Officer of the Company, and Bobby Dhaliwal was appointed as the Company’s Chief Financial Officer.
- On October 4, 2023, the Company completed its acquisition of the assets of Octane for a cash purchase price of US\$35,000.
- On October 19, 2022, the Company changed its name from “X1 Esports and Entertainment Ltd.” to “X1 Entertainment Group Inc.” Additionally, Tyrus was renamed “X1 Talent Corp.”
- On December 9, 2022, the Company announced the cessation of operations of RixGG.
- On March 3, 2023, Mark Elfenbein resigned as Chief Executive Officer and a director of the Company. Adam Giddens was appointed as Chief Executive Officer and as a director to fill the vacancy on the Board.
- On March 17, 2023, the Company announced that it entered into an asset purchase agreement, pursuant to which the Company sold the Shift Media Assets.
- On April 6, 2023, the Company announced that William O’Hara resigned as a director of the Company and that Oliver Bales was appointed to fill the vacancy on the Board. The Company also announced that it wound down the operations of X1 Talent Corp. (formerly Tyrus, LLC). X1 Talent Corp. was subsequently dissolved on December 1, 2023.

Subsequent to Year Ended August 31, 2023

- On November 10, 2023, the Company consolidated its Common Shares on the basis of five pre-consolidation Common Shares for each one post-consolidation Common Share (the “**2023 Consolidation**”, and together with the 2021 Consolidation, the “**Share Consolidations**”).
- On November 15, 2023, the Company completed a non-brokered private placement of unsecured convertible debentures (“**Debentures**”) for gross proceeds of \$500,000 (the “**Debenture Offering**”). A portion of the Debenture Offering, approximately \$146,106, was completed through the distribution of Debentures in settlement of existing debt. The Debentures mature on November 15, 2024 (the “**Maturity Date**”) and bear interest at a rate of 5.0% per annum, payable on the earlier of the Maturity Date or the Conversion Date (defined herein). The Company has the right to pay all accrued and unpaid interest either in cash or in units of the Company (“**Debenture Units**”) at a price of \$0.055 per Debenture Unit, in its sole discretion, and on the Maturity Date also has the right to convert the principal amount of the Debentures into Debenture Units rather than repay in cash. The principal amount of Debentures may be converted into Debenture Units, in whole or in part, at the option of the holder, at any time before the Maturity Date, into Debenture Units at a price of \$0.055 per Debenture Unit (such date of conversion being referred to herein as the “**Conversion Date**”). Each Debenture Unit will consist of one Common Share and one Common Share purchase warrant (a “**Debenture Unit Warrant**”) exercisable at a price of \$0.055 for a period of 24 months from the date of issuance.
- On December 1, 2023, the Company entered into the LOI with SKRR Exploration Inc. (the

“Vendor”). Additionally, on December 1, 2023, the Company appointed Latika Prasad as its Chief Executive Officer.

- On January 25, 2024, the Company completed a non-brokered private placement of 7,142,857 units of the Company at a price of \$0.07 per unit for gross proceeds of \$499,999.99.
- On February 7, 2024, the Company entered into the Definitive Agreement with the Vendor.
- On February 29, 2024, the Company cancelled a total of 360,000 Options granted pursuant to the Option Plan. The Options were voluntarily surrendered by the holders thereof and the Company agreed to grant such holders replacement Options with an exercise price equal to or above the market price of the Common Shares on the CSE.
- On April 5, 2024, the Company announced the terms of the Concurrent Financing and provided an update regarding the proposed Change of Business. Subsequently, on April 8, 2024, the Company retracted a portion of the April 5, 2024 news release and clarified that the terms of the Concurrent Financing will be established at a later date. On June 18, 2024, the Company announced the revised terms of the Concurrent Financing, and on July 3, 2024, the Company further revised the terms of the Concurrent Financing. Subsequently, on July 9, 2024, the Company announced the final settled terms of the Concurrent Financing.
- On June 21, 2024, the Company granted 360,000 Options, which vested immediately, and are exercisable at an exercise price of \$0.35 per Common Share for a period of five years from the date of grant. The Options were granted to the holders who surrendered their Options on February 29, 2024.

Future Plans

The Company plans to conduct exploration on the Property which exploration efforts will follow some of the recommendations made in the Technical Report.

Trends

As a junior mining issuer, the Company will be highly subject to the cycles of the mineral resource sector and the financial markets as they relate to junior companies.

The Company’s financial performance will be dependent upon many external factors. Both prices and markets for metals are volatile, difficult to predict and subject to changes in domestic and international, political, social and economic environments. Circumstances and events beyond its control could materially affect the financial performance of the Company. Apart from this risk, and the risk factors noted under the heading “*Risk Factors*”, the Company is not aware of any other trends, commitments, events or uncertainties that are reasonably likely to have a material adverse effect on the Company’s business, financial conditions or results of operations.

Competitive Conditions

The Company will be a grassroots mineral exploration company. The mineral exploration industry is competitive, with many companies competing for the limited number of precious and base metals acquisition and exploration opportunities that are economic under current or foreseeable metals prices, as well as for available investment funds. Competition also exists for the recruitment of qualified personnel and equipment. See “*Risk Factors*.”

Government Regulation

Mining operations and exploration activities in Canada are subject to various federal, provincial and local laws and regulations which govern prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances and other matters.

The Company believes that it is and will continue to be in compliance in all material respects with applicable statutes and the regulations passed in Canada. There are no current orders or directions relating to the Company with respect to the foregoing laws and regulations.

Environmental Regulation

The various federal, provincial, and local laws and regulations governing protection of the environment are amended often and are becoming more restrictive. The Company's policy is to conduct its business in a way that safeguards public health and the environment. The Company believes that its operations are conducted in material compliance with applicable environmental laws and regulations.

Since its formation, the Company has not had any environmental incidents or non-compliance with any applicable environmental laws or regulations. The Company estimates that it will not incur material capital expenditures for environmental control facilities during the current fiscal year.

THE MANSON BAY PROPERTY

Overview

Following the completion of the Proposed Transaction and the Change of Business, the Company will be a mineral exploration company primarily engaged in exploration of the Property, and the identification and acquisition of additional mineral exploration properties. The Property, which is in the exploration stage, will be the Company's first material mineral property.

Current Technical Report

Unless otherwise stated, the following disclosure relating to the Property has been summarized, compiled or extracted from the technical report, titled "NI 43-101 Technical Report Manson Bay Property" (the "**Technical Report**") prepared by John Shmyr, P. Geo., and Jarrod Brown, P. Geo. (together, the "**Authors**"). Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Technical Report.

Mr. Shmyr is fully independent of the Company and is a "Qualified Person" as defined in NI 43-101. Mr. Brown is not independent of the Company and is a "Qualified Person" as defined in NI 43-101. The Authors have been involved in all aspects of mineral exploration for precious and base metal mineral projects in Canada and internationally. The Technical Report has an effective date of February 1, 2024.

The Technical Report is available for inspection during regular business hours at the Company's registered office at 615 – 800 West Pender Street, Vancouver, BC V6C 2V6. The Technical Report may also be reviewed under the Company's profile on the SEDAR+ website at www.sedarplus.ca.

Project Description, Location, and Access

The Property is 4293.213 hectares and is located in east-central Saskatchewan, approximately 40 km northwest of Flin Flon, Manitoba and 125 km east of La Ronge, SK. Locally, the Mineral Claims are situated between Manson Bay and Roberts Bay of Wildnest Lake. Access is by helicopter or float-equipped aircraft in the summer, and by snowmobile or ski-equipped aircraft in the winter from Flin Flon, MB, Pelican Narrows, SK, or La Ronge, SK. In the winter season, trails exist in the area connecting Wildnest Lake to the Hanson Lake Road which serves as an all-season highway that connects southern Saskatchewan infrastructure to Flin Flon, MB.

The 13 Mineral Claims that comprise the Property are wholly owned by the Vendor. The Company has entered into the Definitive Agreement with the Vendor pursuant to which the Company has agreed to acquire the Purchased Assets, which includes the Mineral Claims that comprise the Property. As consideration for the Purchased Assets, the Company has agreed to issue the Consideration Shares to the Vendor. Portions of the property are subject to net-smelter-royalty agreements with the Vendor, Eagle Plain Resources Ltd. (“**Eagle Plain**”) and a third party.

History

Wildnest Lake Mines completed an initial electromagnetic (“**EM**”) survey along with trenching in 1953, ultimately uncovering the Nest main showing. Kay Lake Mines Ltd. acquired the Property in 1955 and conducted an EM survey finding numerous strong conductors throughout the Wildnest Lake region. This was followed up with a diamond drill program to test these conductors on the northeast shore of Manson Bay. These diamond drill holes returned trace to slightly elevated Au and Ag values.

Numerous geophysical surveys, trenching and prospecting was completed from 1959 to 1982, with little findings. The property was optioned to Hudson Bay Exploration and Development Company (“**Hudson Bay**”) in 1983. A large conductor was located parallel to the eastern edge of Manson Bay, through magnetic and EM surveys. In 1985, Hudson Bay carried out diamond drilling in 3 preliminary holes, with MBO-1 encountering a 0.8 ft intersection that returned 0.04 oz/ton Au, 4.38 oz/ton Ag, 5.81% Cu and 0.60% Zn. Between 1987 and 1988, MinGold Resources Limited (“**Mingold**”) outlined a gold-copper rich zone of mineralization in their grid drilling on the eastern edge of Manson Bay, totaling 5467m, in 49 holes (MBO-4 to MBO-52). Other highlights from drilling (Stroshein, 1988) include:

- Hole MBO-15 intersected 13.7 g/t Au over 10.33m (85.98m to 96.31m) including 42.5 g/t Au over 3.05m (86.56m - 89.61m), including 120.09 g/t Au over 1.04m (86.87m - 87.90m); and
- Hole MBO-37 intersected 2.63 g/t Au over 12.37m (from 83.94m to 96.32m) including 12.81 g/t Au over 0.61m.

Mingold published a resource estimate in 1988 based on the results of the 49 drill holes at Manson Bay. Mingold estimated 660,000 tons grading 0.10 oz/ton Au, however the Authors cannot find the original documentation regarding this estimate. The Authors are only aware of the calculation based upon reference to the tonnage estimate within the Saskatchewan Mineral Deposits Index entry #2280. As no verifiable documentation for this resource estimate can be found, it should not be relied upon in any form and will not be utilized elsewhere in this report.

In 2008, Murgor Resources Inc. commissioned a 200m line-spacing versatile time domain electromagnetic (“**VTEM**”) + magnetic survey over the northwestern $\frac{3}{4}$ of the property. This survey also covered the majority of adjacent Schotts Lake and Mari Lake properties, which are underlain by the same or similar stratigraphy to the Manson Lake Property. A review of the 2008 geophysical results shows that the 3 known

showings on the Manson Lake Property all are all underlain by coincident NE-trending magnetic and electromagnetic (conductive) highs.

Little exploration work was completed on the property until Eagle Plain began staking the Project area in 2020.

Geological Setting

The Property is situated within the Attitti Block in the Wildnest Lake area by amphibolite facies and supracrustal rocks and granitoids. The Attitti Block is interpreted to be a high-grade metamorphic equivalent of the Flin Flon Domain that extends to the south and east. The boundary between the Attitti Block and the Kisseynew Domain to the east is interpreted as a facies change from dominantly volcanic to dominantly sedimentary rocks. The Flin Flon Domain is host to several current and past producing volcanogenic massive sulphide (“VMS”) deposits east of the property area within Saskatchewan and Manitoba.

The Property is situated in the core of the Schotts Lake anticline (Figure 1 below). Rocks throughout the property strike north-easterly and display shallow dips to the east (20-30°). Tight recumbent folding has produced a regional foliation followed by isoclinal folds deforming this foliation and shearing along the fold limbs. Two later phases of open upright folding have created large regional structures. There are six main lithological units that occupy the Property.

At the Manson Bay showing, core from drill holes is dominated by garnet-quartz-feldspar-hornblende-biotite gneiss and moderate distribution of pegmatites and calc-silicate gneisses. Two distinct graphitic horizons flank the mineralized shear zone at the Manson Bay Gold Zone. The graphitic units are composed of quartz-feldspar-biotite-chlorite gneiss. The graphite is generally fine-grained and granular averaging 5% and rarely up to 20%. Pyrite and pyrrhotite are ubiquitous in these units averaging 2-3% and occasionally up to 12%. The mineralized horizon is composed of quartz-rich gneiss with hornblende-feldspar biotite, locally chloritic or with tourmaline crystals. Sulphide content varies up to 25% but commonly averages 2-7% with pyrite and pyrrhotite throughout and lesser amounts of sphalerite, chalcopyrite and galena.

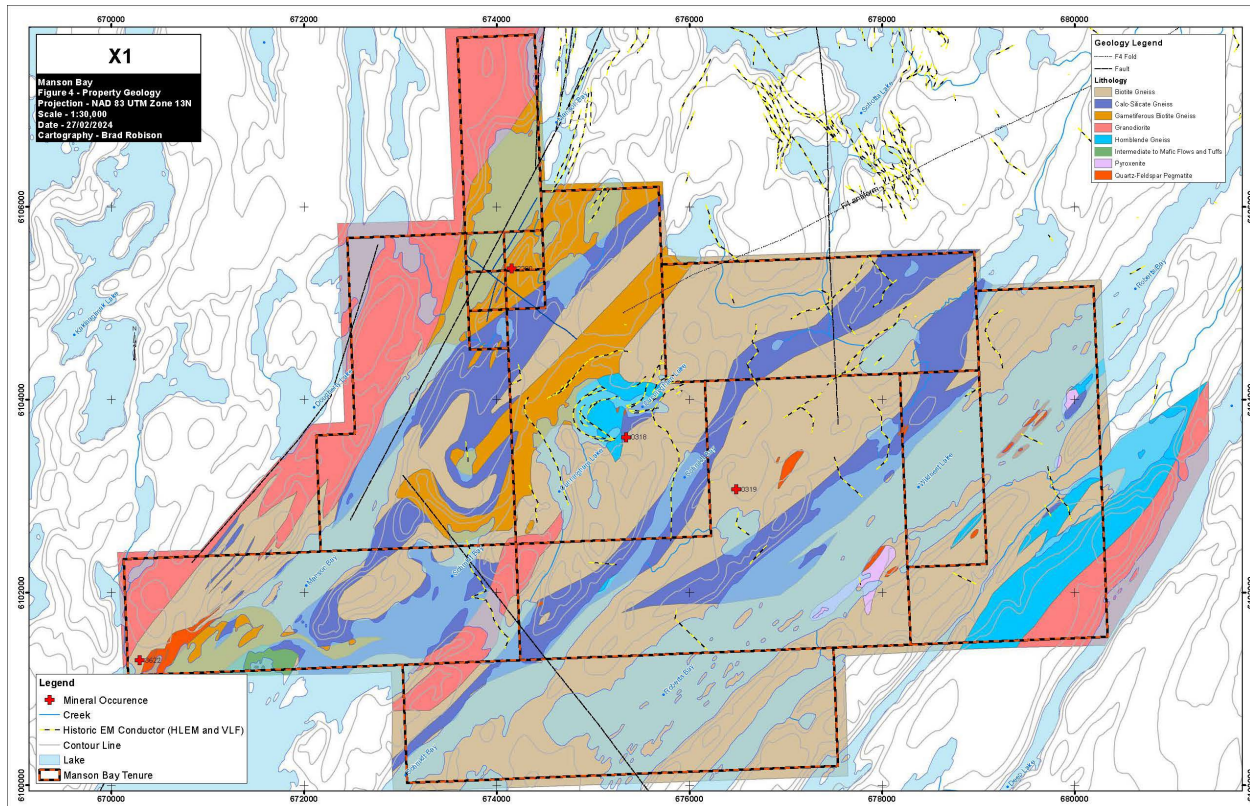


Figure 1: Property Geology

Mineralization

The Property hosts four (4) government registered mineral deposit locations (“SMDIs”), all classified as volcanogenic hosted/associated mineral showings, with one gold dominant, and the other three with stated copper potential. The Manson Bay Developed Prospect on the Man-1 Grid (SMDI 2280) is host to a resource. One premier intercept returned the following values: Hole MBO-15 intersected 13.07 g/t Au over 10.33m, including 42.05 g/t Au over 3.05m and 120.09 g/t Au over 1.04m.

The Man-1 Grid (SMDI 2280), located on the eastern shore of Manson Bay, has been traced over a strike length of greater than 730m within a silicified shear zone. The area straddles a transition zone from sericite feldspar-biotite±quartz±garnet±hornblende gneiss and biotite migmatite to the north and east; and highly metamorphosed (upper amphibolite) Amisk Group interlayered volcanics and metasediments to the south. Calc-silicates and pegmatites have been observed in all drill holes as well. The showing host rock was mapped by Ashton et al. (1986) as hornblende-biotite±garnet gneiss which in the Author’s opinion may represent an assemblage consistent with metamorphosed VMS type alteration. Bands of altered intermediate to mafic volcanics and interbedded clastics lie along the margins of these host gneisses. The showing occupies the core of the Schotts Lake anticline.

The Nest Group showing (SMDI 0319) is a 600m in length by 7m wide gossan containing pyrite, pyrrhotite with minor chalcopyrite and sphalerite. The host rock is thought to be “Kisseynew type” biotite-quartz-garnet gneiss. Historical drilling has revealed narrow, minor mineralized bands within locally brecciated, quartz-rich and schistose sections of the host gneisses.

The Man Claim No. 16 occurrence (SMDI 0318) is represented at surface as an approximately 4.6m by 30.5m, deeply weathered gossan with trace iron sulphides in hand sample. Workers have reported en-

echelon pyritic lenses that return anomalous copper and gold values. The bedrock has been mapped as intermediate to mafic rocks with coarse-grained garnet-biotite gneiss immediately to the east.

The Sample BS-840-1-1 occurrence (SMDI 3622) is comprised of a single till sample that returned 104 ppm Ni.

Deposit Types

Historical and current exploration to date on the Property indicates potential for gold and base metals within a modified VMS type deposits (“**VMS Deposits**”).

VMS Deposits are base metal-rich mineral deposits, which can also contain lesser amounts of precious metals. Their ores can be major sources of zinc, copper, and lead, with gold and silver byproducts. They are found worldwide, and often form in clusters, or camps. Several major VMS camps are known in Canada, these include the Flin Flon - Snow Lake, Bathurst and Noranda camps. These high-grade deposits are often in the range of 5 to 20 million tonnes but can be considerably larger. Some of the largest VMS Deposits in Canada include the Flin Flon mine (62 Mt), the Kidd Creek mine (+100 Mt) and the Bathurst No. 12 mine (+100 Mt).

Mineralization in VMS Deposits consist mainly of massive or semi-massive accumulations of sulphide minerals which form in lens-like or tabular bodies parallel to stratigraphy or bedding. VMS Deposits form on, or below, the ocean floor and are typically associated with volcanic and/or sedimentary rocks. Characteristics of well-preserved VMS Deposits include the presence of concordant lenses of massive and semi-massive sulphides which have been exhaled into the ocean as metal-rich brines from black and white smokers, or chimneys. These sulphide zones can overlie discordant (typically copper +/- gold rich) stockworks and/or alteration zones which form below the seafloor.

Exploration

The 2021 exploration program on the Property consisted of two separate phases all completed on behalf of the Vendor. Phase I of the program consisted of a 7-8-person, 8 field-day program (July 22nd to July 29th, 2021) of prospecting, geological mapping, rock sampling, and soil sampling. Phase II of the program consisted of a 12-hole, 1,687.68m diamond drill program that was undertaken from September 12th to October 12th, 2021. Additionally, a concurrent 233 line-kilometre VTEM and magnetic geophysical survey was conducted from September 30th to October 4th, 2021. Total expenditures for the 2021 exploration program were \$1,005,138.50.

The soil sampling program was comprised of three grids: a grid near the Man-1 occurrence (SMDI 2280) which comprised northern and southern extensions of a historical humus grid, a grid to the west of Cunningham Lake, and a grid to the east of Cunningham Lake near the Nest Group (SMDI 0319) and Man claim (SMDI 0318) occurrences. Concurrent with soil sampling, geologists mapped and prospected in proximity to the Man-1 grid occurrence (SMDI 2280), Man claim occurrence (SMDI 0318), and the Nest Group occurrence (SMDI 0319). The crew conducted prospecting and mapping traverses while collecting grab rock samples for assay. Results from the field program were used to refine/prioritize 2021 drill targeting at the MAN-1 grid and define future targeting priorities at the other showings.

Concurrent to the diamond drilling program, Geotech Airborne Geophysical Surveys completed a 233 line-kilometre electromagnetic and magnetic survey over the majority of the property. No advanced interpretation was included in the report produced, however a set of EM anomaly picks was produced. Magnetic products display a prominent NE-SW trending magnetic high running parallel to Schmidt Bay through the centre of the property as well as a parallel magnetic high in the NW corner of the tenure, parallel

to Manson Bay (Figure 2 below). Several discontinuous, NE-SW trending anomalies also exist in the vicinity of Cunningham Lake. Conductors produced from EM anomaly picks seem to follow a similar trend to the magnetic signature (Figure 3 below). A major conductor runs through the centre of the property parallel to Schmidt Bay as well as a conductor parallel to Manson Bay in the NW corner of the tenure. Additionally, a series of NE-SW trending conductors exist in the SE corner of the tenure, parallel to Roberts Bay.

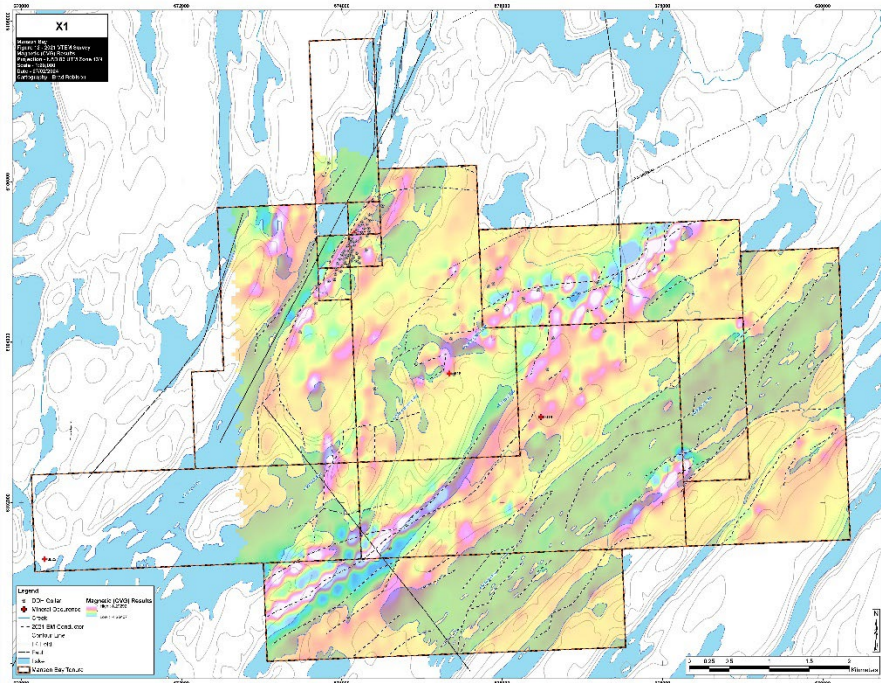


Figure 2: 2021 VTEM Survey Magnetic (CVG) Results

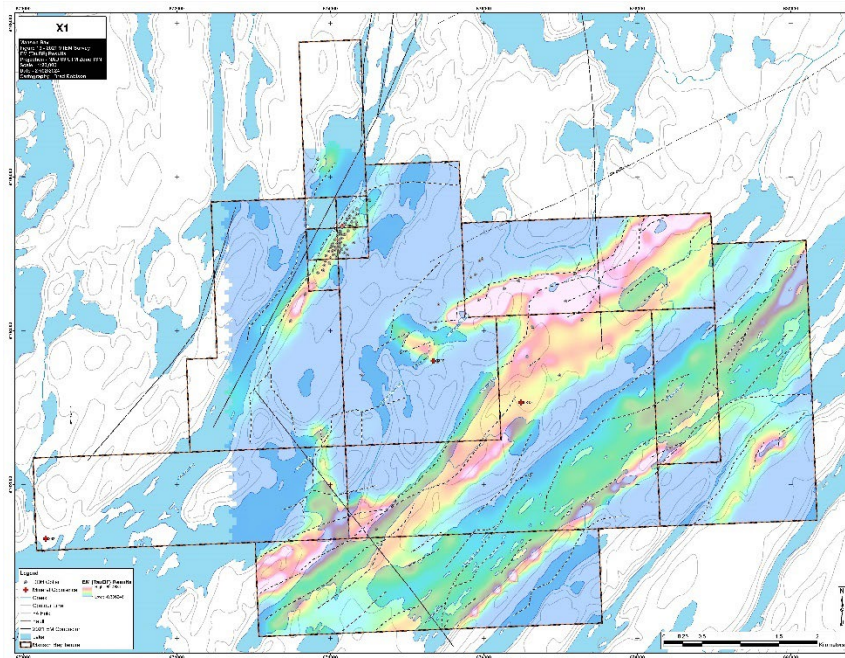


Figure 3: 2022 VTEM Survey EM (TauBF) Results

Sample Preparation, Analysis, and Security

Sampling methodology and overall project design (2020-2022) including subcontractor involvement was orchestrated by Terralogic Exploration Inc. (“**Terralogic**”). All soil, rock and drill core samples were submitted to ALS Global - Geochemistry Analytical Lab (“**ALS**”), which is an ISO 14001 and 45001 certified geoanalytical laboratory, and is independent of all parties, including Terralogic, the Vendor and the Company.

Soil samples were collected at 25 meter intervals and were collected from pits dug using geotools and/or hand-held augers. Wherever possible the soil samples were collected from the B-horizon of the soil profile. Rocks were collected from outcrop with a rock hammer or geotool as grab samples for assay. Samples were recorded as a rock sample with an assigned geostation using both an app developed by Terralogic on ruggedized Android phones and a field notebook with spatial locations.

Drilling was completed using a Hydracore 2000 diamond drill using an NQ bit. The drill hole was sampled for assay at the discretion of the logging geologist. Sample intervals had a minimum width of 0.50 meters and a maximum width of 2.20 meters. Upon completion of sample layout and core logging, the drill core was photographed before being moved to the split shack.

Both external standard and blank samples were inserted into the rock and drill core sample shipments at a frequency between every 10th to 25th sample, ensuring that at least one blank and one standard were inserted per hole. The standards returned acceptable values, relative to industry standard statistical thresholds. All of the blanks returned acceptably low values of Au, Ag, Cu, Zn and Pb.

In the Author’s opinion, all the data collection, quality control, sample preparation, security and analytical procedures related to the 2021 field programs were adequate.

Data Verification

Mr. Shmyr visited the Property on December 20, 2023 via helicopter from a helicopter base in Smeaton, Saskatchewan. The visit consisted of a low level observation flight across the length of the Property to observe the terrain and access. Mr. Shmyr landed and inspected the core storage location for the 2021 drill program. The core stacks were inspected to ensure the boxes labelled match the hole names and approximate meterage as was described in the 2021 assessment report. Mr. Shmyr collected two (2) small samples for geoanalytical comparison from hole MB21-004 from the areas of elevated gold mineralization. The mineralized samples appear consistent with what was described previously. Mr. Shmyr is satisfied with authenticity of the 2021 exploration results completed by the Vendor as the data storage and procedures are excellent, quality assurance and quality control procedures and results are considered satisfactory, and the site visit is consistent with the work that was described.

Mineral Processing, Metallurgical Testing, Mineral Resource and Mineral Reserve Estimates

As this is an early-stage exploration project, there has been no metallurgical testing, mineral processing or development on the Property. There are no current mineral resource estimates on the Property.

Interpretation and Conclusions

The 2021 two-phase exploration program was successful in confirming significant gold-silver-zinc-lead mineralization on the Property. Workers were able to confirm historic results at known showings and identify mineralized trends in underexplored areas on the Property. Gold-silver-zinc-lead mineralization is

hosted within sericite-chlorite altered, silicified, tabular sheared zones within gneisses of the Flin Flon domain. These zones are interpreted as remobilized VMS-style mineralization with the most prolific on the Property, at the Man-1 grid, suggested to represent a gold-rich VMS-style deposit.

Drilling at the Man-1 grid in 2021 focused primarily on in-filling and extending historic drilling in the immediate Man-1 grid zone. Assay results indicate that gold-silver-zinc-lead mineralization is mainly restricted to a 5-20m thick, strata-parallel, tabular shear zone. Visual characteristics typical of this zone include chlorite-sericite alteration, silicification, up to 10% net-textured to semi-massive pyrite/pyrrhotite, up to 3% blebby sphalerite/galena, and occasional graphite. Assay result highlights linked to this zone include 12.90g/t Ag, 2.14g/t Au, 0.13% Pb, and 0.55% Zn over 10.23m from 85.68m to 95.91m in hole MB21001 and 13.75g/t Ag, 1.79g/t Au, 0.20% Pb, and 0.47% Zn over 20.29m from 96.26m to 116.55m in hole MB21004. Although no obvious plunge control was visually identified throughout the 2021 program, renewed modelling may resolve whether the mineralized zone has a strictly planar or pipe-like geometry. With a number of available holes with casing intact, future borehole EM surveys may prove to be a valuable technique for future programs to model the conductive, mineralized zone at the Man-1 grid.

The zone to the west of Cunningham Lake was primarily explored via soil sampling and airborne geophysical surveying at a reconnaissance level. Soil sampling delineated a N-S trending, 500m by 150m, silver-lead-zinc anomaly with point gold anomalies in the vicinity. Pathfinder elements are also elevated along this trend. This soil trend coincides with the edge of a magnetic high anomaly, but lacks any strong conductors which commonly indicate a buried VMS deposit. Unfortunately, no rock sampling or geological mapping were conducted over the trend in 2021 that could support the soil sampling results.

The zone to the east of Cunningham Lake was targeted for exploration work in 2021 due to the abundance of coincident EM conductors and magnetic anomalies that could represent buried VMS deposits. Soil sampling produced discontinuous silver, lead, and zinc point anomalies in the NE corner of the grid. These anomalies do not seem to form a continuous, coincident trend that could indicate buried VMS deposit. Geological mapping did identify several gossanous zones with sulphide mineralization, particularly near the NE corner of the soil grid. Rock samples collected from these gossans returned only weakly anomalous gold, silver, lead, and zinc values.

Recommendations

The 2021 program was successful in proving the potential on the Property for VMS-style mineralization. Advancing the Property and vectoring to high-grade mineralization could be achieved through a combination of continued desktop work, geophysical surveying, field mapping, and rock sampling. Specific recommendations are as follows:

- Renewed 3D geologic modelling into LeapFrog or equivalent software, of the Man-1 grid zone on the property. 2021 drilling and georeferencing of historic collars may influence the geometry of the deposit and reveal controls on mineralization. Additionally, this model could help refine drillhole planning for future programs.
- Borehole EM surveying of 2021 holes with intact casing at the Man-1 grid, particularly those holes located down dip along the mineralized horizon. Maxwell plate models produced through borehole geophysics data could indicate whether extensions of the mineralized horizon exist down-dip to the east of current drilling and guide future drillhole planning.
- Lithochemical sampling, grab sampling, and geological mapping in the vicinity of the silver-lead-zinc soil anomaly west of Cunningham Lake. This soil trend is prospective but needs follow-up ground-truthing to prepare for drill testing.

- Maxwell plate modelling of conductors east of Cunningham Lake to help define specific zones for follow-up lithochemical sampling, grab sampling, and geological mapping.

The proposed work program would include desktop refinement of the LeapFrog model from the 2021 results, with emphasis on the Man-1 grid zone. This would be followed by a 2-pronged field program that would include a 4-person geological team that would complete additional collar surveying, prospecting and structural mapping; concurrent to a borehole EM-geophysical program, the results of which would be used to update the LeapFrog model, in support of future drill targeting. The budget for the recommended program is CAD \$104,226.82 +10% contingency (Table 12), with the total scope of the program subject to change pending results and available funding.

USE OF PROCEEDS

Proceeds

In the event the Minimum Financing is completed, the net proceeds to be received by the Company from the Concurrent Financing will be approximately \$1,980,000, and in the event the Maximum Financing is completed, the net proceeds to be received by the Company from the Concurrent Financing will be approximately \$2,980,000, in each case after deducting the estimated expenses of the Concurrent Financing and applicable taxes and disbursements, which are estimated to be \$20,000.

Principal Purposes

The proceeds of the Concurrent Financing, after taking into account the Company's working capital of \$300,000 as at June 30, 2024, are currently intended to be used for the following purposes:

Use of Proceeds	Minimum Financing	Maximum Financing
Expenses of the Proposed Transaction and Change of Business ⁽¹⁾	\$200,000	\$200,000
Expenses of the Concurrent Financing ⁽²⁾	\$20,000	\$20,000
Recommended Work Program ⁽³⁾	\$115,000	\$115,000
Marketing and Investor Relations	\$60,000	\$60,000
Consulting, Management, and Director Fees ⁽⁴⁾	\$342,000	\$342,000
Estimated general and administrative expenses for 12 months ⁽⁵⁾	\$193,500	\$193,500
Unallocated working capital ⁽⁶⁾	\$1,369,500	\$2,369,500
Total	\$2,300,000	\$3,300,000

Notes:

(1) Comprised of legal fees, accounting fees, technological report fees, and filing fees.

- (2) Estimate of expenses of the Concurrent Financing is based on the fact that the Company does not anticipate it will pay finder's fees on the majority of the participants subscribing in the Concurrent Financing, and any such finder's fees will be determined based on market rates for such fees.
- (3) Comprised of the recommended work program of \$104,226.82 + 10% contingency. See "*The Manson Bay Property – Recommendations*"
- (4) Comprised of: (i) \$7,000 per month to be paid to the Company's Chief Executive Officer; (ii) \$6,000 per month to be paid to the Company's Chief Financial Officer; (iii) \$5,000 per month to be paid to each of the Company's independent directors; (iv) fees to be paid pursuant to consulting agreements that will be entered into on an as needed basis; and (v) accrued fees.
- (5) Comprised of: (i) \$75,000 for professional fees (legal and accounting); (ii) \$5,000 for corporate and shareholder communication; (iii) \$7,500 for transfer agent fees; (iv) \$36,000 for office and rent; (v) \$25,000 for regulatory fees; (vi) \$25,000 for travel; and (vii) \$20,000 for other general and administrative expenses.
- (6) Following the completion of the recommended work program on the Property and a review of the results therefrom, the Company may, in its sole discretion, use unallocated working capital to complete additional work on the Property, including but not limited to organization and implementation of subsequent work programs or additional exploration activities. Such expenditures are currently unplanned, contingent, and for unknown amounts. The Company may also use unallocated working capital to assess future opportunities to acquire additional land and/or mineral properties in support of its mineral exploration business.

Available Funds

The Concurrent Financing will consist of (a) a minimum of 8,000,000 Units at a price of \$0.25 per Unit for gross proceeds of \$2,000,000, and (b) a maximum of 12,000,000 Units at a price of \$0.25 per Unit for gross proceeds of \$3,000,000. The funds available to the Company following the completion of the Concurrent Financing will be as follows:

Source of funds	Minimum Financing	Maximum Financing
Estimated consolidated current working capital as at June 30, 2024	\$300,000	\$300,000
Gross proceeds from the Concurrent Financing ⁽¹⁾	\$2,000,000	\$3,000,000
Total Funds Available	\$2,300,000	\$3,300,000

Note:

(1) Not including the estimated expenses of the Concurrent Financing and disbursements, which are estimated to be \$20,000.

The Company intends to spend the funds available to it as stated herein. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. Accordingly, while it is currently intended by management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations. See "*Risk Factors*".

The Company has negative cash flow from operating activities and has historically incurred net losses. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital to fund such negative cash flows. The Company may be required to raise additional funds through the issuance of additional equity securities, through loan financing, or other means. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all. See "*Risk Factors*".

Business Objectives and Milestones

The Company's business objective will be to complete the recommended work program on the Property as outlined in the Technical Report. The significant milestones and related costs for the Company to meet its business objective are as follows:

<u>Business Objectives</u>	<u>Milestones</u>	<u>Cost Related to Milestone</u>
Complete Recommended Work Program	<ul style="list-style-type: none"> Renewed 3D geologic modelling into LeapFrog or equivalent software, of the Man-1 grid zone on the Property. 	\$9,138.00
	<ul style="list-style-type: none"> Borehole EM surveying of 2021 holes with intact casing at the Man-1 grid, particularly those holes located down dip along the mineralized horizon. 	\$59,561.17
	<ul style="list-style-type: none"> Lithogeochemical sampling, grab sampling, and geological mapping in the vicinity of the silver-lead-zinc soil anomaly west of Cunningham Lake. 	\$28,566.15
	<ul style="list-style-type: none"> Maxwell plate modelling of conductors east of Cunningham Lake to help define specific zones for follow-up lithogeochemical sampling, grab sampling, and geological mapping. 	\$6,961.50
	<u>Total</u>	<u>\$104,226.82</u>

The Board may, in its discretion, approve asset or corporate acquisitions or investments (including acquisitions outside the mining industry) that do not conform to these guidelines based upon the Board's consideration of the qualitative aspects of the subject properties including risk profile, technical upside, mineral resources and reserves and asset quality. Such acquisitions may require shareholder or regulatory approval.

DIVIDENDS OR DISTRIBUTIONS

There are no restrictions in the Company's articles or elsewhere, other than customary general solvency requirements, which would prevent the Company from paying dividends. All of the Company's Common Shares will be entitled to an equal share in any dividends declared and paid.

The Company has not declared or paid any dividends or distributions on its Common Shares since incorporation. The Company currently intends to retain future earnings, if any, for use in its business and does not anticipate paying dividends or distributions in the foreseeable future on its Common Shares. Any determination to pay future dividends or distributions will remain at the discretion of the Board and will depend on the earnings, financial condition of the Company and such other factors deemed relevant by the Board.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Financial Information

The following selected financial information has been derived from and is qualified in its entirety by the Company's (i) audited annual consolidated financial statements for the period from September 16, 2020 to

August 31, 2021, and for the years ended August 31, 2022 and 2023, and related notes thereto and auditor's report thereon (the "Annual Financial Statements"), and (ii) interim unaudited consolidated financial statements for the period ended February 29, 2024 and February 28, 2023 and related notes thereto (the "Interim Financial Statements"). The Annual Financial Statements are attached as Appendix I to this Schedule "B" and the Interim Financial Statements are attached as Appendix II to this Schedule "B".

	For the interim period ended February 29, 2024 (unaudited)	For the year ended August 31, 2023 (audited)	For the year ended August 31, 2022 (audited)	From September 16, 2020 to August 31, 2021 (audited)
Total revenue	Nil	\$309,638	\$390,959	\$27,140
Loss from operations	\$297,306	\$2,208,100	\$1,430,229	\$1,841,157
Comprehensive loss	(\$312,017)	(\$3,421,304)	(\$3,089,255)	(\$2,006,534)
Total assets	\$492,344	\$20,112	\$3,023,295	\$2,146,852
Total liabilities	\$759,148	\$550,295	\$771,668	\$143,231
Shareholders' equity (deficiency)	(\$266,804)	(\$530,183)	\$2,251,607	\$2,003,621

The following selected financial information has been derived from and is qualified in its entirety by the audited carve-out financial statements on the historical expenditures on the Property for the nine-month period ended January 31, 2024, the years ended April 30, 2023 and 2022, and the period from August 31, 2020 to April 30, 2021, and related notes thereto and auditor's report thereon (the "Carve-Out Financial Statements"). The Carve-Out Financial Statements are attached as Appendix III to this Schedule "B".

	As at January 31, 2024 (audited)	As at April 30, 2023 (audited)	As at April 30, 2022 (audited)	As at April 30, 2021 (audited)
Total assets	-	-	\$1,669,947	\$616,295
Total liabilities	-	-	-	-
Total equity	-	-	\$1,669,947	\$616,295
Expenses	-	\$1,697,022	-	-
Net and comprehensive loss	-	(\$1,697,022)	-	-

Exploration and evaluation assets on the Property comprise the following accumulated expenditures:

	Year ended April 30, 2021 (audited)	Year ended April 30, 2022 (audited)	Year ended April 30, 2023 (audited)	Period ended January 31, 2024 (audited)	Total
OPENING	-	\$616,295	\$1,669,947	-	-
Acquisition costs	\$567,726	-	-	-	\$567,726
Drilling	-	\$574,321	-	-	\$574,321
Field and camp costs	-	\$50,960	-	-	\$50,960
Geological	\$20,587	\$350,684	\$800	-	\$372,071
Geophysical	-	\$37,940	\$4,132	-	\$42,072
Management costs	\$7,500	\$11,976	\$12,143	-	\$31,619
Report and survey	\$20,482	\$27,771	\$10,000	-	\$58,253
Impairment of accumulated expenditures	-	-	(\$1,697,022)	-	(\$1,697,022)
ENDING	\$616,295	\$1,669,947	-	-	-

Management's Discussion and Analysis

The Company's management's discussion and analysis for the period from September 16, 2020 to August 31, 2021, and the six months ended February 28, 2022, and for the years ended August 31, 2022 and 2023 (the "Annual MD&A") are attached as Appendix IV to this Schedule "B", and for the interim period ended February 29, 2024 and February 28, 2023 (the "Interim MD&A") is attached as Appendix V to this Schedule "B". Further, the management's discussion and analysis on the historical expenditures on the Property for the nine-month period ended January 31, 2024, the years ended April 30, 2023 and 2022, and the period from August 31, 2020 to April 30, 2021 (the "Carve-Out MD&A") is attached as Appendix VI to this Schedule "B".

The Annual MD&A, Interim MD&A and Carve-Out MD&A should be read in conjunction with the financial statements and the accompanying notes thereto included in the Circular. Certain information contained in the Annual MD&A, Interim MD&A and Carve-Out MD&A may constitute forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements. See "Cautionary Notice Regarding Forward-Looking Statements" and "Risk Factors."

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure related to the Company's expenses are provided in the Audited Financial Statements and Interim Financial Statements attached hereto as Appendix I and II to this Schedule "B".

Additional Disclosure for Junior Issuers

The Company expects that the proceeds raised pursuant to the Concurrent Financing will fund operations for a minimum of 12 months after the completion of the Concurrent Financing. The estimated total operating costs necessary for the Company to achieve its stated business objectives during the 12 months subsequent to the completion of the Proposed Transaction, Change of Business, and Concurrent Financing is approximately \$710,500 including all material capital expenditures anticipated during that period.

The Company has not generated positive cash flow from operations and is therefore reliant upon the issuance of its own securities to fund its operations. As of February 29, 2024, its capital resources consisted of a cash balance of \$381,477 (February 28, 2023 - \$79,083). The Company also had a trades payable and accrued liabilities balance of \$292,792 (February 28, 2023 - \$406,956). The Company expects that it will be able to meet its current obligations as they come due with its existing cash and other receivable balances.

As of February 29, 2024, the Company had a working capital deficit of \$333,314 (February 28, 2023 – working capital of \$79,053). The Company expects to incur losses for at least the next 24 months and there can be no assurance that the Company will ever make a profit.

The Company's ability to continue as a going-concern is dependent upon its ability to achieve profitability and fund any additional losses it may incur. The Company's financial statements are prepared on a going concern basis, which implies that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's financial statements do not reflect adjustments to the carrying value of assets and liabilities that would be necessary if the Company were unable to achieve and maintain profitable operations.

DESCRIPTION OF SECURITIES

Authorized and Issued Capital

The Company is authorized to issue an unlimited number of Common Shares. At the date of this Circular, a total of 17,244,014 Common Shares are issued and outstanding. Following the completion of the Proposed Transaction and the Minimum Financing there will be 26,244,014 Common Shares issued and outstanding, and following the completion of the Proposed Transaction and the Maximum Financing there will be 30,244,014 Common Shares issued and outstanding.

Shares

Holders of Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Company and to receive all notices and other documents required to be sent to shareholders in accordance with the Company's articles, corporate law and the rules of any applicable stock exchange. On a poll, every shareholder has one vote for each Common Share. The holders of Common Shares are entitled to dividends if, as and when declared by the Board and, upon the liquidation, dissolution or winding-up of its affairs or other distribution of its assets for the purpose of winding-up its affairs, to receive, on a pro rata basis, all of the remaining assets of the Company. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking fund or purchase fund provision.

Special Warrants

The Company will issue 8,000,000 Special Warrants if the Minimum Financing is completed and 12,000,000 Special Warrants if the Maximum Financing is completed. Each Special Warrant will automatically convert into a Unit on the Conversion Date.

The Special Warrants will be governed by the terms and conditions set out in the certificate representing the Warrants (the “**Special Warrant Certificates**”) delivered to subscribers. The Special Warrant Certificate will contain, among other things, provision for the appropriate adjustment upon the occurrence of certain events, including any subdivision, consolidation or re-classification of the Common Shares or payments of stock dividends or upon the merger or re-organization of the Company.

Warrants

The Company will issue 8,000,000 Warrants on the Conversion Date if the Minimum Financing is completed and 12,000,000 Warrants on the Conversion Date if the Maximum Financing is completed. Each Warrant will entitle the holder thereof to purchase one Warrant Share at a price of \$0.30 per Warrant Share for a period of twenty-four (24) months from the date of distribution.

The Warrants will be governed by the terms and conditions set out in the certificate representing the Warrants (the “**Warrant Certificates**”) delivered to subscribers. The Warrant Certificate will contain, among other things, provision for the appropriate adjustment in a class, number and exercise price of the Warrant Shares upon the occurrence of certain events, including any subdivision, consolidation or re-classification of the Common Shares or payments of stock dividends or upon the merger or re-organization of the Company.

CONSOLIDATED CAPITALIZATION

The following table outlines the capitalization of the Company following the completion of the Proposed Transaction and Concurrent Financing.

	Minimum Financing		Maximum Financing	
	Number of Common Shares Issued or Reserved for Issuance	% of Common Share Capital	Number of Common Shares Issued or Reserved for Issuance	% of Common Share Capital
Common Shares outstanding as of the date hereof	17,244,014	65.71%	17,244,014	57.02%
Common Shares issued pursuant to the Definitive Agreement	1,000,000	3.81%	1,000,000	3.31%
Common Shares issued on the Conversion Date ⁽¹⁾	8,000,000	30.48%	12,000,000	39.68%
<u>Total Common Shares (non-diluted)</u>	26,244,014	100%	30,244,014	100%

	Minimum Financing		Maximum Financing	
	Number of Common Shares Issued or Reserved for Issuance	% of Common Share Capital	Number of Common Shares Issued or Reserved for Issuance	% of Common Share Capital
Common Shares issuable upon exercise of Options	360,000	0.61% ⁽⁴⁾	360,000	0.53% ⁽⁴⁾
Common Shares issuable upon exercise of Warrants ⁽²⁾	14,557,201	24.53% ⁽⁴⁾	18,557,201	27.56% ⁽⁴⁾
Common Shares issuable upon conversion of Debentures ⁽³⁾	9,090,909	15.32% ⁽⁴⁾	9,090,909	13.50% ⁽⁴⁾
Common Shares issuable upon conversion of Debenture Unit Warrants ⁽³⁾	9,090,909	15.32% ⁽⁴⁾	9,090,909	13.50% ⁽⁴⁾
Total Common Shares reserved for issuance	33,099,019	55.78% ⁽⁴⁾	37,099,019	55.09% ⁽⁴⁾
Fully-Diluted Common Shares	59,343,033		67,343,033	

Note:

(1) Assuming the Concurrent Financing is fully-subscribed.

(2) Based on 6,557,201 Warrants issued and outstanding as of the date hereof and following the issuance of Warrants comprising Units on the Conversion Date.

(3) Assuming the entire aggregate principal amount of the Debentures is converted into Debenture Units and all interest payable on the Debentures is paid by the Company in cash.

(4) Calculated on a fully-diluted basis.

PRIOR SALES

In the 12-month period preceding the date of the Circular, the Company issued the following Common Share or securities convertible into Common Shares:

Date of Issuance	Type of Security	Number of Securities	Issue Price/Exercise Price
November 15, 2023	Debentures ⁽¹⁾	Principal Amount of \$500,000	-
January 25, 2024	Units ⁽²⁾	7,142,857	\$0.07
June 3, 2024	Common Shares ⁽³⁾	300,000	-
June 7, 2024	Common Shares ⁽³⁾	214,228	-
June 11, 2024	Common Shares ⁽³⁾	71,428	-
June 21, 2024	Options ⁽⁴⁾	360,000	\$0.35

Note:

(1) The Debentures mature on the Maturity Date and bear interest at a rate of 5.0% per annum, 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 Debenture Units at a price of \$0.055 per Debenture Unit, in its sole discretion, and on the Maturity Date also has the right to

convert the principal amount of the Debentures into Debenture Units rather than repay in cash. The principal amount of Debentures may be converted into Debenture Units, in whole or in part, at the option of the holder, at any time before the Maturity Date, into Debenture Units at a price of \$0.055 per Debenture Unit. Each Debenture Unit will consist of one Common Share and one Debenture Unit Warrant. There are an aggregate of (a) 9,090,909 Common Shares issuable upon conversion of the Debentures (assuming the entire aggregate principal amount of the Debentures are converted into Debenture Units and all interest payable on the Debentures is paid by the Company in cash); and (b) 9,090,909 Common Shares issuable upon conversion of Debenture Unit Warrants (assuming the entire aggregate principal amount of the Debentures is converted into Debenture Units and all interest payable on the Debentures is paid by the Company in cash.)

- (2) On January 25, 2024, the Company completed a non-brokered private placement of 7,142,857 units of the Company at a price of \$0.07 per unit for gross proceeds of \$499,999.99. Each unit consists of one Common Share and one Common Share purchase warrant exercisable at a price of \$0.10 for a period of 24 months from the date of issuance.
- (3) Issued upon exercise of outstanding Common Share purchase warrants with an exercise price of \$0.10 per warrant.
- (4) On June 21, 2024, the Company granted 360,000 Options pursuant to the Option Plan. The Options, which vested immediately, are exercisable at a price of \$0.35 until June 21, 2029.

DIRECTORS AND EXECUTIVE OFFICERS

Following the completion of the Proposed Transaction and Change of Business, the directors and officers of the Company are expected to remain unchanged. See “*Election of Directors*” in the Circular.

Director and Officer Biographies

The following biographies provide information in respect to the directors and officers of the Company.

Latika Prasad – CEO and Director

See “*Director Biographies*” in the Circular.

Adam Giddens - Director

See “*Director Biographies*” in the Circular.

Zoran Pudar – Director

See “*Director Biographies*” in the Circular.

Michael Carew – Director

See “*Director Biographies*” in the Circular.

Bobby Dhaliwal – Chief Financial Officer and Corporate Secretary

Mr. Dhaliwal works as a financial consultant with a number of TSX-V and CSE listed companies in the resources and technology sector, including in the roles of CFO and controller. These companies are Canada-based with various international operations. His professional experience includes assistance on initial public offerings, continuous disclosure and financial reporting, implementation of accounting software, various equity financings and implementation of internal control policies. Mr. Dhaliwal holds a bachelor of accountancy from Langara College, Vancouver, as well as the designation of Chartered Professional Accountant (CPA) in Canada.

Cease Trade Orders, Bankruptcies, and Penalties and Sanctions

No director or officer of the Company has been subject to a cease trade order, became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to any penalties or

sanctions imposed by a court or regulatory body relating to securities legislation. Please see “Cease Trade Orders”, “Bankruptcies”, and “Penalties or Sanctions” in the Circular.

EXECUTIVE COMPENSATION

See “Statement of Executive Compensation” in the Circular.

OPTIONS TO PURCHASE SECURITIES

Following the completion of the Proposed Transaction and Change of Business the Company will have the following Options outstanding:

Optionee	Number of Options	Exercise Price	Expiry Date
All executive officers and past executive officers as a group	210,000	\$0.35	June 21, 2029
All directors and past directors as a group ⁽¹⁾	60,000	\$0.35	June 21, 2029
All employees and past employees as a group	Nil	N/A	N/A
All consultants and past consultants as a group	90,000	\$0.35	June 21, 2029
Total	360,000		

Notes:

(1) Directors who are also executive officers are excluded from this figure.

See “Statement of Executive Compensation – Stock Options and Other Compensation Plans” in the Circular for a description of the Company’s Option Plan.

ESCROWED SECURITIES AND RESALE RESTRICTIONS

Following the completion of the Proposed Transaction and Change of Business, the following securities of the Company will be held in escrow or subject to resale restrictions:

Designation of Class	Number of Securities held in Escrow (Percentage of Class)	
	Minimum Financing ⁽¹⁾	Maximum Financing ⁽¹⁾
Common Shares	899,363 ⁽²⁾ (3.43%)	899,363 ⁽²⁾ (2.97%)
Common Shares	1,000,000 ⁽³⁾ (3.81%)	1,000,000 ⁽³⁾ (3.31%)
Common Shares	8,000,000 ⁽⁴⁾ (30.48%)	12,000,000 ⁽⁴⁾ (39.68%)
Total	9,899,363 (37.72%)	13,899,363 (45.96%)
Warrants	8,000,000 ⁽⁵⁾ (54.96%)	12,000,000 ⁽⁵⁾ (64.66%)
Total	8,000,000 (54.96%)	12,000,000 (64.66%)

Notes:

- (1) Following the issuance of Common Shares and Warrants comprising Units on the Conversion Date.
- (2) 899,363 Common Shares are held in escrow pursuant to the terms and conditions of an escrow agreement dated May 16, 2022, which provides for the release of their securities over a period of 36 months following the listing of the Common Shares on CSE on June 30, 2022.
- (3) 1,000,000 Consideration Shares issued to the Vendor pursuant to the Definitive Agreement will, in addition to a statutory hold period of four months plus one day from the date of issuance, be subject to contractual resale restrictions pursuant to which (i) 50% will be released on the date that is four (4) months following Closing Date, (ii) 25% will be released on the date that is six (6) months following the Closing Date, and (iii) 25% will be released on the date that is eight (8) months following the Closing Date.
- (4) All Common Shares and Warrants issued in the Concurrent Financing will be subject to a statutory hold period of four months plus one day from the date of issuance.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the Company, no other person or entity beneficially owns, controls or directs, 10% or more of the outstanding Common Shares as of the date of this Circular.

AUDIT COMMITTEE

See “*Audit Committee Disclosure*” in the Circular.

CORPORATE GOVERNANCE

See “*Corporate Governance*” in the Circular.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No existing or former director, officer or employee of the Company is or has within thirty (30) days of the date hereof been indebted to the Company or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or similar agreement provided by the Company, except for routine indebtedness.

RISK FACTORS

An investment in the Common Shares must be considered highly speculative due to the nature of the Company’s business. Investors should carefully consider the information presented herein and in particular should give special consideration to the risk factors below and in the section entitled “*Cautionary Notice Regarding Forward-Looking Statements*” in the Circular.

The risk and uncertainties below are not the only risks and uncertainties facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, operations and future prospects of the Company and cause the price of the Common Shares to decline. If any of the following risks actually occur, the business of the Company may be harmed, and its financial condition and results of operations may suffer insignificantly. In addition to the risks described elsewhere and the other information herein, investors should carefully consider each of, and the cumulative effect of, all of the following risk factors:

Risks Related to the Business of the Company

Limited Operating History

The Company has no history of earnings. There are no known commercial quantities of mineral reserves on the Property. The Company will carry out exploration and development with the objective of establishing economic quantities of mineral reserves. There can be no assurance that the Company will achieve profitability in the future.

Negative Operating Cash Flow

The Company has negative operating cash flow and has incurred losses since its founding. The losses and negative operating cash flow are expected to continue for the foreseeable future as funds are expended on the exploration program on the Property and on administrative costs. The Company cannot predict when it will reach positive operating cash flow.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company as a Going Concern

The continued operation of the Company as a going concern is dependent upon the Company's ability to generate positive cash flows and/or obtain additional financing sufficient to fund continuing activities and acquisitions. While the Company continues to review its operations in order to identify strategies and tactics to increase revenue streams and financing opportunities, there is no assurance that the Company will be successful in such efforts; if the Company is not successful, it may be required to significantly reduce or limit operations, or no longer operate as a going concern. It is also possible that operating expenses could increase in order to grow the business. If the Company does not significantly increase its revenue to meet these increased operating expenses and/or obtain financing until its revenue meets these operating expenses, its business, financial condition and operating results could be materially adversely affected. The Company cannot be sure when or if it will ever achieve profitability and, if it does, it may not be able to sustain or increase that profitability.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may become involved in other transactions which conflict with the interests of its directors and officers who may from time to time deal with persons, firms, institutions or companies

with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Internal Controls

One or more material weaknesses in the Company's internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, the Company's internal controls over financial reporting may not prevent or detect misstatements, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the Company's policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure or difficulty in implementing required new or improved controls, its business and results of operations could be harmed, the Company may not be able to provide reasonable assurance as to its financial results or meet its reporting obligations and there could be a material adverse effect on the price of its securities.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks may occur, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include environmental hazards, industrial accidents, explosions and third-party accidents, the encountering of unusual or unexpected geological formations, ground falls and cave-ins, mechanical failure, unforeseen metallurgical difficulties, power interruptions, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in environmental damage and liabilities, work stoppages, delayed production and resultant losses, increased production costs, damage to, or destruction of, mineral properties or production facilities and resultant losses, personal injury or death and resultant losses, asset write downs, monetary losses, claims for compensation of loss of life and/or damages by third parties in connection with accidents (for loss of life and/or damages and related pain and suffering) that occur on Company property, and punitive awards in connection with those claims and other liabilities. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage the Company's interests, even when those efforts are successful, people are fallible and human error could result in significant uninsured losses to the Company. These could include loss or forfeiture of mineral interests or other assets for nonpayment of fees or taxes, and legal claims for errors or mistakes by our personnel. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Common Shares.

Environmental Regulations, Permits and Licenses

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations

require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to comply fully with all environmental regulations. The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, provincial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that may require the Company to obtain permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, it is operating in compliance with all applicable environmental rules and regulations.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical facilities. Competition could adversely affect the Company's ability to acquire additional suitable properties or prospects in the future.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Liability for Actions of Employees, Contractors and Consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) fraud and abuse laws and regulations; or (iii) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, the curtailment of the Company's operations or asset seizures, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Key Personnel

The success of the Company is highly dependent upon the ability, expertise, judgment, discretion and good faith of its limited number of senior management personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Growth Will Require New Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Exploration and Development Risks

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital. All of the claims to which the Company has a right to acquire an interest are in the exploration stage only and are without a known body of commercial ore. Development of the subject mineral properties would follow only if favourable exploration results are obtained.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Lack of Availability of Resources

Mining exploration requires ready access to mining equipment such as drills, and personnel to operate that equipment. There can be no assurance that such resources will be available to the Company on a timely basis or at a reasonable cost. Failure to obtain these resources when needed may result in delays in the Company's exploration programs.

Mineral Exploration and Mining Carry Inherent Risks

Mineral exploration and mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact exploration and production throughput. Although the Company intends to take adequate precautions to minimize risk, there is a possibility of a material adverse impact on the Company's operations and its financial results.

Title Risks

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Surveys have not been carried out on any of the Company's mineral properties in accordance with the laws of the jurisdiction in which such properties are situated; therefore, their existence and area could be in doubt. Until competing interests in the mineral lands have been determined, the Company can give no assurance as to the validity of title of the Company to those lands or the size of such mineral lands.

Metal Prices are Volatile

The mining industry is intensely competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for the sale of the same. There can be no assurance that metal prices will be such that the Company's properties can be mined at a profit. Factors beyond the control of the Company may affect the marketability of any minerals discovered. Metal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Lack of reliability and inaccuracies of historical information could hinder our exploration plans

The Company has relied on, and the disclosure in the Technical Report is based, in part, upon historical data compiled by previous parties involved with the Property. To the extent that any of such historical data is inaccurate or incomplete, our exploration plans may be adversely affected. Capital and operating cost estimates made in respect of the Property may not prove accurate. Capital and operating costs are estimated based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and other factors. Any of the following events, among the other events and uncertainties described herein, could affect the ultimate accuracy of such estimates: unanticipated changes in grade and tonnage of mineralized material to be mined and processed; incorrect data on which engineering assumptions are made; delays in construction schedules; unanticipated transportation costs; the accuracy of major equipment and construction cost estimates; labor negotiations; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions or production quotas on exportation of minerals) and title claims. Failure to accurately project such expenses could adversely affect our ability to continue our exploration plans.

Opposition from organizations that oppose mining which may disrupt or delay mining projects

There is an increasing level of public concern relating to the effects of mining on the natural landscape, in communities and on the environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs") that oppose resource development can be vocal critics of the mining industry. In addition, there have been many instances in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. NGOs or local community organizations could direct adverse publicity against and/or disrupt our operations in respect of the Property, regardless of our successful compliance with social and environmental best practices, due to political factors, activities of unrelated third parties on lands in which we have an interest or our operations specifically. Any such actions and the resulting media coverage could have an adverse effect on our reputation and financial condition or our relationships with the communities in which we operate, which could have a material adverse effect on our business, financial condition or results of operations.

Our success depends on developing and maintaining relationships with local communities and stakeholders

Our ongoing and future success depends on developing and maintaining productive relationships with the communities surrounding our mineral projects, including local indigenous people who may have rights or may assert rights to certain of our properties, and other stakeholders in our operating locations. Local communities and stakeholders may be dissatisfied with our activities or the level of benefits provided, which may result in legal or administrative proceedings, civil unrest, protests, direct action or campaigns against us. Any such occurrence could materially and adversely affect our business, financial condition or results of operations, as well as our ability to commence or continue exploration or mine development activities.

The impacts of climate change may adversely affect our operations and/or result in increased costs to comply with changes in regulations

Climate change is an international and community concern which may directly or indirectly affect our business and current and future activities. The continuing rise in global average temperatures has created varying changes to regional climates across the world and extreme weather events have the potential to delay or hinder our exploration activities at our mineral projects, and to delay or cease operations at any future mine. This may require us to make additional expenditures to mitigate the impact of such events which may materially and adversely increase our costs and/or reduce production at a future mine. Governments at all levels are amending or enacting additional legislation to address climate change by regulating, among other things, carbon emissions and energy efficiency, or where legislation has already been enacted, regulation regarding emission levels and energy efficiency are becoming more stringent. As a significant emitter of greenhouse gas emissions, the mining industry is particularly exposed to such regulations. Compliance with such legislation, including the associated costs, may have a material adverse effect on our business, financial condition, results of operations, prospects and our ability to commence or continue our exploration and future development and mining operations.

Changing climate patterns may also affect the availability of water. If the effects of climate change cause prolonged disruption in the delivery of essential commodities then production efficiency may be reduced, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, climate change is perceived as a threat to communities and governments globally and stakeholders may demand reductions in emissions or call upon mining companies to better manage their consumption of climate-relevant resources. Negative social and reputational attention toward our operations may have a material adverse effect on our business, financial condition, results of operations and prospects. A number of governments have already introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulations relating to emission levels (such as carbon taxes) and energy efficiency are becoming more stringent. If the current regulatory trend continues, this may result in increased costs at some or all of our mineral projects.

Risks Related to the Shares

Market for Securities and Volatility of Share Price

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Factors unrelated to the Company's performance that may affect the price of the Common Shares include the following: other developments that affect the breadth of the public market for the Common Shares; the release or expiration of lock-up or other transfer restrictions on the Common Shares; the attractiveness of alternative investments; the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, if listed on an exchange, to be delisted from the CSE further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value and may be volatile in the future, which may result in losses to investors. Securities class action litigation often has been brought against companies following periods of volatility

in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. The fact that no market currently exists for the Shares may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Common Shares.

International Conflicts

International conflicts and other geopolitical tensions and events, including war, military action, terrorism, trade disputes and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global commodity and financial markets and supply chains. Russia's invasion of Ukraine in February 2022 has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices, supply chains and global economies more broadly. In October 2023, Israel and Hamas, the terrorist organization and current ruling political party in the Gaza Strip, engaged in a series of violent exchanges, primarily in southern Israel and the Gaza Strip. This has resulted in a significant increase in tension in the region and may have far reaching effects on the global economy. Volatility in commodity prices and supply chain disruptions may adversely affect the Company's business, financial condition and results of operations. The extent and duration of the current conflicts in the Ukraine and Israel and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified herein, including those relating to commodity price volatility and global financial conditions. The outcome of these conflicts is uncertain, and these conflicts may escalate and may result in escalated tensions within and outside of Eastern Europe and the Middle East, respectively. This could result in significant disruption of supplies of oil and natural gas from the region and could cause a significant worldwide supply shortage of oil and natural gas and have a significant impact on worldwide prices of oil and natural gas. A lack of supply of energy and high prices of oil and natural gas could have a significant adverse impact on the world economy. The situation is rapidly changing and unforeseeable impacts, including on the Company's Shareholders and counterparties on which the Company relies and transacts with, may materialize and may have an adverse effect on the Company's operations and trading price of the Common Shares.

Dividends

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company intends to retain earnings, if any, to finance the growth and development of the Company's business. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

Dilution

Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders' voting power and reduce future potential earnings per Common Share. The Company intends to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance our operations, development, exploration, acquisitions or other projects. The Company cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market

prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in our earnings per Common Share.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management’s attention and resources.

Use of Proceeds

The Company currently intends to use its available funds as described under “*Use of Proceeds*”. However, the Board and/or management will have discretion in the actual application of the available funds, and may elect to allocate available funds differently from that described under “*Use of Proceeds*” if they believe it would be in our best interests to do so. Shareholders may not agree with the manner in which the Board and/or management chooses to allocate and spend the available funds. The failure by the Board and/or management to apply these funds effectively could have a material adverse effect on our business, financial condition, results of operations, cash flows or prospects.

Additional Financing

The Company will require equity and/or debt financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company’s inability to raise financing to fund ongoing operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company’s business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

PROMOTERS

Other than as set out below, there are no promoters of the Company or any subsidiary of the Company within the last two years immediately preceding the date hereof:

Name	Number of Common Shares Beneficially Owned	Nature and Amount Compensation Received by the Promoter	Nature and Amount of Services Received by the Company
Latika Prasad ⁽¹⁾	353,208	\$136,000 ⁽⁴⁾	Director, CEO, and Promoter of the Company
Adam Ross ⁽²⁾	1,399,350 ⁽³⁾	\$200,000 ⁽⁵⁾	Promoter of the Company

Note:

(1) Ms. Prasad (a) acquired 80,000 Common Shares at a price of \$0.25 on April 20, 2021 for gross proceeds of \$20,000; (b) acquired 6,208 Common Shares at a price of \$0.75 per Common Share on May 21, 2021 for gross of \$4,656; (c) acquired 260,000 Common Shares for the aggregate sum of \$1.00 from an arm’s-length shareholder of the Company on June 25, 2021; (d)

acquired Debentures with a principal amount of \$33,893.92 on November 15, 2023; and (e) was granted 200,000 Options on June 21, 2024, each of which is exercisable at a price of \$0.35 until June 21, 2029. Ms. Prasad also loaned the Company an aggregate of \$57,816.46, which was made in a series of advances from March 2023 to August 2023, and accrued interest at a rate of 10% per annum. The Company settled the debt owing to Ms. Prasad through the issuance of a Debenture in the principal amount of \$60,966.35 on November 15, 2023.

- (2) Mr. Ross acquired (a) 400,000 Common Shares at a price of \$0.075 per Common Share on April 16, 2021 for gross proceeds of \$30,000 (Mr. Ross subsequently transferred these Common Shares on November 26, 2021); (b) 300,000 Common Shares at a price of \$0.25 per Common Share on April 20, 2021 for gross proceeds of \$75,000; (c) 133,333 Common Shares at a price of \$0.75 per Common Share on May 21, 2021 for gross proceeds of \$100,000; and (d) Debentures with a principal amount of \$50,000.00 on November 15, 2023. Highland Contact Corp. (“**Highland**”), a corporation wholly-owned by Mr. Ross, acquired (a) 20,000 Common Shares at a price of \$1.75 per Common Share on June 25, 2021 for gross proceeds of \$35,000; and (b) 514,350 Units at a price of \$0.07 per Unit on January 25, 2024 for gross proceeds of \$36,004.50. Mr. Ross also loaned the Company an aggregate of \$80,000.00, which was made in a series of advances from February 2023 to May 2023, and accrued interest at a rate of 10% per annum. The Company settled the debt owing to Mr. Ross through the issuance of a Debenture in the principal amount of \$85,139.73 on November 15, 2023.
- (3) Consisting of 685,000 Common Shares held by Mr. Ross and 714,350 Common Shares held by Highland. Highland also holds warrants to purchase 514,350 Common Shares at a price of \$0.10 until January 25, 2026.
- (4) Consisting of (a) \$100,000 that has been paid to Ms. Prasad; and (b) \$36,000 that has accrued but not yet been paid to Ms. Prasad. The Company has paid Ms. Prasad consulting fees since February 1, 2021 as consideration for services provided by Ms. Prasad as a director and officer of the Company.
- (5) Consisting of (a) \$130,000 that has been paid to Highland; and (b) \$70,000 that has accrued but not yet been paid to Highland. The Company has paid Highland consulting fees since July 1, 2022 as consideration for advisory and business development services provided by Highland.

No person who was a promoter of the Company within the last two years:

- sold or otherwise transferred any asset to the Company or a subsidiary within the last two years;
- has been a director, CEO or CFO of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or
- has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

As at the date hereof, or within the last two years of the date hereof, no person who was a promoter of the Company has been a director, chief executive officer, or chief financial officer of any person or company, that (a) was subject to an order that was issued while the promoter was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the promoter ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the promoter was acting in the capacity as director, chief executive officer or

chief financial officer, state the fact and describe the basis on which the order was made and whether the order is still in effect.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no legal proceedings material to the Company that the Company is or was a party to, or that any of its property is or was the subject of, since the beginning of the Company's most recently completed financial year. In addition, the Company is not currently aware of any such legal proceedings being contemplated.

Regulatory Actions

From the date of incorporation of the Company to the date hereof, there have been no: (i) penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority; (ii) other penalties or sanctions imposed by a court or regulatory body against the Company necessary for the Circular to contain full, true and plain disclosure of all material facts relating to the securities being distributed; and (iii) settlement agreements the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No person that is: (i) a director, officer or promoter of the Company; (ii) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding voting securities; or (iii) an associate or affiliate of any of the persons or companies referred to in paragraphs (i) or (ii), has had any material interest, direct or indirect, in any transaction within the three years before the date of hereof that has materially affected or is reasonably expected to materially affect the Company.

AUDITORS, TRANSFER AGENTS AND REGISTRAR

Auditor

The Company's independent auditor is Smythe LLP, located at 1700 – 475 Howe Street, Vancouver, BC V6C 2B3.

Transfer Agent and Registrar

The Company's transfer agent and registrar is Odyssey Trust Company, located at 350-409 Granville Street, Vancouver, British Columbia V6C 1T2.

MATERIAL CONTRACTS

There are no contracts of the Company, other than contracts entered into in the ordinary course of business, that are material to the Company, other than the Definitive Agreement.

INTERESTS OF EXPERTS

John Shmyr, P. Geo, and Jarrod Brown, P. Geo., prepared the technical report, titled "NI 43-101 Technical Report Manson Bay Property" with an effective date of February 1, 2024. As at the date hereof, Mr. Shmyr

and Mr. Brown do not beneficially own, directly or indirectly, any outstanding securities or property of the Company.

The Audited Financial Statements of the Company attached hereto have been subject to audit by Smythe LLP and their independent auditors' report is included therein. Smythe LLP is independent of X1 Entertainment Group Inc., in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

The Carve-Out Financial Statements attached hereto have been subject to audit by Crowe MacKay LLP and their audit report is included therein. Crowe MacKay LLP is independent of X1 Entertainment Group Inc., in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

OTHER MATERIAL FACTS

There are no material facts relating to the Company other than as disclosed herein that are necessary to be disclosed for the Circular and this Schedule "B" to contain full, true, and plain disclosure of all material facts related to the Company.

APPENDIX I
AUDITED FINANCIAL STATEMENTS
[see attached]

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

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022
AND
THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF X1 ENTERTAINMENT GROUP INC. (FORMERLY X1 ESPORTS AND ENTERTAINMENT LTD.)

Opinion

We have audited the consolidated financial statements of X1 Entertainment Group Inc. and its subsidiaries (formerly X1 Esports and Entertainment Ltd.) (the "Company"), which comprise:

- the consolidated statements of financial position as at August 31, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the year ended August 31, 2022 and the period from September 16, 2020 to August 31, 2021;
- the consolidated statements of cash flows for the year ended August 31, 2022 and the period from September 16, 2020 to August 31, 2021;
- the consolidated statements of changes in shareholders' equity for the year ended August 31, 2022 and the period from September 16, 2020 to August 31, 2021; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the year ended August 31, 2022 and the period from September 16, 2020 to August 31, 2021 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred net loss of \$3,064,521 for the year ended August 31, 2022 and had an accumulated deficit of \$5,079,143 as at that date. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audits resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 16, 2022

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X1 ENTERTAINMENT GROUP INC.
(formerly X1 Esports and Entertainment Ltd.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT AUGUST 31,

	2022	2021
ASSETS		
Current		
Cash	\$ 1,624,231	\$ 1,910,019
Accounts receivable	274,233	18,886
Prepaid expenses	517,051	217,947
	<u>2,415,515</u>	<u>2,146,852</u>
Deferred acquisition costs (Note 18)	4,540	-
Intangible assets (Note 7)	322,226	-
Goodwill (Note 8)	281,014	-
	<u>\$ 3,023,295</u>	<u>\$ 2,146,852</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 13)	\$ 478,463	\$ 143,231
Loan payable (Note 9)	36,180	-
Acquisition consideration (Note 10)	193,836	-
	<u>708,479</u>	<u>143,231</u>
Acquisition consideration (Note 10)	30,418	-
Deferred tax liability (Notes 5 and 14)	32,791	-
	<u>771,688</u>	<u>143,231</u>
Shareholders' equity		
Share capital (Note 12)	6,962,999	3,681,055
Obligation to issue shares (Note 12)	-	329,100
Reserves (Note 12)	384,397	-
Accumulated other comprehensive income (loss)	(16,646)	8,088
Deficit	(5,079,143)	(2,014,622)
	<u>2,251,607</u>	<u>2,003,621</u>
	<u>\$ 3,023,295</u>	<u>\$ 2,146,852</u>

Approved and authorized by the Board on December 16, 2022.

"Latika Prasad" Director _____
"William O'Hara" Director

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

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	For the year ended August 31, 2022	For the period from September 16, 2020 to August 31, 2021
REVENUE (Note 11)	\$ 390,959	\$ 27,140
EXPENSES		
Advertising and promotion	22,697	14,746
Amortization (Note 7)	4,631	-
Consulting (Note 13)	492,243	119,167
Esports player, team and game expenses	1,156,018	787,895
Foreign exchange	23,778	2,739
Insurance	36,133	-
Investor relations	67,420	-
Listing fee	37,942	-
Office and miscellaneous	307,873	250,137
Professional fees	372,139	126,997
Rent	2,480	56,577
Salaries and wages (Note 13)	416,576	307,133
Share-based compensation (Notes 12 and 13)	316,927	-
Shareholder communications and filing fees	40,690	31,089
Technology marketing and web development	147,134	144,677
Transfer agent	10,799	-
Loss from operations	(3,455,480)	(1,841,157)
Reverse takeover expense (Note 4)	-	(200,605)
Net loss for the period	(3,064,521)	(2,014,622)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign exchange income (loss) on translating foreign operations	(24,734)	8,088
Comprehensive loss for the period	\$ (3,089,255)	\$ (2,006,534)
Basic and diluted loss per common share	\$ (0.08)	\$ (0.15)
Weighted average number of common shares outstanding	40,746,977	13,018,570

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

X1 ENTERTAINMENT GROUP INC.
(formerly X1 Esports and Entertainment Ltd.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the year ended August 31, 2022	For the period from September 16, 2020 to August 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (3,064,521)	\$ (2,014,622)
Non-cash items:		
Amortization	4,631	-
Reverse takeover expense	-	200,605
Share-based payments	316,927	-
Unrealized foreign exchange	4,448	-
Changes in non-cash working capital items:		
Accounts receivable	(40,964)	(18,911)
Prepaid expenses	(299,873)	(178,849)
Accounts payable and accrued liabilities	<u>122,932</u>	<u>100,892</u>
	<u>(2,956,420)</u>	<u>(1,910,885)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Tyrus, LLC	(57,417)	-
Acquisition of ShiftRLE	(54,011)	-
Cash received from reverse takeover	<u>-</u>	<u>1,839,275</u>
	<u>(111,428)</u>	<u>1,839,275</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	3,289,869	1,216,146
Share issuance costs	(445,654)	(25,936)
Obligation to issue shares	-	329,100
Funds received from associated entities prior to reverse takeover	-	317,939
Funds provided to associated entities prior to reverse takeover	-	(13,055)
Pre-acquisition cash funding of Tyrus, LLC	(30,290)	-
Loans issued from related parties	<u>-</u>	<u>150,000</u>
	<u>2,813,925</u>	<u>1,974,194</u>
Effect of foreign exchange on cash	<u>(31,865)</u>	<u>7,435</u>
Change in cash for the period	(285,788)	1,910,019
Cash, beginning of period	<u>1,910,019</u>	<u>-</u>
Cash, end of period	\$ 1,624,231	\$ 1,910,019
Supplemental cash flow information		
	For the year ended August 31, 2022	For the period from September 16, 2020 to August 31, 2021
Deferred acquisition costs in accounts payable and accrued liabilities	\$4,540	-
Intangible asset acquisition costs in accounts payable and accrued liabilities	\$4,403	-
Agent's options issued	\$67,470	-
Related party loans settled through share issuance	-	\$150,000
Taxes paid	-	-
Interest paid	-	-

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

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	<u>Share Capital</u>		Obligation to issue shares	Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Number	Amount					
Balance, September 16, 2020 (incorporation)	1	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Cancellation of incorporation share	(1)	(1)	-	-	-	-	(1)
Shares issued for debt settlement	10,000,000	150,000	-	-	-	-	150,000
Shares issued for reverse take-over	1	1	-	-	-	-	1
Obligation to issue shares acquired in reverse take-over	-	-	2,340,844	-	-	-	2,340,844
Private placement	28,257,687	3,556,990	(2,340,844)	-	-	-	1,216,146
Share issuance costs	-	(25,936)	-	-	-	-	(25,936)
Obligation to issue shares	-	-	329,100	-	-	-	329,100
Comprehensive loss for the period	-	-	-	-	8,088	(2,014,622)	(2,006,534)
Balance, August 31, 2021	38,257,688	3,681,055	329,100	-	8,088	(2,014,622)	2,003,621
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
Private placement	1,449,428	507,300	(329,100)	-	-	-	178,200
Share issuance costs	66,667	(513,124)	-	67,470	-	-	(445,654)
Share-based compensation	-	-	-	316,927	-	-	316,927
Comprehensive loss for the year	-	-	-	-	(24,734)	(3,064,521)	(3,089,255)
Balance, August 31, 2022	47,577,491	\$ 6,962,999	\$ -	\$ 384,397	\$ (16,646)	\$ (5,079,143)	\$ 2,251,607

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

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

1. NATURE OF OPERATIONS AND GOING CONCERN

X1 Entertainment Group Inc. (with its subsidiaries, collectively, the “Company” or “X1”) (formerly X1 Esports and Entertainment Ltd.) is a video games and media portfolio company. X1 was incorporated under the *Company 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”.

These consolidated 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 year ended August 31, 2022 of \$3,064,521 (September 16, 2020 to August 31, 2021 – \$2,014,622) and as of that date had an accumulated deficit of \$5,079,143 (2021 – \$2,014,622). The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain expenses. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. Accordingly, these consolidated 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.

Reverse Takeover

On April 16, 2021, the Company issued 10,000,000 common shares to acquire all of the issued and outstanding common shares of Rix.GG Europe Ltd. (“Rix”). After completion of the transaction, the shareholders of Rix held approximately 99.99% of the Company. Accordingly, Rix is considered to have acquired the Company with the transaction being accounted for as a reverse takeover of the Company by Rix shareholders (the “RTO”) (Note 4).

As Rix is deemed to be the acquirer for accounting purposes, these consolidated financial statements represent a continuation of the financial position and financial performance of Rix prior to the acquisition of X1. The results of operations of X1 and its pre-existing subsidiaries are included from April 16, 2021, the deemed date of acquisition of X1, onwards. The Company’s consolidated financial statements are presented from the date of September 16, 2020 being the incorporation date of Rix.

Significant Acquisitions

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 5). The financial results of Tyrus have been consolidated since the acquisition date of August 4, 2022.

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 6).

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

1. NATURE OF OPERATIONS AND GOING CONCERN (cont'd...)

COVID-19

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

The Company has tailored operations within its gaming division to comply with government health measures. Although the Company's business is largely conducted online, several in-person esports tournaments Rix could participate in have been cancelled due to public health restrictions.

2. BASIS OF PREPARATION

Statement of compliance

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

Basis of consolidation

The consolidated 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
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 consolidated 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 consolidated 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.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

2. BASIS OF PREPARATION (cont'd...)

Use of judgments and estimates (cont'd...)

The key areas of judgment applied in the preparation of the consolidated 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, the acquisition was deemed to be an RTO of X1 which was considered to be asset acquisition as X1 did not meet the definition of a business (Note 4). The acquisition of Tyrus was considered to be a business acquisition (Note 5). The acquisition of Shift was considered to be an asset acquisition (Note 6).

- 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. For the 2022 reporting period, the recoverable amount of the cash-generating unit ("CGU") was 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.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

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 compensation

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.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

Currency Translation

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per International Accounting Standards ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates* and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the Canadian dollar; the functional currencies of the subsidiaries are highlighted above under *Basis of consolidation*. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Under IFRS, the results and financial position of all the Company's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- all resulting exchange differences are recognized as a separate component of equity.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded in profit or loss.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash and accounts receivable are recorded at amortized cost as they meet the required criteria.

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, loan payable and acquisition consideration payable.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Impairment of financial instruments

The Company recognizes a loss allowance on a forward-looking basis at an amount equal to the lifetime expected credit loss ("ECL") on its trade receivables. The Company is substantially paid in advance for its services.

ECLs on trade receivables are calculated based on the expected credit loss for clients according to an aging analysis. When determining ECLs, the Company considers the historic credit losses observed by the Company, customer-specific payment history and economic conditions. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and forward-looking information.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 60 days past due.

Impairment losses on trade receivables are recorded to the statement of loss and comprehensive loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash, accounts receivable, accounts payable and accrued liabilities, and loan payable. Their carrying values approximate their fair values due to the short-term maturity of these instruments.

There were no movement between fair value levels during the year ended August 31, 2022.

Intangible assets

Intangible assets that are acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, intangible assets with finite lives are carried at cost less accumulated impairment and accumulated amortization on a straight-line basis over the following periods:

Customer lists	2 years
Domain name	Indefinite life

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Indefinite-life intangible assets

Goodwill

Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the Company's share of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of non-financial assets

The carrying amounts of intangible assets with finite useful lives are reviewed at the end of each reporting period to determine whether there are any indicators of impairment. Indicators of impairment may include a significant decline in asset market value, material adverse changes in the external operating environment which affect the manner in which the asset is used or is expected to be used, obsolescence, or legal impairment of the asset. If any such indicators exist, then the recoverable amount of the asset is estimated. Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually or whenever there is an indicator that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where material, provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Share capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on estimated fair value of the common shares at the time the units are priced, and any excess is allocated to warrants.

Shares issued as consideration for goods or services provided to those other than employees or others providing similar services are measured at the fair value of the goods or services received, except where the fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted.

Share-based payments

The Company has a stock option plan as described in Note 12(d). Share-based payments to employees are measured at the fair value of the instruments issued using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from reserve. For those unexercised options that expire, the recorded value is transferred to deficit.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Business combinations

On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value of the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date. Incremental costs related to acquisitions are expensed as incurred. When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, *Financial Instruments*, or IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options and warrants would be anti-dilutive. Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

Income taxes

The Company's deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue Recognition

The Company reviews its revenue streams and major contracts with customers using the IFRS 15, *Revenue from Contracts with Customers*, five step model as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price, which is the total consideration provided by the customer;
- Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- Recognize revenue when the relevant criteria are met for each performance obligation.

(a) Prize Money

The Company generates revenue through participation in esports tournaments. These arrangements predominantly contain a single performance obligation and revenue is recognized at a single point in time when the performance obligation is achieved, which is typically the date of the Company's esports player placing in an esports tournament. Prize money has been recorded on a gross basis as the Company has contractual agreements with the esports player to exclusively participate under the Rix brand, which includes a buyout clause if the player was to be sold to another esports company.

(b) Player Transfers

The Company generates revenue through the sale of esports player contracts to other esports companies. The Company's performance obligations are defined in each agreement with its customers. The transaction prices allocated to performance obligations are set out in each agreement as a fixed fee for the performance obligation rendered. Performance obligations typically include the transfer of the esports player and a fixed fee based on the esports player's participation in a later esports event. Transaction prices are recognized as revenue in the period when the performance obligation has been satisfied and collection is reasonably assured.

(c) Talent fees

The Company receives talent fees revenue for representing talent which is recognized over the service period.

(d) Content revenue

Revenue from content contracts whereby the Company facilitates influencer and content creator services for customers are recognized over the period during which services are performed.

The Company performed an agent versus principal analysis to determine if content revenue is to be recorded on a net or gross basis. There is a two-step process in determining if a company is acting as a principal or agent in a contract with a customer:

1. Identify the specified goods or services to be provided to the customer; and
2. Assess whether it controls each specified good or service before that good or service is transferred to the customer using the following guidelines;
 - a. The Company has a primary responsibility for fulfilling the promise to provide the specified goods or services to the customer;
 - b. The Company has inventory risk before the specified good or service has been transferred to a customer, or after transfer of control to a customer; and
 - c. The Company has discretion in establishing the price for the specified good or service.

The Company determined it is acting as an agent and should record revenue on a net basis.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue Recognition (cont'd...)

- (e) Royalties from in-game purchases

The Company receives royalty revenue from in-game purchases on Rix based items in the Rocket League game. Revenue is recognized in the period when the purchase was made.

4. ACQUISITION OF RIX.GG EUROPE LTD.

As described in Note 1, the Company acquired Rix effective April 16, 2021. For accounting purposes, the transaction has been accounted for as an RTO with Rix deemed to be the accounting acquiror and X1, the legal acquiror deemed to be the accounting acquiree. At the date of acquisition X1 did not meet the definition of a business and the transaction has been accounted for as an acquisition of net assets, rather than a business combination. The transaction is accounted for in accordance with IFRS 2 *Share-based Payments* and IFRS 3. As the Company did not qualify as a business according to the definition in IFRS 3 as there were no substantive processes in place, the acquisition does not constitute a business combination; rather, it is treated as an issuance of shares by Rix for the net liabilities of the Company with Rix as the continuing entity.

As a result of this transaction, a reverse takeover transaction cost of \$200,605 has been recorded. This reflects the difference between the estimated fair value of Rix's shares deemed to have been issued to X1's shareholders, plus transaction costs incurred, less the net fair value of the assets of X1 acquired.

In accordance with reverse acquisition accounting:

- i) The assets and liabilities of Rix are included in the statement of financial position at their carrying values.
- ii) The net liabilities of the Company have been measured at their fair value of \$200,604.

Fair value of share-based consideration allocated:		
Deemed issuance of 1 common share	\$	1
Identifiable net liabilities acquired:		
Cash		1,839,275
Prepaid expenses		39,328
Balances outstanding with associated entities		304,884
Accounts payable and accrued liabilities		(43,248)
Obligation to issue shares		(2,340,844)
Total RTO expense	\$	200,605

5. ACQUISITION OF TYRUS, LLC

On August 4, 2022, the Company closed the 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%.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**5. ACQUISITION OF TYRUS, LLC (cont'd...)**

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

Consideration:	
Cash (US\$50,000 paid, US\$100,000 paid subsequent to year end)	\$ 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.

Tyrus has contributed a net loss of \$40,278 (US\$29,977) for the period from August 4 to August 31, 2022 to the consolidated net loss and comprehensive loss of the Company.

6. ACQUISITION OF SHIFTRLE

On August 10, 2022, the Company completed an asset purchase agreement ("APA") to acquire the assets of ShiftRLE ("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 subsequent to year end);
- (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").

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**6. ACQUISITION OF SHIFTRLE (cont'd...)**

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\$25,000 paid, US\$25,000 paid subsequent to year end)	\$	63,945
Fair value of 333,333 common shares ⁽¹⁾		65,997
Earnout payment ⁽²⁾		58,885
Transaction costs		<u>28,728</u>
Value of Domain Name	\$	<u>217,555</u>

⁽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.

7. INTANGIBLE ASSETS

	Domain Name	Customer Relationships	Total
Cost			
Balance, September 16, 2020 and August 31, 2021	\$ -	\$ -	\$ -
Acquisition (Notes 5 and 6)	<u>217,555</u>	<u>109,302</u>	<u>326,857</u>
Balance, August 31, 2022	\$ 217,555	\$ 109,302	\$ 326,857
Accumulated amortization			
Balance, September 16, 2020 and August 31, 2021	\$ -	\$ -	\$ -
Amortization	<u>-</u>	<u>4,631</u>	<u>4,631</u>
Balance, August 31, 2022	\$ -	\$ 4,631	\$ 4,631
Net book value			
Balance, August 31, 2021	\$ -	\$ -	\$ -
Balance, August 31, 2022	<u>\$ 217,555</u>	<u>\$ 104,671</u>	<u>\$ 322,226</u>

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**8. GOODWILL****Goodwill**

Balance, September 16, 2020 and August 31, 2021	\$	-
Tyrus acquisition (Note 5)		<u>281,014</u>
Balance, August 31, 2022	\$	<u>281,014</u>

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.

No impairment of goodwill was identified as a result of the Company's most recent impairment test as at August 31, 2022. 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. As at August 31, 2022, a sensitivity analysis was also performed for the VIU model and it was determined that reasonable changes to key assumptions would not result in an impairment loss.

9. 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 subsequent to year end.

10. ACQUISITION CONSIDERATION

The following details the balances of acquisition consideration payments due:

	August 31, 2022	August 31, 2021
Cash payable for Tyrus ⁽¹⁾	\$ 131,110	\$ -
Fair value of Tyrus Bonus Payment ⁽²⁾	-	-
Cash payable for Shift ⁽³⁾	32,778	-
Fair value of Shift Earnout payment ⁽⁴⁾	<u>60,366</u>	<u>-</u>
Balance, end of period	224,254	-
Less: Shift Earnout payable longer than one year	<u>(30,418)</u>	<u>-</u>
Current liability, end of period	\$ 193,836	\$ -

⁽¹⁾ Paid subsequent to year end.

⁽²⁾ 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.

⁽³⁾ Paid subsequent to year end.

⁽⁴⁾ 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.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**11. REVENUE**

Revenue	For the year ended August 31, 2022	For the period from September 16, 2020 to August 31, 2021
Content revenue	\$ 17,910	\$ -
Merchandise sales	4,303	-
Player transfer	51,010	20,223
Prize money	248,057	6,917
Royalties from in-game purchases	16,317	-
Talent fees	53,362	-
	\$ 390,959	\$ 27,140

During the year ended August 31, 2022, the Company received \$91,387 (2021 - \$nil) in content revenue and remitted \$73,477 (2021 - \$nil) back to the talent.

12. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

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 5). On August 10, 2022, the Company issued 333,333 common shares in connection to the acquisition of Shift (Note 6).

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**12. SHARE CAPITAL AND RESERVE (cont'd...)**

b) Issued share capital (cont'd...)

Period from September 16, 2020 to August 31, 2021

During the period from September 16, 2020 to August 31, 2021, the Company repurchased its incorporation share for \$1 and cancelled the common share.

On March 5, 2021, the Company issued 10,000,000 common shares at \$0.015 to settle debt with related parties totalling \$150,000 (Note 13).

On April 16, 2021, the Company acquired all of the issued and outstanding shares of X1 for the deemed issuance of 1 common share of the Company in the reverse takeover transaction (Note 4). As the financial statements are considered a continuance of the operations of Rix due to the reverse takeover, all share numbers, share prices, and exercise prices in these consolidated financial statements have been adjusted, on a retroactive basis, to reflect this exchange.

On April 20, 2021, the Company completed a private placement totalling 13,000,000 shares at \$0.05 per share, for gross proceeds of \$650,000.

On May 21, 2021, the Company completed a private placement totalling 12,166,000 shares at \$0.15 per share, for gross proceeds of \$1,824,900.

On June 9, 2021, the Company completed a private placement totalling 434,250 common shares at \$0.35 per share for a value of \$151,988.

On June 25, 2021, the Company completed a private placement totalling 2,273,237 common shares at \$0.35 per share for a value of \$795,632.

On July 5, 2021, the Company completed a private placement totalling 384,200 common shares at \$0.35 per share for a value of \$134,470.

c) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 16, 2020 and August 31, 2021	-	\$ -
Issued	<u>6,981,487</u>	0.70
Balance outstanding, August 31, 2022	6,981,487	\$ 0.70

Warrants outstanding as at August 31, 2022:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Warrants	<u>6,981,487</u>	<u>6,981,487</u>	<u>\$ 0.70</u>	June 29, 2024
	6,981,487	6,981,487		

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**12. SHARE CAPITAL AND RESERVE (cont'd...)**

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, September 16, 2020 and August 31, 2021	-	\$	-
Granted	3,500,000		0.45
Issued	<u>313,007</u>		0.70
Balance outstanding, August 31, 2022	<u>3,813,007</u>	\$	<u>0.47</u>

Stock options outstanding as at August 31, 2022:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Options	313,007	313,007	\$ 0.70	June 29, 2024
	<u>3,500,000</u>	<u>-</u>	<u>\$ 0.45</u>	June 29, 2027
	<u>3,813,007</u>	<u>313,007</u>		

As at August 31, 2022, the outstanding stock options had a weighted average remaining life of 4.16 (2021 – n/a) years.

During the year ended August 31, 2022, the Company granted 3,500,000 (2021 - \$nil) stock options with a weighted average fair value of \$0.38 (2021 – n/a) per option. The Company recognized share-based compensation expense of \$316,927 (2021 - \$nil) for options granted during the year and expects to recognize \$1,022,089 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:

	Year ended August 31, 2022	Period from incorporation on September 30, 2020 to August 31, 2021
Risk-free interest rate	3.17%	-
Expected life of options	5 years	-
Expected annualized volatility	125%	-
Dividend rate	-	-
Forfeiture rate	-	-

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**12. SHARE CAPITAL AND RESERVE (cont'd...)**

e) Escrowed shares

As at August 31, 2022, there were 14,379,328 (2021 – n/a) common shares held in escrow as follows:

- i) 555,555 common shares held in escrow in connection with the Tyrus acquisition as described in Note 5. Every six months following the acquisition date, 25% of the common shares are released from escrow;
- ii) 333,333 common shares held in escrow in connection with the Shift acquisition as described in Note 6. Every six months following the acquisition date, 25% of the common shares are released from escrow;
- iii) 13,490,440 common shares held in escrow in connection with the public listing as described in Note 12(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.

13. RELATED PARTY TRANSACTIONS

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

	For the year ended August 31, 2022	For the period from September 16, 2020 to August 31, 2021
Consulting fees	\$ 320,082	\$ 42,983
Salaries and wages	\$ 52,627	\$ 6,211
Share-based compensation	\$ 229,481	\$ -

As at August 31, 2022, \$19,063 (2021 – \$7,487) 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.

In April 2021, Rix settled balances due to related parties totaling \$150,000 through the issuance of 10,000,000 common shares of Rix (Note 12).

14. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% to income before income taxes. The reasons for the differences are as follows:

	For the year ended August 31, 2022	For the period from September 16, 2020 to August 31, 2021
Net loss before income tax	\$ (3,064,521)	\$ (2,014,622)
Statutory income tax rate	27.00%	27.00%
Expected income tax recovery	\$ (827,000)	\$ (544,000)
Foreign income tax rate difference, change in foreign exchange rates and other	(443,000)	(68,000)
Share issuance costs	(120,000)	(6,000)
Permanent differences	96,000	110,000
Adjustment to prior year's provision versus statutory returns	(91,000)	-
Changes in benefits not recognized	1,385,000	508,000
Income tax expense (recovery)	\$ -	\$ -

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

14. INCOME TAXES (cont'd...)

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate future taxable income. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	August 31, 2022	August 31, 2021
Deferred tax assets:		
Non-capital losses	\$ 1,341,000	\$ 503,000
Share issue costs and other	<u>100,000</u>	<u>5,000</u>
	1,441,000	508,000
Unrecognized deferred tax assets	(1,441,000)	(508,000)
Deferred tax (liabilities):		
Intangible assets	<u>(33,000)</u>	<u>-</u>
Net deferred tax liability	\$ (33,000)	\$ -

As at August 31, 2022, the Company has Canadian non-capital losses of \$1,614,000 that may be applied to reduce future taxable income. If these losses are not used to offset future income, they will expire through the year ended August 31, 2042. Additionally, the Company has tax losses in the United Kingdom of \$558,000 which may be carried forward indefinitely subject to certain limitations. Tax losses in Malta total \$2,283,000 and may be carried forward indefinitely.

15. 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.

Acquisition consideration payable is comprised of cash components which approximate their fair value due. Valuations of the Bonus Payment due to Tyrus and Earnout payment due to Shift are subject to estimates with respect to revenue forecasts and discount rates under level 3 measurements. The Bonus Payment due to Tyrus has a maximum payment of US\$100,000. The Earnout payment due to Shift is measured at 7% of revenues generated by those assets which are not currently generating income to a maximum of US\$250,000.

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.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors (cont'd...)

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 August 31, 2022, the Company had working capital of \$1,707,036 (2021 – \$2,003,621). The Company's financial obligations are limited to accounts payable and accrued liabilities, loan payable, and consideration payable. Accounts payable and accrued liabilities are substantively due within 30 days. The loan payable was payable July 1, 2023 but was settled subsequent to year end. Cash components of consideration payable were due within approximately 35 days and have been paid subsequent to year end with the Earnout payments under the Shift Acquisition having annual payment dates from the closing of the transaction.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As at August 31, 2022, the Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity.

Foreign currency risk

The Company's has engaged a number of vendors in Europe and United States as that's where the main business activities of the Company are held. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar with the Euro, UK Pound Sterling, and United States dollar may have an adverse effect on the Company's business and costs to proceed with preferred vendors.

As at August 31, 2022, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	35,143	\$	46,252
United States Dollar	\$	(157,001)	\$	(205,844)
UK Pound Sterling	£	29,506	\$	44,970

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 \$2,313 and \$1,978, respectively. A 5% change in the Canadian dollar to United States dollar would decrease the Company's comprehensive loss by approximately \$10,292. As at August 31, 2022, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at August 31, 2022.

16. 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' equity of \$2,251,607 (2021 – \$2,003,621). 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 year period ended August 31, 2022. The Company is not subject to externally imposed capital requirements.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**17. 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:

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

Revenues, in Canadian dollars, in each of these geographic location for the year ended August 31, 2022 and period from September 16, 2020 to August 31, 2021 as follows:

Revenue by geographic location	For the year ended August 31, 2022	For the period from September 16, 2020 to August 31, 2021
Germany	\$ 89,246	\$ -
United States	274,761	25,792
All other countries	<u>26,952</u>	<u>1,348</u>
	<u>\$ 390,959</u>	<u>\$ 27,140</u>

18. SUBSEQUENT EVENTS*Acquisition of Octane.GG*

On October 4, 2022, the Company completed an asset purchase agreement ("Octane APA") to acquire the assets of Octane.GG ("Octane"). Octane is an online statistical and news outlet focused on the popular video game Rocket League.

Pursuant to the Octane APA, the Company acquired 100% of the assets comprising Octane, intellectual property and non-compete clauses, for an aggregate price of US\$35,000 cash, of which US\$17,500 is payable at closing (paid) and US\$17,500 payable within 45 days after closing (completed).

As at August 31, 2022, the Company had incurred \$4,540 in costs with respect to the Octane APA which has been deferred.

Tyrus name change

On October 19, 2022, Tyrus was renamed to 'X1 Talent Corp.'

Stock option grant

On November 7, 2022, the Company granted 250,000 options to consultants of the Company to purchase common shares of the Company at an exercise price of \$0.45 per common share. The options vest 1/3 on the first, second and third anniversary of the Tyrus and Shift acquisition dates, respectively. The options expire five years following the date of grant.

X1 ENTERTAINMENT GROUP INC.

(formerly X1 Esports and Entertainment Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED AUGUST 31, 2022 AND PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

18. SUBSEQUENT EVENTS (cont'd...)

Cessation of Rix's operations

On December 9, 2022, the Company announced that it will cease operations of Rix which holds and operates its esports franchise. Rix currently has one team competing in League of Legends: Wild Rift. Rix will no longer compete in Wild Rift effective March 9, 2023 as a result of Riot Games' recent announcement that it will discontinue support for Wild Rift esports operations outside of Asia. As this team represents the sole team competing in the esports industry within the Rix franchise, the operations supporting the team are being terminated as well.

X1 ENTERTAINMENT GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF X1 ENTERTAINMENT GROUP INC.

Opinion

We have audited the consolidated financial statements of X1 Entertainment Group Inc. and its subsidiaries (the "Company"), which comprise:

- ◆ the consolidated statements of financial position as at August 31, 2023 and 2022;
- ◆ the consolidated statements of loss and comprehensive loss for the years then ended;
- ◆ the consolidated statements of cash flows for the years then ended;
- ◆ the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended; and
- ◆ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred net loss of \$3,411,035 for the year ended August 31, 2023 and as of that date had an accumulated deficit of \$8,260,632. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended August 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditors' report.

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Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 13, 2023

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X1 ENTERTAINMENT GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT AUGUST 31,

	2023	2022
ASSETS		
Current		
Cash	\$ 8,359	\$ 1,624,231
Accounts receivable	11,753	274,233
Prepaid expenses	-	517,051
	<u>20,112</u>	<u>2,415,515</u>
Deferred acquisition costs	-	4,540
Intangible assets (Note 7)	-	322,226
Goodwill (Note 8)	-	281,014
	<u>\$ 20,112</u>	<u>\$ 3,023,295</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 13)	\$ 406,956	\$ 478,463
Loans payable (Notes 9 and 13)	143,339	36,180
Acquisition consideration (Note 10)	-	193,836
	<u>550,295</u>	<u>708,479</u>
Acquisition consideration (Note 10)	-	30,418
Deferred tax liability (Notes 4 and 14)	-	32,791
	<u>550,295</u>	<u>771,688</u>
Shareholders' equity (deficiency)		
Share capital (Note 12)	6,962,999	6,962,999
Reserves (Note 12)	794,365	384,397
Accumulated other comprehensive loss	(26,915)	(16,646)
Deficit	<u>(8,260,632)</u>	<u>(5,079,143)</u>
	<u>(530,183)</u>	<u>2,251,607</u>
	<u>\$ 20,112</u>	<u>\$ 3,023,295</u>

Approved and authorized by the Board on December 13, 2023.

“Latika Prasad” Director
“Adam Giddens” Director

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

X1 ENTERTAINMENT GROUP INC.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED AUGUST 31,

	2023	2022
EXPENSES		
Advertising and promotion	\$ 18,363	\$ 19,612
Business development	170,000	-
Consulting (Note 13)	346,790	406,947
Directors' fees (Note 13)	45,000	-
Foreign exchange	8,645	20,930
Insurance	81,468	36,133
Interest expense	5,420	-
Investor relations	134,840	67,420
Listing fee	31,284	37,942
Office and miscellaneous	60,145	68,813
Professional fees	129,079	314,287
Salaries and wages (Note 13)	200,960	16,261
Share-based compensation (Notes 12 and 13)	639,514	316,927
Shareholder communications and filing fees	32,792	32,607
Technology marketing and web development	288,421	81,551
Transfer agent	15,379	10,799
	<u>(2,208,100)</u>	<u>(1,430,229)</u>
Loss from operations		
Consideration payable recovery (Note 5)	60,366	-
Loss on sale of domain name (Note 5)	(230,877)	-
Recovery of accounts payable	31,670	-
	<u>(2,346,941)</u>	<u>(1,430,229)</u>
Net loss for the year from continuing operations		
Net loss for the year from discontinued operations (Note 18)	<u>(1,064,094)</u>	<u>(1,634,292)</u>
OTHER COMPREHENSIVE LOSS		
Foreign exchange loss on translating foreign operations	<u>(10,269)</u>	<u>(24,734)</u>
Comprehensive loss for the year	<u>\$ (3,421,304)</u>	<u>\$ (3,089,255)</u>
Basic and diluted loss per common share from continuing operations	\$ (0.25)	\$ (0.18)
Basic and diluted loss per common share from discontinued operations	\$ (0.11)	\$ (0.20)
Weighted average number of common shares outstanding*	<u>9,515,501</u>	<u>8,149,395</u>

*Share amounts have been updated to reflect the share consolidation – refer to Note 12.

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

X1 ENTERTAINMENT GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year from continuing operations	\$ (2,346,941)	\$ (1,430,229)
Non-cash items:		
Accrued interest expense	5,420	-
Consideration payable recovery	(60,366)	-
Loss on sale of domain name	230,877	-
Recovery of accounts payable	(31,670)	-
Share-based compensation	639,514	316,927
Unrealized foreign exchange	102	4,448
Changes in non-cash working capital items:		
Accounts receivable	20,366	(12,933)
Prepaid expenses	513,082	(303,584)
Accounts payable and accrued liabilities	361,569	22,802
Net cash used in operating activities from continuing operations	<u>(668,047)</u>	<u>(1,402,569)</u>
Net cash used in operating activities from discontinued operations	<u>(827,341)</u>	<u>(1,581,270)</u>
	<u>(1,495,388)</u>	<u>(2,983,839)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of ShiftRLE	(32,777)	(56,297)
Acquisition of Octane	<u>(57,194)</u>	<u>-</u>
Net cash used in investing activities from continuing operations	<u>(89,971)</u>	<u>(56,297)</u>
Net cash used in investing activities from discontinued operations	<u>(131,110)</u>	<u>(89,867)</u>
	<u>(221,081)</u>	<u>(146,164)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	-	3,289,869
Share issuance costs	-	(445,654)
Loan funds	<u>137,817</u>	<u>-</u>
Net cash generated financing activities from continuing operations	<u>137,817</u>	<u>2,844,215</u>
Net cash used in financing activities from discontinued operations	<u>(37,220)</u>	<u>-</u>
	<u>100,597</u>	<u>2,844,215</u>
Change in cash for the year	(1,615,872)	(285,788)
Cash, beginning of year	<u>1,624,231</u>	<u>1,910,019</u>
Cash, end of year	<u>\$ 8,359</u>	<u>\$ 1,624,231</u>

Supplemental cash flow information

	2023	2022
Agent's options issued	\$ -	\$ 67,470
Deferred acquisition costs in accounts payable and accrued liabilities	\$ -	\$ 4,540
Domain name sale of ShiftRLE	\$ 48,412	\$ -
Intangible asset acquisition costs in accounts payable and accrued liabilities	\$ -	\$ 4,403
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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

X1 ENTERTAINMENT GROUP INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Expressed in Canadian Dollars)

	Share Capital		Obligation To Issue shares	Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Number*	Amount					
Balance, August 31, 2021	7,651,540	\$ 3,681,055	\$ 329,100	\$ -	\$ 8,088	\$ (2,014,622)	\$ 2,003,621
Shares issued for acquisition of Tyrus, LLC	111,111	110,102	-	-	-	-	110,102
Shares issued for acquisition of ShiftRLE	66,667	65,997	-	-	-	-	65,997
Initial public offering	1,382,964	3,111,669	-	-	-	-	3,111,669
Private placement	289,886	507,300	(329,100)	-	-	-	178,200
Share issuance costs	13,333	(513,124)	-	67,470	-	-	(445,654)
Share-based compensation	-	-	-	316,927	-	-	316,927
Comprehensive loss for the year	-	-	-	-	(24,734)	(3,064,521)	(3,089,255)
Balance, August 31, 2022	9,515,501	6,962,999	-	384,397	(16,646)	(5,079,143)	2,251,607
Forfeited options	-	-	-	(229,546)	-	229,546	-
Share-based compensation	-	-	-	639,514	-	-	639,514
Comprehensive loss for the year	-	-	-	-	(10,269)	(3,411,035)	(3,421,304)
Balance, August 31, 2023	9,515,501	\$ 6,962,999	\$ -	\$ 794,365	\$ (26,915)	\$ (8,260,632)	\$ (530,183)

*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 12. 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 consolidated financial statements.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

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 completed a reverse takeover transaction on April 16, 2021 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 (“CSE”) under the symbol “XONE”. The Company is also listed on the OTCQX under the symbol “XOEEF”.

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 4). The financial results of Tyrus, LLC have been consolidated since the acquisition date of August 4, 2022. On October 19, 2022, Tyrus was renamed to “X1 Talent Corp.” On April 6, 2023, the Company announced the wind-down of X1 Talent Corp. operations (Note 4).

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 5). On September 28, 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 6). The assets of Octane were incorporated into the Shift platform after acquisition. On March 17, 2023, the Company sold the assets of Shift (Note 5).

On December 9, 2022, the Company announced that it will cease operations of Rix.GG Europe Ltd. (“Rix”) which holds and operates its esports franchise. Rix will no longer compete in Wild Rift effective March 2023 as a result of Riot Games’ 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.

During the year ended August 31, 2023, 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 18).

The Company is currently evaluating possible acquisitions.

Going Concern

These consolidated 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 year ended August 31, 2023 of \$3,411,035 (2022 - \$3,064,521) and as of that date had an accumulated deficit of \$8,260,632 (2022 - \$5,079,143). The Company incurred negative cash flows from operations of \$1,495,388 (2022 - \$2,983,839) 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 consolidated 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.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

2. BASIS OF PREPARATION

Statement of compliance

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

Basis of consolidation

The consolidated 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 consolidated 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 consolidated 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.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

2. BASIS OF PREPARATION (cont'd...)

Use of judgments and estimates (cont'd...)

The key areas of judgment applied in the preparation of the consolidated 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 4). The acquisitions of Shift and Octane were considered to be asset acquisitions (Notes 5 and 6).

- 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 an 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 consolidated 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.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

2. BASIS OF PREPARATION (cont'd...)

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; or (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 consolidated 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.

- 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.

- 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.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

3. SIGNIFICANT ACCOUNTING POLICIES

Currency Translation

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per International Accounting Standards ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates* and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the Canadian dollar; the functional currencies of the subsidiaries are highlighted above under *Basis of consolidation*. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Under IFRS, the results and financial position of all the Company's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- All resulting exchange differences are recognized as a separate component of equity.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded in profit or loss.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash and accounts receivable are recorded at amortized cost as they meet the required criteria.

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, loans payable and acquisition consideration payable.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Impairment of financial instruments

The Company recognizes a loss allowance on a forward-looking basis at an amount equal to the lifetime expected credit loss ("ECL") on its trade receivables.

ECLs on trade receivables are calculated based on the expected credit loss for clients according to an aging analysis. When determining ECLs, the Company considers the historic credit losses observed by the Company, customer-specific payment history, and economic conditions. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and forward-looking information.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 60 days past due.

Impairment losses on trade receivables are recorded to the statement of loss and comprehensive loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash, accounts receivable, accounts payable and accrued liabilities, acquisition consideration, and loans payable. Their carrying values approximate their fair values due to the short-term maturity of these instruments.

There was no movement between fair value levels during the years ended August 31, 2023 and 2022.

Intangible assets

Intangible assets that are acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, intangible assets with finite lives are carried at cost less accumulated impairment and accumulated amortization on a straight-line basis over the following periods:

Customer lists	2 years
Domain name	Indefinite life

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Goodwill

Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the Company's share of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of non-financial assets

The carrying amounts of intangible assets with finite useful lives are reviewed at the end of each reporting period to determine whether there are any indicators of impairment. Indicators of impairment may include a significant decline in asset market value, material adverse changes in the external operating environment which affect the manner in which the asset is used or is expected to be used, obsolescence, or legal impairment of the asset. If any such indicators exist, then the recoverable amount of the asset is estimated. Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually or whenever there is an indicator that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. Impairment of goodwill cannot be reversed.

Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where material, provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Share capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on estimated fair value of the common shares at the time the units are priced, and any excess is allocated to warrants.

Shares issued as consideration for goods or services provided to those other than employees or others providing similar services are measured at the fair value of the goods or services received, except where the fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted.

Share-based payments

The Company has a stock option plan as described in Note 12(d). Share-based payments to employees are measured at the fair value of the instruments issued using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to reserves.

Consideration received on the exercise of stock options is recorded as share capital and the related reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from reserve. For those unexercised options that expire, the recorded value is transferred to deficit.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Business combinations

On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value of the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date. Incremental costs related to acquisitions are expensed as incurred. When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, *Financial Instruments*, or IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options and warrants would be anti-dilutive. Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

Income taxes

The Company's deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue recognition

The Company reviews its revenue streams and major contracts with customers using the IFRS 15, *Revenue from Contracts with Customers*, five step model as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price, which is the total consideration provided by the customer;
- Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- Recognize revenue when the relevant criteria are met for each performance obligation.

(a) Prize money

The Company generates revenue through participation in esports tournaments. These arrangements predominantly contain a single performance obligation and revenue is recognized at a single point in time when the performance obligation is achieved, which is typically the date of the Company's esports player placing in an esports tournament. Prize money has been recorded on a gross basis as the Company has contractual agreements with the esports player to exclusively participate under the Rix brand, which includes a buyout clause if the player was to be sold to another esports company.

(b) Player transfers

The Company generates revenue through the sale of esports player contracts to other esports companies. The Company's performance obligations are defined in each agreement with its customers. The transaction prices allocated to performance obligations are set out in each agreement as a fixed fee for the performance obligation rendered. Performance obligations typically include the transfer of the esports player and a fixed fee based on the esports player's participation in a later esports event. Transaction prices are recognized as revenue in the period when the performance obligation has been satisfied and collection is reasonably assured.

(c) Talent fees

The Company receives talent fees revenue for representing talent which is recognized over the service period.

(d) Content revenue

Revenue from content contracts whereby the Company facilitates influencer and content creator services for customers is recognized over the period during which services are performed.

The Company performed an agent versus principal analysis to determine if content revenue is to be recorded on a net or gross basis. There is a two-step process in determining if a company is acting as a principal or agent in a contract with a customer:

1. Identify the specified goods or services to be provided to the customer; and
2. Assess whether it controls each specified good or service before that good or service is transferred to the customer using the following guidelines:
 - a. The Company has a primary responsibility for fulfilling the promise to provide the specified goods or services to the customer;
 - b. The Company has inventory risk before the specified good or service has been transferred to a customer, or after transfer of control to a customer; and
 - c. The Company has discretion in establishing the price for the specified good or service.

The Company determined it is acting as an agent and should record revenue on a net basis.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue Recognition (cont'd...)

(e) Royalties from in-game purchases

The Company receives royalty revenue from in-game purchases on Rix based items in the Rocket League game. Revenue is recognized in the period when the purchase was made.

(f) Merchandise sales

The Company generates revenue through the sale of Rix branded merchandise and is recognized when the goods are transferred to the customer.

4. 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);
- (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 (not met).

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. During the year ended August 31, 2023, the Bonus Payment was not met within one year, which resulted in no payout.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

4. ACQUISITION OF TYRUS, LLC (cont'd...)

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)
	<u>\$ 303,527</u>

Accounts receivable 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.

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 (Note 18). Challenges in the operating environment of Tyrus persisted and culminated in the Company winding down operations of Tyrus to a recoverable value of \$nil in accordance with Level 3 of the fair value hierarchy during the year ended August 31, 2023.

During the year ended August 31, 2023, the Company considered the operations of Tyrus to have met the definition of discontinued operations (Note 18).

5. 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 option 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%.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

5. ACQUISITION OF SHIFTRLE (cont'd...)

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	<u>28,728</u>
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. During the year ended August 31, 2023, Shift generated revenue of \$nil, which resulted in no earnout payout.

The Company entered into an agreement to sell the assets of Shift, inclusive of Octane.gg (Note 6), 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.

6. ACQUISITION OF OCTANE.GG

On September 28, 2022, the Company completed an 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	<u>14,225</u>
Value of Domain Name	\$ 61,734

The assets of Octane were incorporated into the Shift platform after acquisition.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

7. INTANGIBLE ASSETS

	Domain Name	Customer Relationships	Total
Cost			
Balance, August 31, 2021	\$ -	\$ -	\$ -
Acquisition (Notes 4 and 5)	<u>217,555</u>	<u>109,302</u>	<u>326,857</u>
Balance, August 31, 2022	217,555	109,302	326,857
Acquisition (Note 6)	61,734	-	61,734
Disposal (Notes 5 and 6)	(279,289)	-	(279,289)
Impairment (Notes 4 and 18)	<u>-</u>	<u>(109,302)</u>	<u>(109,302)</u>
Balance, August 31, 2023	\$ -	\$ -	\$ -
Accumulated amortization			
Balance, August 31, 2021	\$ -	\$ -	\$ -
Amortization	<u>-</u>	<u>4,631</u>	<u>4,631</u>
Balance, August 31, 2022	-	4,631	4,631
Amortization (Note 18)	-	14,312	14,312
Impairment (Notes 4 and 18)	<u>-</u>	<u>(18,943)</u>	<u>(18,943)</u>
Balance, August 31, 2023	\$ -	\$ -	\$ -
Net book value			
Balance, August 31, 2022	\$ 217,555	\$ 104,671	\$ 322,226
Balance, August 31, 2023	\$ -	\$ -	\$ -

During the year ended August 31, 2023, the Company determined indicators of impairment existed with respect to the customer relationships 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. The Company recognized a loss on sale of domain name of \$230,877, after selling Shift for \$48,412.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

8. GOODWILL

Goodwill	
Balance, August 31, 2021	\$ -
Tyrus acquisition (Note 4)	<u>281,014</u>
Balance, August 31, 2022	281,014
Impairment (Notes 4 and 18)	<u>(281,014)</u>
Balance, August 31, 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 in accordance with Level 3 of the fair value hierarchy. Ongoing challenges in Tyrus persisted and culminated in the Company winding down operations of Tyrus during the year ended August 31, 2023.

9. LOANS 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 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 is at a rate of 10% per annum and is due on demand.

Loans payable	
Balance, August 31, 2021	\$ -
Funds received	<u>36,180</u>
Balance, August 31, 2022	\$ 36,180
Foreign exchange	102
Funds received	137,817
Funds repaid	(36,180)
Interest expense	<u>5,420</u>
Balance, August 31, 2023	\$ 143,339

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

10. ACQUISITION CONSIDERATION

The following details the balances of acquisition consideration payments due:

	August 31, 2023	August 31, 2022
Opening liability, beginning of year	\$ 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 Shift Earnout payment ⁽¹⁾	<u>(60,366)</u>	<u>60,366</u>
Balance, end of year	-	224,254
Less: Shift Earnout payable longer than one year	<u>-</u>	<u>(30,418)</u>
Current liability, end of year	<u>\$ -</u>	<u>\$ 193,836</u>

⁽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, 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.

11. REVENUE

Revenue	For the year ended August 31, 2023	For the year ended August 31, 2022
Content revenue	\$ 73,793	\$ 17,910
Merchandise sales	-	4,303
Player transfer	-	51,010
Prize money	25,192	248,057
Royalties from in-game purchases	3,212	16,317
Talent fees	<u>207,441</u>	<u>53,362</u>
	<u>\$ 309,638</u>	<u>\$ 390,959</u>

During the year ended August 31, 2023, the Company received \$368,966 (2022 - \$91,387) in content revenue and remitted \$295,173 (2022 - \$73,477) back to the talent.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

12. 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 (Note 19). 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

Year ended August 31, 2023

There were no shares issued during the year ended August 31, 2023.

Year ended August 31, 2022

On October 27, 2021, the Company completed a private placement of 289,886 common shares at a price of \$1.75 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 1,382,964 units (each a "Unit") for gross proceeds of \$3,111,669. Each Unit was issued at a price of \$2.25 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 \$3.50 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 62,601 non-transferable agent's options to acquire up to 62,601 common shares at a price of \$3.50 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 13,333 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 111,111 common shares in connection to the acquisition of Tyrus (Note 4). On August 10, 2022, the Company issued 66,667 common shares in connection to the acquisition of Shift (Note 5).

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

12. SHARE CAPITAL AND RESERVE (cont'd...)

c) Warrants

Warrants have been updated to reflect the subsequent share consolidation (Note 19).

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, August 31, 2021	-	\$	-
Issued	<u>1,396,297</u>		3.50
Balance outstanding, August 31, 2022 and 2023	<u>1,396,297</u>	\$	<u>3.50</u>

Warrants outstanding as at August 31, 2023:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Warrants	<u>1,396,297</u>	<u>1,396,297</u>	<u>\$ 3.50</u>	June 29, 2024
	<u>1,396,297</u>	<u>1,396,297</u>		

d) Stock options and share-based payments

Stock options have been updated to reflect the subsequent share consolidation (Note 19).

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, 2021	-	\$	-
Granted	700,000		2.25
Issued	<u>62,601</u>		3.50
Balance, August 31, 2022	762,601		2.35
Forfeited	(370,000)		2.25
Granted	<u>50,000</u>		2.25
Balance outstanding and exercisable, August 31, 2023	<u>442,601</u>	\$	<u>2.43</u>

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

12. SHARE CAPITAL AND RESERVE (cont'd...)

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

Stock options outstanding as at August 31, 2023:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Options	62,601	62,601	\$ 3.50	June 29, 2024
	<u>380,000</u>	<u>380,000⁽¹⁾</u>	<u>\$ 2.25</u>	June 29, 2027
	442,601	442,601		

⁽¹⁾ 100,000 options were forfeited subsequent to the year ended August 31, 2023.

As at August 31, 2023, the outstanding stock options had a weighted average remaining life of 3.41 (2022 - 4.16) years.

During the year ended August 31, 2023, the Company granted 50,000 (2022 - 700,000) stock options with a weighted average fair value of \$0.29 (2022 - \$1.91) per option. The Company recognized share-based payments expense of \$639,514 (2022 - \$316,927) 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:

	For the year ended August 31, 2023	For the year ended August 31, 2022
Risk-free interest rate	3.77%	3.17%
Expected life of options	5 years	5 years
Expected annualized volatility	125%	125%
Dividend rate	-	-
Forfeiture rate	-	-

e) Escrowed shares

As at August 31, 2023, there were 1,798,725 (2022 - 2,875,866) common shares held in escrow in connection with the public listing as described in Note 12(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.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

13. RELATED PARTY TRANSACTIONS

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

	For the year ended August 31, 2023	For the year ended August 31, 2022
Consulting fees ⁽¹⁾⁽²⁾	\$ 309,290 ⁽³⁾	\$ 320,082
Directors' fees	\$ 45,000	\$ -
Salaries and wages	\$ -	\$ 52,627
Share-based compensation	\$ 431,023	\$ 229,481

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

(2) Consulting fees include fees to the former CEOs of \$177,057.

(3) Consulting fees include fees to the former CFO of \$26,000 prior to appointment.

As at August 31, 2023, \$191,756 (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. The Company has loans payable to a director of \$59,763 (2022 - \$nil) as at August 31, 2023. The loans are interest bearing and due on demand – refer to Note 9.

14. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% to income before income taxes. The reasons for the differences are as follows:

	For the year ended August 31, 2023	For the year ended August 31, 2022
Net loss before income tax	\$ (3,411,035)	\$ (3,064,521)
Statutory income tax rate	27.00%	27.00%
Expected income tax recovery	\$ (921,000)	\$ (827,000)
Foreign income tax rate difference, change in foreign exchange rates and other	51,000	(443,000)
Share issuance costs	(120,000)	(120,000)
Permanent differences	174,000	96,000
Adjustment to prior year's provision versus statutory returns	-	(91,000)
Changes in benefits not recognized	783,000	1,385,000
Income tax expense (recovery)	\$ (33,000)	\$ -

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate future taxable income. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

14. INCOME TAXES (cont'd...)

	August 31, 2023	August 31, 2022
Deferred tax assets:		
Non-capital losses	\$ 2,042,000	\$ 1,341,000
Share issue costs and other	<u>75,000</u>	<u>100,000</u>
	\$ 2,117,000	\$ 1,441,000
Unrecognized deferred tax assets	(2,117,000)	(1,441,000)
Deferred tax (liabilities):		
Intangible assets	<u>-</u>	<u>(33,000)</u>
Net deferred tax liability	\$ -	\$ (33,000)

As at August 31, 2023, the Company has Canadian non-capital losses of \$3,240,000 that may be applied to reduce future taxable income. If these losses are not used to offset future income, they will expire through the year ended August 31, 2043. Additionally, the Company has tax losses in the United Kingdom of \$724,000 which may be carried forward indefinitely subject to certain limitations. Tax losses in Malta total \$2,818,000 and may be carried forward indefinitely.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash, accounts receivable, accounts payable and accrued liabilities, acquisition consideration, and loans 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. 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 August 31, 2023, the Company had working capital deficiency of \$530,183 (2022 - capital of \$1,707,036). 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. As at August 31, 2023, the Company has \$nil in acquisition consideration payable.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

15. 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 August 31, 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 has engaged a number of vendors in Europe and United States as that is 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 August 31, 2023, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent
Euro	€	(5,369)	\$ (7,883)
United States Dollar	\$	(1,777)	\$ (2,404)
UK Pound Sterling	£	343	\$ 587

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 \$29. A 5% change in the Canadian dollar to Euro and the Canadian dollar to United States dollar would decrease the Company's comprehensive loss by approximately \$394 and \$120, respectively. As at August 31, 2023, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at August 31, 2023.

16. 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 \$530,183 (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 year ended August 31, 2023. The Company is not subject to externally imposed capital requirements.

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

17. 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.

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

As at August 31, 2023, the Company had no non-current assets.

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

Revenues, in Canadian dollars, in each of these geographic locations for the years ended August 31, 2023 and 2022 are as follows:

Esports

Revenue by geographic location	For year ended August 31, 2023	For year ended August 31, 2022
Germany	\$ 5,304	\$ 89,246
United States	19,833	212,181
All other countries	<u>3,267</u>	<u>18,260</u>
	<u>\$ 28,404</u>	<u>\$ 319,687</u>

Talent Management

Revenue by geographic location	For year ended August 31, 2023	For year ended August 31, 2022
United States	\$ 233,953	\$ 62,580
All other countries	<u>47,281</u>	<u>8,692</u>
	<u>\$ 281,234</u>	<u>\$ 71,272</u>

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

18. 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 consolidated 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 years ended August 31, 2023 and 2022, the loss from discontinued operations relate to the following:

Esports	2023	2022
Revenue (Note 11)	\$ 28,404	\$ 319,687
EXPENSES		
Advertising and promotion	193	3,085
Consulting	-	66,830
Esports player, team, and game expenses	172,947	1,156,018
Foreign exchange	(1,783)	2,848
Office and miscellaneous	67,051	215,052
Professional fees	47,460	57,852
Property fee	-	2,480
Salaries and wages (Note 13)	85,503	335,983
Shareholder communications and filing fees	-	8,083
Technology marketing and web development	12,936	62,351
Loss from discontinued operations	\$ (355,903)	\$ (1,590,895)

Cash flows generated by discontinued operations for the years ended August 31, 2023 and 2022 are as follows:

Esports	2023	2022
CASH FLOWS	\$	\$
Operating activities	(415,373)	(1,589,759)
Investing activities	-	-
Financing activities	-	-
Cash flows from discontinued operations	\$ (415,373)	\$ (1,589,759)

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

18. DISCONTINUED OPERATIONS (cont'd...)

Talent Management

For the years ended August 31, 2023 and 2022, the loss from discontinued operations relate to the following:

Talent Management	2023	2022
Revenue (Note 11)	\$ 281,234	\$ 71,272
EXPENSES		
Amortization	14,312	4,631
Bad debt expense	56,858	
Consulting	110,356	18,466
Foreign exchange	1,150	-
Office and miscellaneous	104,193	24,008
Salaries and wages	367,597	64,332
Technology marketing and web development	<u>13,585</u>	<u>3,232</u>
Loss from operations	<u>386,817</u>	<u>43,397</u>
Impairment of goodwill (Note 8)	281,014	-
Impairment of intangibles (Note 7)	90,359	-
Recovery of accounts payable	(17,208)	-
Tax recovery (Note 4)	<u>(32,791)</u>	<u>-</u>
Loss from discontinued operations	<u>\$ (708,191)</u>	<u>\$ (43,397)</u>

Cash flows generated by discontinued operations for the years ended August 31, 2023 and 2022 are as follows:

Talent Management	2023	2022
CASH FLOWS	\$	\$
Operating activities	(411,968)	8,489
Investing activities	(131,110)	(89,867)
Financing activities	<u>(37,220)</u>	<u>-</u>
Cash flows from discontinued operations	<u>\$ (580,298)</u>	<u>\$ (81,378)</u>

X1 ENTERTAINMENT GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

19. SUBSEQUENT EVENTS

Share Consolidation

On November 6, 2023, the Company completed a share consolidation on the basis of 1 new common share for 5 old common shares. No fractional shares were issued as a result of the consolidation. Fractional interests of 0.5 or greater were rounded up to the nearest whole number of common shares and fractional interests of less than 0.5 were rounded down to the nearest whole number of common shares. All share and per share information have been amended retrospectively to reflect the share consolidation.

Convertible Debenture Financing

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, approximately \$146,106, was completed through the distribution of Debentures in settlement of existing debt.

The Debentures mature on the date (the "Maturity Date") that is 12 months from the date of issuance (the "Closing Date") and 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.

APPENDIX II
INTERIM FINANCIAL STATEMENTS
[see attached]

X1 ENTERTAINMENT GROUP INC.

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

**FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024
AND FEBRUARY 28, 2023**

X1 ENTERTAINMENT GROUP INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
EXPENSES				
Accretion expense (Note 8)	\$ 8,865	\$ -	\$ 13,298	\$ -
Advertising and promotion	-	-	-	18,363
Business development	15,000	75,000	30,000	140,000
Consulting (Note 11)	39,000	117,587	78,000	253,790
Directors' fees (Note 11)	15,000	15,000	30,000	15,000
Foreign exchange	275	2,763	965	8,805
Insurance	-	27,100	-	54,200
Interest expense	4,167	-	9,120	-
Investor relations	-	33,710	-	134,840
Listing fee	10,899	7,821	16,748	15,642
Office and miscellaneous	9,798	10,294	10,991	42,527
Professional fees	38,600	31,511	87,192	69,429
Salaries and wages	-	86,011	-	152,547
Share-based compensation (Notes 10 and 11)	-	448,397	-	899,724
Shareholder communications and filing fees	6,031	14,858	6,621	31,297
Technology marketing and web development	5,000	85,463	5,000	187,838
Transfer agent	3,420	3,362	9,371	6,534
Loss from operations	<u>(156,055)</u>	<u>(958,877)</u>	<u>(297,306)</u>	<u>(2,030,536)</u>
Dissolution of X1 Talent	(22,205)	-	(22,205)	-
Consideration payable recovery (Note 4)	-	60,366	-	60,366
Impairment of domain name (Note 4)	-	(230,877)	-	(230,877)
Net loss for the period from continuing operations	<u>(178,260)</u>	<u>(1,129,388)</u>	<u>(319,511)</u>	<u>(2,201,047)</u>
Net loss for the period from discontinued operations (Note 16)	-	(303,739)	-	(969,702)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign exchange gain (loss) on translating foreign operations	(28)	(4,977)	7,494	(11,223)
Comprehensive loss for the period	<u>\$ (178,288)</u>	<u>\$ (1,438,104)</u>	<u>\$ (312,017)</u>	<u>\$ (3,181,972)</u>
Basic and diluted loss per common share from continuing operations	\$ (0.01)	\$ (0.12)	\$ (0.03)	\$ (0.23)
Basic and diluted loss per common share from discontinued operations	\$ -	\$ (0.03)	\$ -	\$ (0.10)
Weighted average number of common shares outstanding*	12,262,754	9,515,498	10,889,127	9,515,498

*Share amounts have been updated to reflect the share consolidation – refer to Note 10.

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 SIX MONTHS ENDED,

	February 29, 2024	February 28, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period from continuing operations	\$ (319,511)	\$ (2,201,047)
Non-cash items:		
Accretion expense	13,298	-
Accrued interest expense	9,120	-
Consideration payable recovery	-	(60,366)
Dissolution of X1 Talent	22,205	-
Impairment of domain name	-	230,877
Share-based compensation	-	899,724
Unrealized foreign exchange	(103)	-
Changes in non-cash working capital items:		
Accounts receivable	(4,772)	18,775
Prepaid expenses	(27,832)	374,277
Accounts payable and accrued liabilities	(161,299)	127,169
Net cash used in operating activities from continuing operations	<u>(468,894)</u>	<u>(610,591)</u>
Net cash generated by (used in) operating activities from discontinued operations	<u>7,493</u>	<u>(711,256)</u>
	<u>(461,401)</u>	<u>(1,321,847)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of ShiftRLE	-	(32,777)
Acquisition of Octane	-	(57,194)
Deferred acquisition costs	<u>(19,375)</u>	<u>-</u>
Net cash used in investing activities from continuing operations	<u>(19,375)</u>	<u>(89,971)</u>
Net cash used in investing activities from discontinued operations	<u>-</u>	<u>(131,110)</u>
	<u>(19,375)</u>	<u>(221,081)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placement	500,000	-
Convertible debentures	353,894	-
Loan funds	<u>-</u>	<u>35,000</u>
Net cash generated financing activities from continuing operations	<u>853,894</u>	<u>35,000</u>
Net cash used in financing activities from discontinued operations	<u>-</u>	<u>(37,220)</u>
	<u>853,894</u>	<u>(2,220)</u>
Change in cash for the period	373,118	(1,545,148)
Cash, beginning of period	<u>8,359</u>	<u>1,624,231</u>
Cash, end of period	<u>\$ 381,477</u>	<u>\$ 79,083</u>

During the six months ended February 29, 2024, the Company settled \$146,106 in existing debt through the issuance of convertible debentures (Note 8) and had \$47,135 in deferred acquisition costs in accounts payable and accrued liabilities (Note 3).

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)

	<u>Share Capital</u>						
	Number*	Amount	Equity Portion of Convertible Debentures	Reserves	Accumulated Other Comprehensive Income (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	-	-	-	899,724	-	-	899,724
Comprehensive loss for the period	-	-	-	-	(11,223)	(3,170,749)	(3,181,972)
Balance, February 28, 2023	9,515,501	6,962,999	-	1,284,121	(27,869)	(8,249,892)	(30,641)
Forfeited options	-	-	-	(229,546)	-	229,546	-
Share-based compensation recovery	-	-	-	(260,210)	-	-	(260,210)
Comprehensive loss for the period	-	-	-	-	954	(240,286)	(239,332)
Balance, August 31, 2023	9,515,501	6,962,999	-	794,365	(26,915)	(8,260,632)	(530,183)
Private placement	7,142,857	500,000	-	-	-	-	500,000
Issuance of convertible debentures	-	-	53,191	-	-	-	53,191
Cancelled and forfeited options	-	-	-	(726,895)	-	726,895	-
Dissolution of X1 Talent	-	-	-	-	22,205	-	22,205
Comprehensive loss for the period	-	-	-	-	7,494	(319,511)	(312,017)
Balance, February 29, 2024	16,658,358	\$ 7,462,999	\$ 53,191	\$ 67,470	\$ 2,784	\$ (7,853,248)	\$ (266,804)

*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 10. 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.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

1. NATURE OF OPERATIONS AND GOING CONCERN

X1 Entertainment Group Inc. (with its subsidiaries, collectively, the “Company” or “X1”) was a portfolio company that had targeted assets across gaming, esports, media, and entertainment industries and is currently evaluating possible acquisitions. 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.

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 4).

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 16). During the six months ended February 29, 2024, the Company dissolved X1 Talent.

During the six months ended February 29, 2024, the Company entered into a definitive agreement with SKRR Exploration Inc. (“SKRR”) on the Manson Bay Project (Note 3).

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 from continuing operations for the period ended February 29, 2024 of \$319,511 (February 28, 2023 - \$2,201,047) and at that date had an accumulated deficit of \$7,853,248 (August 31, 2023 - \$8,260,632). 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.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the 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

* 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.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

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 acquisition of Octane was considered to be an asset acquisition (Note 4).

- 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.

- 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 an 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.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

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.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

3. MANSON BAY PROJECT

On February 7, 2024, the Company entered into a definitive asset purchase agreement (the “Definitive Agreement”) with SKRR pursuant to which the Company has agreed to acquire 100% legal and beneficial interest in thirteen contiguous mineral claims totalling 4,293 hectares in the province of Saskatchewan, known as the Manson Bay Project (the “Property”) for a consideration of 1,000,000 common shares in the capital of the Company. The price of each common share will be based on a concurrent financing.

Pursuant to the terms and conditions of the Definitive Agreement, the Company has agreed to acquire (i) 100% of SKRR’s rights, title, and interest in the Property, and (ii) all data and information in the possession of SKRR with respect to the Property and the activities conducted thereon (the “Data and Information”, and together with the Property, the “Purchased Assets”).

The Company’s acquisition of the Purchased Assets (the “Transaction”) is subject to a number of customary conditions including, but not limited to, meeting all conditions required by the CSE to receive approval of the Transaction.

Following the completion of the Transaction, the Company will be a mineral exploration company primarily engaged in exploration of the Property, and the identification and acquisition of additional mineral exploration properties. The Property, which is in the exploration stage, will be the Company’s first material mineral property.

As at February 29, 2024, the Company had incurred \$66,510 (August 31, 2023 - \$nil) in costs with respect to the Definitive Agreement which has been deferred.

4. 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, *Business Combination*, the transaction was determined to be an asset acquisition with substantially all of the fair value attributable to the domain name of Octane as the purchased assets are concentrated in the domain name of Octane and therefore not a business pursuant to the concentration test.

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	<u>14,225</u>
Value of Domain Name	<u>\$ 61,734</u>

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 in the three- and six-months period ended February 28, 2023.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**5. INTANGIBLE ASSETS**

	Domain Name	Customer Relationships	Total
Cost			
Balance, August 31, 2022	\$ 217,555	\$ 109,302	\$ 326,857
Acquisition (Note 4)	61,734	-	61,734
Disposal (Notes 4 and 16)	(279,289)	-	(279,289)
Impairment	-	(109,302)	(109,302)
Balance, August 31, 2023 and February 29, 2024	\$ -	\$ -	\$ -
Accumulated amortization			
Balance, August 31, 2022	\$ -	\$ 4,631	\$ 4,631
Amortization	-	14,312	14,312
Impairment	-	(18,943)	(18,943)
Balance, August 31, 2023 and February 29, 2024	\$ -	\$ -	\$ -
Net book value			
Balance, August 31, 2023	\$ -	\$ -	\$ -
Balance, February 29, 2024	\$ -	\$ -	\$ -

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.

During the three- and six-months period ended February 28, 2023, the Company recognized a loss on sale of domain name of \$230,877, after selling Shift for \$48,412 (Note 4).

6. GOODWILL

Goodwill	
Balance, August 31, 2022	281,014
Impairment (Note 16)	(281,014)
Balance, August 31, 2023 and February 29, 2024	\$ -

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%.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

6. GOODWILL (cont'd...)

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 recognized in the three- and six-months period ended February 28, 2023. Ongoing challenges in X1 Talent persisted and culminated in the Company winding down operations of X1 Talent during the year ended August 31, 2023.

7. 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 the amounts are due on demand. The loans were settled during the six months ended February 29, 2024, through the issuance of convertible debentures (Note 8).

Loans payable

Balance, August 31, 2022	\$	36,180
Foreign exchange		102
Funds received		137,817
Funds repaid		(36,180)
Interest expense		5,420
		<u>5,420</u>
Balance, August 31, 2023	\$	143,339
Foreign exchange		(103)
Settlement (Note 8)		(146,106)
Interest expense		2,870
		<u>2,870</u>
Balance, February 29, 2024	\$	-

8. CONVERTIBLE DEBENTURES

5% Convertible debentures

Principal amount: \$500,000		
Liability amount, upon recognition	\$	446,809
Accretion expense		13,298
Accrued interest payable		6,249
		<u>6,249</u>
Balance, February 29, 2024	\$	466,356

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 7).

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.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**8. CONVERTIBLE DEBENTURES (cont'd...)**

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 six months ended February 29, 2024, the Company incurred interest expense of \$6,249 and accretion expense of \$13,298 on the convertible debentures, which has been recorded on the condensed consolidated interim statement of operations and comprehensive loss.

9. 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, 2023:

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⁾	<u>(60,366)</u>
Balance, August 31, 2023 and February 29, 2024	<u>\$ -</u>

⁽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.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**10. 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

Period ended February 29, 2024

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.

Year ended August 31, 2023

There were no shares issued during the year ended August 31, 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, August 31, 2022 and 2023	1,396,297	\$	3.50
Issued	<u>7,142,857</u>		0.10
Balance outstanding and exercisable, February 29, 2024	<u>8,539,154</u>	\$	0.66

Warrants outstanding as at February 29, 2024:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Warrants	1,396,297	1,396,297	\$ 3.50	June 29, 2024
	<u>7,142,857</u>	<u>7,142,857</u>	<u>\$ 0.10</u>	January 25, 2026
	<u>8,539,154</u>	<u>8,539,154</u>		

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**10. SHARE CAPITAL AND RESERVES (cont'd...)**

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	<u>50,000</u>		2.25
Balance, August 31, 2023	442,601		2.43
Cancelled	(360,000)		2.25
Forfeited	<u>(20,000)</u>		2.25
Balance outstanding and exercisable, February 29, 2024	62,601	\$	3.50

Stock options outstanding as at February 29, 2024:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Options	62,601	62,601	\$ 3.50	June 29, 2024

As at February 29, 2024, the outstanding stock options had a weighted average remaining life of 0.33 (August 31, 2023 – 3.41) years.

During the six months ended February 29, 2024, the Company granted nil (2023 – 50,000) stock options with a weighted average fair value of \$nil (2023 – \$0.29) per option. The Company recognized share-based payments expense of \$nil (2023 - \$899,724) 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:

	Six months ended February 29, 2024	Six months ended February 28, 2023
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	-	-

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

10. SHARE CAPITAL AND RESERVES (cont'd...)

e) Escrowed shares

As at February 29, 2024, there were 1,349,044 (August 31, 2023 – 1,798,725) common shares held in escrow in connection with the public listing in June 2022. 299,788 common shares were released from escrow upon listing and every six months thereafter 15% of the common shares are released from escrow.

11. 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:

	Six months ended February 29, 2024		Six months ended February 28, 2023	
Consulting fees ⁽¹⁾	\$	78,000	\$	205,290 ⁽²⁾
Directors' fees	\$	30,000	\$	15,000
Share-based compensation	\$	-	\$	620,738

(1) Consulting fees include fees to the former CEO's of \$21,000 (2023 - \$135,057).

(2) Consulting fees include fees to the former CFO of \$nil (2023 - \$15,250).

As at February 29, 2024, \$134,464 (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 February 29, 2024 (Note 7).

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash, accounts payable and accrued liabilities, loans payable and convertible debentures 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 February 29, 2024 was \$506,249 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. 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.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors (cont'd...)

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 29, 2024, the Company had working capital deficiency of \$333,314 (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. The Company's remaining undiscounted contractual obligation for the convertible debentures is \$506,249 (August 31, 2023 - \$nil) which are due on November 15, 2024.

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 29, 2024, 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 February 29, 2024, the Company has not hedged its exposure to currency fluctuations. The Company assessed its foreign currency risk as low as at February 29, 2024.

13. 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 \$266,804 (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 six months ended February 29, 2024. The Company is not subject to externally imposed capital requirements.

14. REVENUE

	Three months ended February 29, 2024	Three months ended February 28, 2023	Six months ended February 29, 2024	Six months ended February 28, 2023
Revenue				
Content revenue	\$ -	\$ 32,494	\$ -	\$ 71,856
Prize money	-	5,882	-	25,192
Royalties from in-game purchases	-	504	-	3,212
Talent fees	-	49,937	-	207,441
	<u>\$ -</u>	<u>\$ 88,817</u>	<u>\$ -</u>	<u>\$ 307,701</u>

During the six months ended February 29, 2024, the Company received \$nil (2023 - \$359,277) in content revenue and remitted \$nil (2023 - \$287,421) back to the talent.

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**15. 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 six months ended February 29, 2024 and February 28, 2023 are as follows:

Esports

Revenue by geographic location	Six months ended February 29, 2024	Six months ended February 28, 2023
United States	\$ -	\$ 19,994
All other countries	-	8,410
	\$ -	\$ 28,404

Talent Management

Revenue by geographic location	Six months ended February 29, 2024	Six months ended February 28, 2023
United States	\$ -	\$ 232,114
All other countries	-	47,183
	\$ -	\$ 279,297

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**16. 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 and six months ended February 29, 2024 and February 28, 2023, the loss from discontinued operations relate to the following:

Esports	Three months ended February 29, 2024	Three months ended February 28, 2023	Six months ended February 29, 2024	Six months ended February 28, 2023
Revenue (Note 14)	\$ -	\$ 6,386	\$ -	\$ 28,404
EXPENSES				
Advertising and promotion	-	6	-	199
Esports player, team and game expenses	-	67,936	-	159,409
Foreign exchange	-	(1,631)	-	(923)
Office and miscellaneous	-	15,959	-	49,158
Professional fees	-	15,545	-	31,030
Salaries and wages	-	35,709	-	82,722
Technology marketing and web development	-	4,224	-	12,609
Loss from discontinued operations	\$ -	\$ (131,362)	\$ -	\$ (305,800)

Cash flows generated by discontinued operations for the six months ended February 29, 2024 and February 28, 2023 are as follows:

Esports	2024	2023
CASH FLOWS	\$	\$
Operating activities	7,493	(379,740)
Investing activities	-	-
Financing activities	-	-
Cash flows from discontinued operations	\$ 7,493	\$ (379,740)

X1 ENTERTAINMENT GROUP INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**16. DISCONTINUED OPERATIONS (cont'd...)***Talent Management*

For the three and six months ended February 29, 2024 and February 28, 2023, the loss from discontinued operations relate to the following:

Talent Management	Three months ended February 29, 2024	Three months ended February 28, 2023	Six months ended February 29, 2024	Six months ended February 28, 2023
Revenue (Note 14)	\$ -	\$ 82,431	\$ -	\$ 279,297
EXPENSES				
Amortization	-	-	-	14,312
Bad debt expense	-	18,828	-	32,977
Consulting	-	45,994	-	110,511
Office and miscellaneous	-	42,536	-	99,287
Salaries and wages	-	144,077	-	337,293
Technology marketing and web development	-	3,373	-	10,237
Loss from operations	-	172,377	-	325,320
Impairment of goodwill (Note 6)	-	-	-	281,014
Impairment of intangibles (Note 5)	-	-	-	90,359
Tax recovery	-	-	-	(32,791)
Loss from discontinued operations	\$ -	\$ (172,377)	\$ -	\$ (663,902)

Cash flows used by discontinued operations for the six months ended February 29, 2024 and February 28, 2023 are as follows:

Talent Management	2024	2023
CASH FLOWS	\$	\$
Operating activities	-	(331,516)
Investing activities	-	(131,110)
Financing activities	-	(37,220)
Cash flows from discontinued operations	\$ -	\$ (499,846)

APPENDIX III
CARVE-OUT FINANCIAL STATEMENTS
[see attached]

SKRR EXPLORATION INC.

CARVE-OUT OF MANSON BAY PROJECT

CARVE-OUT FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

**FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED APRIL
30, 2023 AND 2022, AND THE PERIOD FROM AUGUST 31, 2020 TO APRIL 30, 2021**



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Independent Auditor's Report

To the Shareholders of SKRR Exploration Inc.

Opinion

We have audited the carve-out financial statements of the Manson Bay Project from SKRR Exploration Inc. (the "Entity"), which comprise the carve-out statements of financial position as at January 31, 2024, April 30, 2023, 2022 and 2021 and the carve-out statements of comprehensive loss, changes in equity and cash flows for the period ended January 31, 2024, the years ended April 30, 2023 and 2022, and for the period from August 31, 2020 to April 30, 2021, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the carve-out financial position of the Entity as at January 31, 2024, April 30, 2023, 2022 and 2021, and its carve-out financial performance and its carve-out cash flows for the period ended January 31, 2024, the years ended April 30, 2023 and 2022, and for the period from August 31, 2020 to April 30, 2021 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Carve-Out Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the carve-out financial statements which describes the material uncertainty that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Basis of Preparation

We draw attention to the fact that as described in Note 2 in the carve-out financial statements, the Entity did not operate as a separate legal entity during the period ended January 31, 2024 and the years ended April 30, 2023 and 2022, and for the period from August 31, 2020 to April 30, 2021. The carve-out financial statements for the above periods are, therefore, not necessarily indicative of the results that would have occurred if the Entity had been a separate stand-alone entity during the periods presented or of future results of the Entity. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the carve-out financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the carve-out financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the carve-out financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Carve-Out Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Carve-Out Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Crowe Mackay LLP

**Chartered Professional Accountants
Vancouver, Canada
July 12, 2024**

SKRR EXPLORATION INC.
Carve-Out Statements of Financial Position
(Expressed in Canadian Dollars)

	As at January 31, 2024	As at April 30, 2023	As at April 30, 2022	As at April 30, 2021
	\$	\$	\$	\$
ASSETS				
Exploration and Evaluation Assets - Manson Bay Project (Note 5)	-	-	1,669,947	616,295
Total assets	-	-	1,669,947	616,295
LIABILITIES AND EQUITY				
LIABILITIES				
	-	-	-	-
EQUITY				
Reserves (Note 7)	1,697,022	1,697,022	1,669,947	616,295
Deficit	(1,697,022)	(1,697,022)	-	-
Total equity	-	-	1,669,947	616,295
Total liabilities and equity	-	-	1,669,947	616,295

Approved and authorized on July 12, 2024 on behalf of the Board:

"SHERMAN DAHL"

Director

"IAIN BUTLER"

Director

The accompanying notes are an integral part of these carve-out financial statements.

SKRR EXPLORATION INC.
Carve-Out Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the period ended January 31, 2024	For the year ended April 30, 2023	For the year ended April 30, 2022	For the period ended April 30, 2021
	\$	\$	\$	\$
EXPENSES				
Impairment of Manson Bay Project (Note 5)	-	1,697,022	-	-
Net and comprehensive loss for the year/period	-	(1,697,022)	-	-

The accompanying notes are an integral part of these carve-out financial statements.

SKRR EXPLORATION INC.
Carve-Out Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Reserves	Deficit	Total equity
	\$	\$	\$
Balance, August 31, 2020	-	-	-
SKRR's contribution to Manson Bay Project	616,295	-	616,295
Net loss for the period	-	-	-
Balance, April 30, 2021	616,295	-	616,295
SKRR's contribution to Manson Bay Project	1,053,652	-	1,053,652
Net loss for the year	-	-	-
Balance, April 30, 2022	1,669,947	-	1,669,947
SKRR's contribution to Manson Bay Project	27,075	-	27,075
Net loss for the year	-	(1,697,022)	(1,697,022)
Balance, April 30, 2023	1,697,022	(1,697,022)	-
Net loss for the period	-	-	-
Balance, January 31, 2024	1,697,022	(1,697,022)	-

The accompanying notes are an integral part of these carve-out financial statements.

SKRR EXPLORATION INC.
Carve-Out Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the period ended January 31, 2024	For the year ended April 30, 2023	For the year ended April 30, 2022	For the period ended April 30, 2021
	\$	\$	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss for the period	-	(1,697,022)	-	-
Non-cash item:				
Impairment of Manson Bay Project	-	1,697,022	-	-
Net cash flows used in operating activities	-	-	-	-
CASH FLOWS USED IN INVESTING ACTIVITIES				
Manson Bay Project expenditures	-	(27,075)	(1,053,652)	(616,295)
Net cash flows used in investing activities	-	(27,075)	(1,053,652)	(616,295)
CASH FLOWS FROM FINANCING ACTIVITIES				
SKRR's contribution to Manson Bay Project	-	27,075	1,053,652	616,295
Net cash flows from financing activities	-	27,075	1,053,652	616,295
Change in cash for the period	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	-	-	-	-

The accompanying notes are an integral part of these carve-out financial statements.

SKRR Exploration Inc.**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED APRIL 30, 2023 AND 2022,
AND THE PERIOD FROM AUGUST 31 2020 TO APRIL 30, 2021

1. OPTION AGREEMENT

On August 31, 2020, SKRR Exploration Inc. (the “Company” or “SKRR”) acquired a 100% interest in Eagle Plains Resources Ltd.’s (“Eagle Plains”) Manson Bay South Property comprising nine mineral claims totaling 4,228 hectares. In addition the Company signed an agreement to acquire a 100% interest in Edge Geological Consulting Inc.’s (“Edge”) Manson Bay Property comprising four adjacent mineral claims totaling 64.537 hectares. Edge is owned and operated by a director of the Company. Eagle Plains agreement and the Edge agreement together will be referred to as the “Acquisition Agreements”.

Under the terms of the Acquisition Agreements, the Company acquired a 100% interest in the Manson Bay South Property and the Manson Bay Property by making a cash payments of \$10,000 and issuing 750,000 common shares of the Company to each of Eagle Plains and Edge (for aggregate consideration of \$20,000 of cash and 1,500,000 common shares). The Acquisition Agreements provide for an over-riding 2% net smelter return royalty in favour of Eagle Plains and Edge, respectively (total 4%) (subject to a buy down to 1% for \$1,000,000 on each NSR). Pursuant to the Acquisition Agreements, Eagle Plains will be the initial operator on both the Manson Bay and Manson Bay South claim packages, and Eagle Plains and Edge will alternate as operator every two years thereafter. As of April 30, 2021, the cash payments were paid and the shares were issued.

The property’s carrying value was written off during the year ended April 30, 2023 as the Company re-evaluates its future plans with respect to this property.

These carve-out financial statements represent the historical expenditures of the Manson Bay Project since acquisition by SKRR. The assets, liabilities, expenses and cash flows of the operations included in the exploration business to be optioned by SKRR (the “Entity”) have been derived from SKRR’s historical financial information. The operations of the Entity were not a separate legal entity during the years presented. The Entity was part of SKRR.

These carve-out financial statements were authorized for issuance by the Board of directors of the Company on July 12, 2024.

2. BASIS OF PRESENTATION

These carve-out financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These carve-out financial statements have been prepared on a historical cost as explained in the accounting policies below. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure.

These carve-out financial statements are presented in Canadian dollars, which is also the Entity’s functional currency.

The purpose of these carve-out financial statements is to provide general purpose historical financial information of the Entity in connection with the option agreement detailed in Note 1. Therefore, these carve-out financial statements present the historical financial information of SKRR that make up the Entity, either fully, or partially, where only specifically identifiable assets and expenses are included.

SKRR Exploration Inc.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED APRIL 30, 2023 AND 2022,
AND THE PERIOD FROM AUGUST 31 2020 TO APRIL 30, 2021**2. BASIS OF PRESENTATION (continued)**

The carve-out financial statements have been extracted from historical accounting records of SKRR as follows:

- The carve-out statements of financial position reflect the assets and liabilities recorded by SKRR which have been assigned to the Entity on the basis that they are specifically identifiable and attributable to the Entity;
- The carve-out statements of net loss includes the accumulated expenditures incurred on the Manson Bay Project from April 30, 2021 to January 31, 2024.

Management cautions readers of these carve-out financial statements that the Entity's results do not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Entity been a separate entity. SKRR's investment in the Entity, presented as equity in these carve-out financial statements, includes the accumulated loss and comprehensive loss of the Entity.

These carve-out financial statements have been prepared on a going concern basis, which assumes that the Entity will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At January 31, 2024, the Entity had \$Nil cash on hand, is not generating any revenues and has incurred losses since inception. Whether and when the Entity can obtain profitability and positive cash flows from operations is uncertain. These material uncertainties may cast significant doubt on the ability of the Entity to continue as a going concern. The Entity's ability to continue its operations is dependent upon support from continued equity and other forms of financing. These carve-out financial statements do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Entity be unable to continue as a going concern. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES**Exploration and evaluation assets***Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Mineral exploration and evaluation expenditures are classified as intangible assets. The Company accounts for the mineral exploration tax credit on a cash basis due to uncertainty of the recoverability of the tax credit.

SKRR Exploration Inc.**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED APRIL 30, 2023 AND 2022, AND THE PERIOD FROM AUGUST 31 2020 TO APRIL 30, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Significant judgments, estimates and assumptions**

The preparation of these carve-out 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 carve-out financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Valuation of exploration and evaluation assets (Manson Bay Project)

The carrying value and the recoverability of exploration and evaluation assets, which are included in the carve-out statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount. During the year ended April 30, 2023, Mason Bay Project's carrying value was written off as the Entity re-evaluated its future plans with respect to this property. No further expenditures were made towards the Manson Bay Property during the nine month period ended January 31, 2024.

4. ACCOUNTING POLICIES ISSUED BUT NOT YET EFFECTIVE

Certain IFRS pronouncements that are mandatory for accounting years beginning on or after May 1, 2023 have been issued. The Entity anticipates that the application of these new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

5. EXPLORATION AND EVALUATION ASSETS - MANSON BAY PROJECT

Exploration and evaluation assets comprise the following accumulated expenditures:

	For the period ended April 30, 2021	For the year ended April 30, 2022	For the year ended April 30, 2023	For the period ended January 31, 2024	Total
	\$	\$	\$	\$	\$
OPENING	-	616,295	1,669,947	-	-
Acquisition costs	567,726	-	-	-	567,726
Drilling	-	574,321	-	-	574,321
Field and camp costs	-	50,960	-	-	50,960
Geological	20,587	350,684	800	-	372,071
Geophysical	-	37,940	4,132	-	42,072
Management costs (Note 8)	7,500	11,976	12,143	-	31,619
Report and survey	20,482	27,771	10,000	-	58,253
Impairment of accumulated expenditures	-	-	(1,697,022)	-	(1,697,022)
ENDING	616,295	1,669,947	-	-	-

SKRR Exploration Inc.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED APRIL 30, 2023 AND 2022,
AND THE PERIOD FROM AUGUST 31 2020 TO APRIL 30, 2021**6. CAPITAL MANAGEMENT**

The Entity does not have share capital and its equity is a carve-out amount from SKRR's equity. SKRR manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of underlying assets. SKRR is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. SKRR has no traditional revenue sources. SKRR's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business, rather than through a process of forced liquidation, is primarily dependent upon its continued ability to find and develop mineral property interests, and there being a favorable market in which to sell or option the mineral properties interest, and/or its ability to borrow or raise additional funds from equity markets.

7. RESERVES

Reserves is comprised of funding from SKRR, representing the accumulated net contributions from SKRR.

8. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Entity has identified SKRR's directors and officers as its key management personnel.

	For the period ended January 31, 2024	For the year ended April 30, 2023	For the year ended April 30, 2022	For the period ended April 30, 2021
Manson Bay Project management costs	\$ -	\$ 12,143	\$ 11,976	\$ 7,500

Manson Bay Project management costs represent the portion of the Chief Executive Officer consulting fee allocated to the project for the respective years.

9. INCOME TAXES

During the year/period ended April 30, 2021, 2022, 2023, and January 31, 2024 the Entity did not have legal form as the Manson Bay Project was part of SKRR.

Deferred income tax assets and liabilities are calculated using the difference between the carrying amount of the mineral property and its corresponding tax value. However, the Entity does not meet the criteria to recognize any deferred tax assets. Therefore, no deferred tax assets have been recorded.

APPENDIX IV
ANNUAL MD&A
[see attached]



X1 ESPORTS AND ENTERTAINMENT LTD.
(formerly 1236705 B.C. LTD.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE
SIX MONTHS ENDED FEBRUARY 28, 2022
AND
PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**

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

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

The following discussion and analysis, prepared as of April 21, 2022, has been prepared by management. The following discussion of performance, financial condition and future prospects should be in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended February 28, 2022 and consolidated financial statements for the period from September 16, 2020 to August 31, 2021 of X1 ESPORTS AND ENTERTAINMENT LTD. (with its subsidiaries, collectively, the "Company" or "X1"). All financial information in this document have been prepared in accordance with International Accounting Standard ("IAS") 34. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on the Company's website at www.x1esports.gg and SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the availability of financing for the Company's objectives on reasonable terms;
- the ability to attract and retain skilled staff and consultants;
- foreign currency and exchange rates;
- market competition; and
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, risks related to international operations, conclusions of economic evaluations, and changes in project parameters as plans continue to be refined. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

DESCRIPTION OF BUSINESS

X1 is an esports-focused portfolio company. X1 was incorporated under the *Company Act* (British Columbia) on January 9, 2020. The Company name was changed from 1236705 B.C. LTD. on April 23, 2021. The Company completed a reverse takeover transaction on April 16, 2021, as further described below, and the continuing entity for accounting purposes was incorporated under the *Companies Act* (Malta) on September 16, 2020. The Company maintains its registered office at Royal Centre, 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company's principal place of business is 615 – 800 Pender Street W, Vancouver, British Columbia, Canada V6C 2V6.

On April 23, 2021, the Company completed a share consolidation on the basis of 1 new common share for 2 old common shares. All share and per share information have been amended retrospectively to reflect the share consolidation.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

Reverse Takeover

On April 16, 2021, the Company issued 10,000,000 common shares to acquire all of the issued and outstanding common shares of Rix.GG Europe Ltd. ("Rix"). After completion of the transaction, the shareholders of Rix held approximately 99.99% of the Company. Accordingly, Rix is considered to have acquired the Company with the transaction being accounted for as a reverse takeover of the Company by Rix shareholders (the "RTO").

As Rix is deemed to be the acquirer for accounting purposes, the consolidated financial statements of the Company for the period ended August 31, 2021 include its assets and liabilities and operations. The results of operations of X1 and its pre-existing subsidiaries are included from April 16, 2021 onwards. The Company's consolidated financial statements are presented from the date of September 16, 2020 being the incorporation date of Rix.

COVID-19

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

The Company have tailored operations within its gaming division to comply with government health measures. Although the Company's business is largely conducted online, several in-person esports tournaments Rix could participate in have been cancelled due to public health restrictions.

OVERALL PERFORMANCE AND HIGHLIGHTS

To date, the Company has not yet realized profitable operations and has relied on equity financings to fund the losses. The Company recognized a comprehensive loss of \$1,377,676 during the six months ended February 28, 2022 and \$323,726 during the period from September 16, 2020 to February 28, 2021. The Company recognized a comprehensive loss of \$2,006,534 during the period from incorporation on September 16, 2020 to August 31, 2021.

Equity

Six months ended February 28, 2022 (Unaudited)

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 ended August 31, 2021. The Company incurred share issuance costs of \$1,555.

Period from September 16, 2020 to August 31, 2021

During the period ended August 31, 2021, the Company repurchased its incorporation share for \$1 and cancelled the common share.

On March 5, 2021, the Company issued 10,000,000 common shares at \$0.015 to settle debt with related parties totalling \$150,000.

On April 16, 2021, the Company completed the acquisition of Rix as described in Note 3 of the unaudited condensed consolidated interim financial statements for the period ended February 28, 2022, pursuant to which the Company acquired all of the issued and outstanding shares of X1 for the deemed issuance of 1 common share of the Company in the reverse takeover transaction. As the financial statements are considered a continuance of the operations of Rix due to the reverse takeover, all share numbers, share prices, and exercise prices in the condensed consolidated interim financial statements have been adjusted, on a retroactive basis, to reflect this exchange.

On April 20, 2021, the Company completed a private placement totalling 13,000,000 shares at \$0.05 per share, for gross proceeds of \$650,000.

On May 21, 2021, the Company completed a private placement totalling 12,166,000 shares at \$0.15 per share, for gross proceeds of \$1,824,900.

On June 9, 2021, the Company completed a private placement totalling 434,250 common shares at \$0.35 per share for a value of \$151,988.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

On June 25, 2021, the Company completed a private placement totalling 2,273,237 common shares at \$0.35 per share for a value of \$795,632.

On July 5, 2021, the Company completed a private placement totalling 384,200 common shares at \$0.35 per share for a value of \$134,470.

OUTLOOK

The Company has completed several capital raises to fund the operations and expansion of its business in the industry. Growth strategy and business direction is provided in the prospectus document which this MD&A accompanies.

SELECTED ANNUAL INFORMATION

		Period from September 16, 2020 (incorporation) to August 31, 2021
Total revenue	\$	27,140
Net loss for the period	\$	(2,014,622)
Comprehensive loss for the period	\$	(2,006,534)
Basic and diluted loss per share	\$	(0.15)
Total assets	\$	2,146,852
Total liabilities	\$	143,231

The loss for the period from September 16, 2020 (incorporation) to August 31, 2021 is mainly due to esports player, team and game expenses of \$787,895 by having three esports teams under Rix and hosting community tournaments, salaries and wages of \$307,133 incurred due to hiring staff for the growth of the esports gaming division, and technology marketing and web development of \$144,677 from marketing campaigns and graphic design costs. Revenue of \$27,140 was generated from tournament winnings and a player transfer fee.

SUMMARY OF QUARTERLY RESULTS

The Company has not prepared quarterly interim financial statements. As a result, the Company is unable to provide a summary or the quarterly results.

RESULTS OF OPERATIONS

For the six months ended February 28, 2022 with comparison to the period from September 16, 2020 (incorporation) to February 28, 2021 (unaudited).

For the six months ended February 28, 2022, the Company recognized a comprehensive loss of \$1,377,676 (September 16, 2020 - February 28, 2021 ("2021") - \$323,726). Significant revenue and expenses included in comprehensive loss are as follows:

Revenue

- Merchandise sales of \$4,482 (2021 - \$nil) is reflective of apparel sales from the online store which opened in this period.
- Player transfer of \$47,764 (2021 - \$20,749) is related to esports player sales to other gaming teams with respect to the Rocket League and Valorant games.
- Prize money of \$144,020 (2021 - \$379) increased as Rix had twenty two tournament prize placements in the Rocket League, Valorant, Wild Rift and Fortnite games. Esports player costs increase with prize winnings pursuant to player contract terms for profit sharing.
- Royalty from in-game purchases of \$8,095 (2021 - \$nil) reflects proceeds from the Rocket League game.

Expenses

- Consulting fees of \$188,401 (2021 - \$5,783) is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$823,162 (2021 - \$189,555) increased as the Company invested into three additional esports teams under Rix compared to the previous period. Esports player, team and game expenses are

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

broken up as follows: esports player and team fees of \$649,002 (2021 - \$162,775); influencers and streamers of \$113,750 (2021 - \$nil); support staff of \$48,378 (2021 - \$6,743); and tournament hosting of \$12,032 (2021 - \$20,037).

- Office and miscellaneous expenses of \$139,236 (2021 - \$45,072) increased due to administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Professional fees of \$148,034 (2021 - \$nil) is related to legal and audit fees in preparation for becoming a reporting issuer.
- Salaries and wages of \$189,907 (2021 - \$54,557) include amounts paid to the employees of the subsidiaries, Rix and Forward Agency.
- Shareholder communications and filing fee of \$26,090 (2021 - \$7,452) increased as the Company paid Canadian jurisdictional costs to file the preliminary prospectus for the public offering.
- Technology marketing and web development of \$52,366 (2021 - \$38,780) reflects the increase in graphic design costs and digital marketing in this period.

For the three months ended February 28, 2022 (Unaudited)

For the three months ended February 28, 2022, the Company recognized a comprehensive loss of \$673,453 (2021 - \$187,576). Significant revenue and expenses included in comprehensive loss are as follows:

Revenue

- Player transfer of \$30,302 (2021 - \$nil) is related to esports player sales to other gaming teams with respect to the Rocket League and Valorant games.
- Prize money of \$83,841 (2021 - \$nil) increased as Rix had seventeen tournament prize placements in the Valorant, Wild Rift and Fortnite games. Esports player costs increase with prize winnings pursuant to player contract terms for profit sharing.
- Royalty from in-game purchases of \$8,095 (2021 - \$nil) reflects proceeds from the Rocket League game.

Expenses

- Consulting fees of \$130,778 (2021 - \$nil) is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$396,955 (2021 - \$103,421) increased as the Company invested into three additional esports teams under Rix compared to the previous period. Esports player, team and game expenses are broken up as follows: esports player and team fees of \$328,633 (2021 - \$80,273); influencers and streamers of \$45,432 (2021 - \$nil); support staff of \$15,859 (2021 - \$6,401); and tournament hosting of \$7,031 (2021 - \$16,747).
- Office and miscellaneous expenses of \$72,136 (2021 - \$26,040) increased due to administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Professional fees of \$53,686 (2021 - \$nil) is related to legal and audit fees in preparation for becoming a reporting issuer.
- Salaries and wages of \$99,977 (2021 - \$34,630) include amounts paid to the employees of the subsidiaries, Rix and Forward Agency.
- Shareholder communications and filing fee of \$20,919 (2021 - \$7,452) increased as the Company paid Canadian jurisdictional costs to file the preliminary prospectus for the public offering.

For the period from September 16, 2020 (incorporation) to August 31, 2021

For the period from September 16, 2020 to August 31, 2021, the Company recognized a comprehensive loss of \$2,006,534. Significant revenue and expenses included in comprehensive loss are as follows:

Revenue

- Player transfer of \$20,223 is related to an esports player sale to another gaming team with respect to the Valorant game.
- Prize money of \$6,917 is associated with four tournament prize placements in the Rocket League and Valorant games. Esports player costs increase with prize winnings pursuant to player contract terms for profit sharing.

Expenses

- Consulting fees of \$119,167 is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$787,895 due to having three esports teams under Rix and hosting community tournaments. Esports player, team and game expenses are broken up as follows: esports player and team fees of \$499,707; influencers and streamers of \$115,414; support staff of \$77,517; and tournament hosting of \$95,257.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

- Office and miscellaneous expenses of \$250,137 include amounts associated with administrative costs including subscriptions with respect to online service platforms, payroll management and operating systems start up costs.
- Professional fees of \$126,997 is related to legal, audit, and talent management fees. In the period, the Company engaged a service provider to locate a Chief Executive Officer (engaged subsequent to period end). Additionally, the Company incurred audit fees in preparation for becoming a reporting issuer.
- Salaries and wages of \$307,133 include amounts paid to the employees of the subsidiaries, Rix and Forward Agency.
- Technology marketing and web development of \$144,677 consists of expenses from marketing campaigns and graphic design costs.
- Reverse takeover expense of \$200,605 reflects the transaction costs of the Rix acquisition.

For the three months ended August 31, 2021

For the three months ended August 31, 2021, the Company recognized a comprehensive loss of \$768,629. Significant revenue and expenses in the comprehensive loss are as follows:

Revenue

- Prize money of \$4,844 is associated with two tournament prize placements in the Rocket League and Valorant games. Esports player costs increase with prize winnings pursuant to player contract terms for profit sharing.

Expenses

- Consulting fees of \$62,027 is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$307,556 due to having three esports teams under Rix and hosting community tournaments. Esports player, team and game expenses are broken up as follows: esports player and team fees of \$191,166; influencers and streamers of \$58,912; support staff of \$31,114; and tournament hosting of \$26,364.
- Office and miscellaneous expenses of \$104,778 include amounts associated with administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Professional fees of \$38,120 is related to legal and audit fees in preparation for becoming a reporting issuer.
- Rent and property fee of \$42,911 refers to the final payments for a studio the Company had rented during the period.
- Salaries and wages of \$125,963 include amounts paid to the employees of the subsidiaries, Rix and Forward Agency.
- Technology marketing and web development of \$76,354 consists of expenses from marketing campaigns, graphic design costs and digital marketing.

LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has not yet realized profitable operations and has relied on equity financings to fund the losses. The Company currently requires additional financing to continue and, if additional financing is required, there can be no assurances that such financing will be available or if available, will be on reasonable terms. The Company's growth and success is dependent on additional external sources of financing.

For the six months ended February 28, 2022 with comparison to the period from September 16, 2020 to February 28, 2021 (Unaudited)

As at February 28, 2022, the Company had cash of \$670,498 and working capital of \$743,474, compared with cash of \$1,910,019 and working capital of \$2,003,621 as of August 31, 2021.

Cash Used in Operating Activities

Cash used in operating activities during the six months ended February 28, 2022 was \$1,405,664 (2021 - \$314,660) resulting from a net loss of \$1,379,966 (2021 - \$323,726) and net of non-cash and working capital adjustments.

Cash Generated by Financing Activities

For the six months ended February 28, 2022, cash generated from financing activities was \$166,541. The Company received \$178,200 in proceeds from issuance of shares and paid \$1,555 in share issue costs, offset by \$10,104 in deferred financing costs in respect to the public offering.

For the period from September 16, 2020 to February 28, 2021, cash generated from financing activities was \$314,660. The Company received loans from related parties for \$314,659 and issued a share upon incorporation for \$1.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

For the period from September 16, 2020 to August 31, 2021

Cash and Working Capital

As at August 31, 2021, the Company had cash of \$1,910,019 and working capital of \$2,003,621.

Cash Used in Operating Activities

Cash used in operating activities for the period from September 16, 2020 to August 31, 2021 was \$1,910,885 resulting from a net loss of \$2,014,622 and net of non-cash and working capital adjustments. Overall, cash use has accelerated from funds received through equity financings being utilized for the increase in operations since incorporation and the acquisition of Rix.

Cash Generated by Investing Activity

Cash generated by investing activity for the period from September 16, 2020 to August 31, 2021 was \$1,839,275 from cash received from the reverse takeover.

Cash Generated by Financing Activities

For the period from September 16, 2020 to August 31, 2021, cash generated from financing activities was \$1,974,194. The Company received \$1,216,146 in proceeds from issuance of shares and paid \$25,936 in share issue costs. Additionally, the Company received \$317,939 from associated entities and provided \$13,055 to associated entities prior to the reverse takeover. Prior to the RTO, founding shareholders provided loans of \$150,000 which were ultimately settled in shares. Additionally, the Company received \$329,100 in subscriptions for a private placement which completed subsequent to period end.

Requirement of Additional Equity Financing

The Company has relied primarily on equity financings to date for its operations. The Company needs additional funds to finance its esports programs and ongoing operating costs. The Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions until such time that the Company becomes self-sustaining.

RELATED PARTY TRANSACTIONS

Management Compensation

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

	For the six months ended February 28, 2022 (Unaudited)	For the period from September 16, 2020 to February 28, 2021 (Unaudited)	For the period from September 16, 2020 to August 31, 2021
Payments to key management personnel			
Consulting fees – Red Fern Consulting Ltd., a company in which the CFO, Samantha Shorter, has a significant investment	\$ 34,826	\$ -	\$ 37,983
Consulting fees – Mark Eifenbein, CEO	63,592	-	-
Consulting fees – Latika Prasad, Director	-	-	5,000
Salaries and wages – Jan Hoffmann, Director	35,595	-	6,211

As at February 28, 2022, \$6,118 (August 31, 2021 – \$7,487) was included in accounts payable and accrued liabilities owing to the CFO and directors noted above. Amounts recorded in accounts payable are non-interest bearing and subject to normal trade terms.

In April 2021, Rix settled balances due to related parties totaling \$150,000 into common shares of Rix through the issuance of 10,000,000 common shares.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

Off Balance Sheet Arrangements and Proposed Transactions

The Company has no off-balance sheet arrangements.

The Company has entered into an agreement with Research Capital Corporation (the "Agent") to act as lead agent and sole bookrunner for the Company in connection with the initial public offering ("Offering") of the Company and concurrent listing of the common shares in the capital of the Company on the Canadian Securities Exchange.

The proposed offering will be for a minimum of 6,666,667 units (each a "Unit") at an offering price of \$0.45 per Unit ("Minimum Offering") to a maximum of 7,777,778 Units. Each Unit consists of one common share and one share purchase warrant. Each whole warrant will be exercisable for a period of 24 months at a price of \$0.70 per share.

The Company will pay the Agent a cash commission of 6% of the gross proceeds of the Offering and a 2% advisory fee. The Company will also issue to the Agent compensation options and advisory options. The compensation options entitle the Agent to purchase such number of common shares as is equal to 6% of the total number of Units, provided that no compensation options will be issued to the Agent in respect of purchasers on the president's list, and the advisory options entitle the Agent to purchase that number of common shares as is equal to 2% of the total number of Units, sold under the Offering at an exercise price of \$0.70 per common share for a period of 24 months from the closing date.

Additionally, the Agent will be paid a corporate finance fee of \$30,000 in Units priced at the Offering.

As at February 28, 2022, the Company had incurred costs of \$59,116 (August 31, 2021 - \$nil) related to the Offering capitalized as deferred financing costs, of which \$49,012 is in accounts payable and accrued liabilities.

Accounting Policies and Estimates

The Company's significant accounting policies are disclosed in note 3 of the Company's consolidated financial statements for the period ended August 31, 2021.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates. The Company's significant use of judgments and estimates are disclosed in note 2 of the Company's unaudited condensed consolidated interim statements for the six months ended February 28, 2022 and consolidated financial statements for the period ended August 31, 2021.

In preparing this MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

Financial Risk Management

The Company's financial instruments are exposed to the following risks:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. As the Company's policy is to limit cash holdings to instruments issued by a major Canadian bank and an international financial institution, the credit risk is considered by management to be negligible. Accounts receivable include amounts due from the Government of Canada for input tax credits and prize money on tournament winnings. The Company considers these collectible in the short term and credit risk with respect to these amounts to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at February 28, 2022, the Company had working capital of \$743,474 (Unaudited) (August 31, 2021 - \$2,003,621). The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at February 28, 2022 and August 31, 2021.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

Foreign currency risk

The Company's has engaged a number of vendors in Europe as that's where the main business activities of the Company are held. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar with the Euro and UK Pound Sterling may have an adverse effect on the Company's business and costs to proceed with preferred vendors.

As at February 28, 2022 (Unaudited), the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	30,350	\$	43,212
UK Pound Sterling	£	16,698	\$	28,427

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 \$2,160 and \$1,420, respectively. As at February 28, 2022, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at February 28, 2022.

As at August 31, 2021, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	50,911	\$	75,888
UK Pound Sterling	£	33,575	\$	57,956

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 \$3,800 and \$2,900, respectively. As at August 31, 2021, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at August 31, 2021.

OUTSTANDING SHARE DATA

The Company's authorized capital is unlimited common shares without par value. As at the date of this MD&A, there was 39,707,116 common shares outstanding.

APPROVAL

This MD&A was approved and authorized by the Board on April 21, 2022.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2022

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

Management's Discussion and Analysis For the year ended August 31, 2022

The following discussion and analysis, prepared as of December 16, 2022, has been prepared by management. The following discussion of performance, financial condition and future prospects should be in conjunction with consolidated financial statements for the year ended August 31, 2022 and period from September 16, 2020 to August 31, 2021 of X1 ENTERTAINMENT GROUP INC. (with its subsidiaries, collectively, the "Company" or "X1"). Those consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated.

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

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

FORWARD LOOKING STATEMENTS

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the availability of financing for the Company's objectives on reasonable terms;
- the ability to attract and retain skilled staff and consultants;
- foreign currency and exchange rates;
- market competition; and
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, risks related to international operations, conclusions of economic evaluations, and changes in project parameters as plans continue to be refined. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

DESCRIPTION OF BUSINESS

X1 is an esports-focused portfolio company. X1 was incorporated under the *Company Act* (British Columbia) on January 9, 2020. The Company name was changed from 1236705 B.C. LTD. on April 23, 2021. The Company completed a reverse takeover transaction on April 16, 2021, as further described below, and the continuing entity for accounting purposes was incorporated under the *Companies Act* (Malta) on September 16, 2020. The Company maintains its registered office at Royal Centre, 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company's principal place of business is 615 – 800 Pender Street W, Vancouver, British Columbia, Canada V6C 2V6.

COVID-19

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank

Management's Discussion and Analysis For the year ended August 31, 2022

interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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

OVERALL PERFORMANCE AND HIGHLIGHTS

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

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

To date, the Company has not yet realized profitable operations and has relied on equity financings to fund the losses. The Company recognized a comprehensive loss of \$3,089,255 during the year ended August 31, 2022 and \$2,006,534 during the period from September 16, 2020 to August 31, 2021.

Initial Public Offering

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

The Offering completed with the issuance of 6,914,820 units (each a "Unit") for gross proceeds of \$3,111,669. Each Unit was issued at a price of \$0.45 and consisted of one common share and one share purchase warrant. Each whole warrant will be exercisable for a period of 24 months at a price of \$0.70 per share.

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

Acquisition of X1 Talent Corp.

On August 4, 2022, the Company completed its acquisition of X1 Talent, an influencer management firm empowering gamers, content creators and influencers. Since 2017, X1 Talent has partnered with leading content creators providing comprehensive management of YouTube, TikTok, Twitch and other social media channels as well as consultation on personal brand growth strategies and partnership management.

X1 Talent has seen steady growth in brand deals – contracted campaigns or product placements for brands with X1 Talent-managed influencer talent – during 2022. Brand deals for talent grew almost 90% from March 2022 to July 2022, going from an average of 18 to 34 contracts closed per month.

Notable brand campaigns participated in by X1 Talent talent included:

- Amazon partnered with X1 Talent IAmBrandon, on a campaign featuring its cloud gaming service, Luna
- HelloFresh-backed original competitive Twitch cooking series, 'Unleash the Feast', guest starred four members of X1 Talent's client roster: PastaroniRavioli, Shado_Temple, EdgarAllanBroLIVE, and Catieosaurus (1.6M TikTok followers)
- Kate Stark engaged by Bank of Montreal to appear on Twitch stream, 'Where Gaming Meets Banking'
- Warner Brothers partnered with X1 Talent Brizzy Voices (2.08M YouTube followers) on the showcase for the 20th anniversary of the release of Harry Potter

Pursuant to the terms of a membership interest purchase agreement dated July 15, 2022, the Company acquired 100% of the issued and outstanding membership interest of X1 Talent for total consideration of up to approximately US\$350,000 (the "Purchase Price"). The Purchase Price is divided into the following payments: i) US\$150,000 in cash payments due within 60 days of closing; and ii) 555,555 fully-paid common shares in the capital of the Company, which were issued on closing of the Transaction. In addition, a bonus payment of US\$100,000 may be payable if X1 Talent reaches US\$1,750,000 in its first full year of revenue, which may be settled in cash or common shares at the option of the Company. The common shares forming part of the Purchase Price are subject to a statutory hold period of four months and one day from the date of issuance, and a contractual resale restriction that will result in 25% of the common shares being released six months following the closing date, and 25% being released at six month intervals thereafter.

Management's Discussion and Analysis For the year ended August 31, 2022

Acquisition of Shift

On August 10, 2022, the Company completed an asset purchase agreement ("APA") to acquire the assets of Shift including websites, social media accounts, goodwill, and intellectual property. Shift is an online news outlet focused on the popular video game Rocket League.

Las Vegas-based Shift, led by co-founders Achilleas Fotiou and Jalen Jones, has demonstrated consistent user audience growth since launching in 2020. Shift currently reaches over 8 million impressions during the seasonal period of RLCS, while seeing growth of 14 million impressions during transfer periods where the roster news cycle is most active. With operations in America and Europe, the organization has established an international presence in the Esports industry.

Shift is an independent news source for Rocket League fans. It first rose to prominence by getting exclusive, behind-the-scenes information on Rocket League roster moves and tryouts before they were public knowledge. Shift plays a key role in ensuring the conversation around Rocket League esports continues beyond the pitch through coverage and insight regarding roster transactions and general esports news, ensuring fans stay engaged even during slower competitive periods.

In connection with the acquisition of the assets comprising of the business of Shift, the Company has entered into consulting agreements with four vendors, who as key personnel will be responsible for the continued operation of Shift, and distributed to such persons 333,333 common shares in the capital of X1 (the "Consideration Shares"). In addition to the Consideration Shares, the Company is paying a cash purchase price to the vendors of US\$50,000 cash, of which US\$25,000 was paid in connection with the closing of the acquisition and US\$25,000 payable within 45 days after the closing date. The vendors will also be eligible to receive earn-out payments for 36 months from the closing date as payment of a 7% share of gross revenues Shift earns to a maximum of US\$250,000 (the "Earnout"). The Earnout may be paid in cash or common shares at the election of the Company, at a deemed price equal to the fourteen day trading price prior to the payment date or such other price as may be required by the policies of the Exchange. The Consideration Shares will be subject to subject to a CSE imposed hold period of four months from the date of issuance, and a contractual resale restriction that will result in 25% of the Consideration Shares being released six (6) months following the closing date, and 25% being released at six (6) month intervals thereafter.

Acquisition of Octane.GG

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

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

In connection with the acquisition of the assets comprising the business of Octane, the Company has entered into consulting agreements with two individuals, who as key personnel will be responsible for the continued operation of Octane. As consideration for the acquisition of the assets comprising the business of Octane, the Company is paying a cash purchase price of US\$35,000, US\$17,500 of which was paid in connection with the closing of the acquisition and US\$17,500 of which will be payable within 45 days after the closing date.

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

Cessation of Rix's Operations

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

Management's Discussion and Analysis
For the year ended August 31, 2022

OUTLOOK

To date, the Company's revenue has been derived primarily from player transfers of its esports teams and prize money from tournaments. As part of the Company's growth strategy, in addition to these revenue streams, the Company will be focused on establishing sponsorship agreements, merchandising and licensing of the brand, and content creation. The acquisition of X1 Talent establishes the Company as an advertising sales organization bridging between international brands and the gaming ecosystem.

OUTSTANDING SHARE DATA

At the date of this report, the Company has

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

SELECTED ANNUAL INFORMATION

	August 31, 2022	September 16, 2020 to August 31, 2021
Revenue	\$ 390,959	\$ 27,140
Total assets	3,023,295	2,146,852
Net loss for the period	(3,455,480)	(2,014,622)
Comprehensive loss for the period	(3,089,255)	(2,006,534)
Basic and diluted loss per share	(0.08)	(0.15)

During the year ended August 31, 2022, revenue increased year to year due to the Company investing into additional esports teams under RixGG which led to an increase in tournament winnings. Total assets increased as the Company prepaid for several marketing initiatives upon listing on the Canadian Securities Exchange ("CSE") and acquired intangibles assets within the X1 Talent acquisition. Net loss for the current year increased partially due to share-based compensation of \$316,927 which is recorded relative to the granting and vesting of stock options.

SUMMARY OF QUARTERLY RESULTS

	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021
Revenue	\$ 98,250	\$ 88,348	\$ 122,238	\$ 82,123
Net loss for the period	(1,223,779)	(460,776)	(673,492)	(706,474)
Comprehensive loss for the period	(1,238,249)	(473,330)	(673,453)	(704,223)
Basic and diluted loss per share	(0.03)	(0.01)	(0.02)	(0.02)

	August 31, 2021	May 31, 2021	February 28, 2021	September 16, 2020 to November 30, 2020
Revenue	\$ 4,666	\$ 1,346	\$ -	\$ 21,128
Net loss for the period	(767,198)	(923,698)	(187,576)	(136,150)
Comprehensive loss for the period	(768,629)	(914,179)	(187,576)	(136,150)
Basic and diluted loss per share	(0.07)	(0.08)	(187,576)	(136,150)

Over the periods presented, the Company's principal focus has been investment into and development of its esports gaming portfolio. Revenue fluctuates relative to player transfers which are periodic, and prize money which is relative to tournament success. Expenses are driven by the prevailing portfolio of esports teams and players and supporting staff for the esports gaming division. During the three months ended August 31, 2022, net loss increased as the Company prepaid for several marketing initiatives upon listing on the CSE and had share-based compensation expense of \$316,927 due to the granting and vesting of stock options.

Management's Discussion and Analysis
For the year ended August 31, 2022

RESULTS OF OPERATIONS

For the year ended August 31, 2022 with comparison to the period from September 16, 2020 (incorporation) to August 31, 2021.

For the year ended August 31, 2022, the Company recognized a comprehensive loss of \$3,089,255 (September 16, 2020 - August 31, 2021 ("2021") - \$2,006,534). Significant revenue and expenses included in comprehensive loss are as follows:

Revenue

- Content revenue of \$17,910 (2021 - \$nil) is based on X1 Talent content contracts where they facilitate influencer and content creator services for customers.
- Merchandise sales of \$4,303 (2021 - \$nil) is reflective of apparel sales from the online store which opened in this period.
- Player transfer of \$51,010 (2021 - \$20,223) is related to esports player sales to other gaming teams with respect to the Rocket League and Valorant games.
- Prize money of \$248,057 (2021 - \$6,917) increased as RixGG had tournament prize placements in the Rocket League, Valorant, Wild Rift and Fortnite games. Esports player costs increase with prize winnings pursuant to player contract terms for profit sharing.
- Royalty from in-game purchases of \$16,317 (2021 - \$nil) reflects proceeds from the Rocket League game.
- Talent fees of \$53,362 (2021 - \$nil) is X1 Talent service revenue for representing talent.

Expenses

- Consulting fees of \$492,243 (2021 - \$119,167) is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$1,156,018 (2021 - \$787,895) increased as the Company invested into three additional esports teams under RixGG compared to the previous period. Esports player, team and game expenses are broken up as follows: esports player and team fees of \$955,760 (2021 - \$499,708); influencers and streamers of \$137,455 (2021 - \$115,414); support staff of \$49,215 (2021 - \$47,615); and tournament hosting of \$13,588 (2021 - \$125,158).
- Insurance expense of \$36,133 (2021 - \$nil) reflects directors' and officers' insurance.
- Investor relations expense of \$67,420 (2021 - \$nil) is based on investor relations services to the German community. The Company is listed on the Frankfurt Stock Exchange under the symbol "F4W".
- Listing fee of \$37,942 (2021 - \$nil) is associated with the Company listing on the Canadian Securities Exchange under the symbol "XONE".
- Office and miscellaneous expenses of \$307,873 (2021 - \$250,137) increased due to administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Professional fees of \$372,139 (2021 - \$126,997) is related to legal and audit fees in preparation for becoming a reporting issuer and towards due diligence work and contract work with respect to the X1 Talent acquisition.
- Salaries and wages of \$416,576 (2021 - \$307,133) includes amounts paid to the employees of the subsidiaries, RixGG, Forward Agency and X1 Talent.
- Share-based compensation expense of \$316,927 (2021 - \$nil) is recorded relative to the vesting of stock options valued using the Black-Scholes methodology.

For the three months ended August 31, 2022 (Fourth Quarter)

For the three months ended August 31, 2022, the Company recognized a comprehensive loss of \$1,238,249 (2021 - \$768,629). Significant revenue and expenses included in comprehensive loss are as follows:

Revenue

- Content revenue of \$17,910 (2021 - \$nil) is based on X1 Talent content contracts where they facilitate influencer and content creator services for customers.
- Prize money of \$23,814 (2021 - \$5,192) is associated with the esports teams under RixGG.
- Royalty from in-game purchases of \$3,164 (2021 - \$nil) reflects proceeds from the Rocket League game.
- Talent fees of \$53,362 (2021 - \$nil) is X1 Talent service revenue for representing talent. X1 Talent was acquired on August 5, 2022.

Expenses

- Consulting fees of \$205,656 (2021 - \$62,027) is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$177,623 (2021 - \$307,555) decreased as the Company engaged in fewer investments in streamers and tournament hosting. Esports player, team and game expenses are broken up as follows:

Management's Discussion and Analysis For the year ended August 31, 2022

esports player and team fees of \$168,890 (2021 - \$191,164); influencers and streamers of \$8,339 (2021 - \$58,912); support staff recovery of \$870 (2021 – expense of \$13,279); and tournament hosting of \$1,264 (2021 - \$44,200).

- Insurance expense of \$27,100 (2021 - \$nil) reflects directors' and officers' insurance.
- Investor relations expense of \$67,420 (2021 - \$nil) is based on investor relations services to the German community. The Company is listed on the Frankfurt Stock Exchange under the symbol "F4W".
- Listing fee of \$37,942 (2021 - \$nil) is associated with the Company listing on the Canadian Securities Exchange under the symbol "XONE".
- Professional fees of \$125,547 (2021 - \$38,120) is related to legal fees towards due diligence work and contract work on the X1 Talent acquisition and accrued audit fees for the annual audit.
- Share-based compensation expense of \$316,927 (2021 - \$nil) is recorded relative to the vesting of stock options valued using the Black-Scholes methodology.

LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has not yet realized profitable operations and has relied on equity financings to fund the losses. The Company currently requires additional financing to continue and, if additional financing is required, there can be no assurances that such financing will be available or if available, will be on reasonable terms. The Company's growth and success is dependent on additional external sources of financing until such time that profitable operations are achieved.

For the year ended August 31, 2022 with comparison to the period from September 16, 2020 to August 31, 2021

As at August 31, 2022, the Company had cash of \$1,624,231 and working capital of \$1,707,036, compared with cash of \$1,910,019 and working capital of \$2,003,621 as of August 31, 2021.

Cash Used in Operating Activities

Cash used in operating activities during the year ended August 31, 2022 was \$2,956,420 (2021 - \$1,910,885) resulting from a net loss of \$3,064,521 (2021 - \$2,014,622) and net of non-cash and working capital adjustments.

Cash Generated (Used) by Investing Activities

Cash used in investing activities during the year ended August 31, 2022 was \$111,428 resulting from the X1 Talent and Shift acquisitions.

Cash generated by investing activity for the period from September 16, 2020 to August 31, 2021 was \$1,839,275 from cash received from the reverse takeover.

Cash Generated by Financing Activities

For the year ended August 31, 2022, cash generated from financing activities was \$2,813,925. The Company received \$3,289,869 in proceeds from issuance of shares through a private placement and initial public offering, offset by \$445,654 paid in share issue costs. The Company provided funds of \$30,290 to X1 Talent prior to completing its acquisition.

For the period from September 16, 2020 to August 31, 2021, cash generated from financing activities was \$1,974,194. The Company received \$1,216,146 in proceeds from issuance of shares through private placements, offset by \$25,936 paid in share issue costs. Additionally, the Company received \$317,939 from associated entities and provided \$13,055 to associated entities prior to the reverse takeover. Prior to the RTO, founding shareholders provided loans of \$150,000 which were ultimately settled in shares. Additionally, the Company received \$329,100 in subscriptions for a private placement which completed subsequent to period end.

Requirement of Additional Equity Financing

The Company has relied primarily on equity financings to date for its operations. The Company needs additional funds to finance its esports programs and ongoing operating costs. The Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions until such time that the Company becomes self-sustaining.

Management's Discussion and Analysis
For the year ended August 31, 2022

USE OF PROCEEDS

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

The following tables sets out a comparison of how the Company used the proceeds following the closing date to August 31, 2022, an explanation of the variances and the impact of the variance on the ability of the Company to achieve its business objectives and milestones.

Intended Use of Proceeds	Actual Use of Proceeds
To engage in sales and marketing activities to attract global and regional partners and sponsors. Enhancing existing retail, merchandising, apparel business and to develop a product licensing business.	The Company has engaged with multiple firms to conduct marketing initiatives through business development.
Develop a content creation business.	The Company has not used any use of proceeds towards this objective.
Become a tier 1 esports team.	The Company has invested into the Wild Rift team through acquisition of players to become one of the best teams in Europe.
Business acquisitions.	The Company acquired X1 Talent and Shift to expand its gaming and media portfolio.
Explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones.	No material variances have yet been identified by the Company. Proceeds have been used as intended to date.

RELATED PARTY TRANSACTIONS

Management Compensation

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

	For the year ended August 31, 2022	For the period from September 16, 2020 to August 31, 2021
Payments to key management personnel		
Consulting fees – Red Fern Consulting Ltd., a company in which the former CFO, Samantha Shorter, has a significant investment	\$ 77,859	\$ 37,983
Consulting fees – Mark Elfenbein, CEO	192,022	-
Consulting fees – Latika Prasad, Director	50,000	5,000
Consulting fees and salaries and wages – Jan Hoffmann, Director	52,828	6,211

As at August 31, 2022, \$19,063 (2021 – \$7,487) was included in accounts payable and accrued liabilities owing to the CFO and directors noted above. Amounts recorded in accounts payable are non-interest bearing and subject to normal trade terms.

The Company recognized share-based compensation of \$229,481 (2021 - \$nil) to officers and directors during the year ended August 31, 2022.

In April 2021, RixGG settled balances due to related parties totaling \$150,000 into common shares of RixGG through the issuance of 10,000,000 common shares.

Off Balance Sheet Arrangements and Proposed Transactions

The Company has no off-balance sheet arrangements. There are no proposed transactions other than as disclosed elsewhere in this document, principally the acquisitions of X1 Talent, Shift and Octane.

Management's Discussion and Analysis For the year ended August 31, 2022

Accounting Policies and Estimates

The Company's significant accounting policies are disclosed in note 3 of the Company's consolidated financial statements for the year ended August 31, 2022.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates. The Company's significant use of judgments and estimates are disclosed in note 2 of the Company's consolidated financial statements for the year ended August 31, 2022.

In preparing this MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

Financial Risk Management

The Company's financial instruments are exposed to the following risks:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. As the Company's policy is to limit cash holdings to instruments issued by a major Canadian bank and an international financial institution, the credit risk is considered by management to be negligible. Accounts receivable include amounts due from the Government of Canada for input tax credits and prize money on tournament winnings. The Company considers these collectible in the short term and credit risk with respect to these amounts to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at August 31 2022, the Company had working capital of \$1,707,036 (2021 - \$2,003,621). The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at August 31, 2022.

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 August 31, 2022, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	35,143	\$	46,252
United States Dollar	\$	(157,001)	\$	(205,844)
UK Pound Sterling	£	29,506	\$	44,970

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 \$2,313 and \$1,978, respectively. A 5% change in the Canadian dollar to United States dollar would decrease the Company's comprehensive loss by approximately \$10,292. As at August 31, 2022, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at August 31, 2022.

RISK FACTORS

Due to the nature of the Company's business and the present stage of development of its business, the Company is subject to significant risks. A more complete, but not exhaustive, listing of risks is included in the Company's final long-form prospectus filed on Sedar (www.sedar.com) on May 20, 2022. The risks described herein are not the only risks that affect the Company. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect the Company's future business, financial condition and result of operations. Select risks significant to the Company are included here:

Limited Operating History

The Company has a very limited history of operations and is considered a start-up company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The Company will also be competing with established competitors who may have more resources and a more recognisable brand presence in the market. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered in light of its early stage of operations. The directors believe that they have the experience and connections to ensure that the business is able to compete with established rivals and take advantage of market opportunities they have identified.

Our esports businesses are substantially dependent on the continuing popularity of the esports industry as a whole

The esports industry is in the early stages of its respective development. Although the esports industry has experienced rapid growth, consumer preferences may shift and there is no assurance this growth will continue in the future. We have taken steps to diversify our businesses and mitigate these risks to an extent and continue to seek out new opportunities in the esports industry. However, due to the rapidly evolving nature of technology and online gaming, the esports industry may experience volatile and declining popularity as new options for online gaming and esports become available, or consumer preferences shift to other forms of entertainment, and as a consequence, our businesses and results of operations may be materially negatively affected.

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

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

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

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

Difficulty integration acquisitions.

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

Management's Discussion and Analysis For the year ended August 31, 2022

Reliance on advertisers to commercialize Shift

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

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

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

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

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

The risks related to international operations could negatively affect the Company's results

The Company's esports operations are primarily located in the United Kingdom, but esports players, tournament participants, prospective sponsors, and purchasers of the Company's merchandise, may be located anywhere in the world. As a result, a portion of the Company's revenue may consist of denominations in currencies other than the British pound or the Canadian dollar. As such, the Company's operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of the Company, including, but not limited to, recessions in foreign economies, expropriation, nationalization and limitation or restriction on repatriation of funds, assets or earnings, longer receivables collection periods and greater difficulty in collecting accounts receivable, changes in consumer tastes and trends, renegotiation or nullification of existing contracts or licenses, changes in gaming policies, regulatory requirements or the personnel administering them, currency fluctuations and devaluations, exchange controls, economic sanctions and royalty and tax increases, risk of terrorist activities, revolution, border disputes, implementation of tariffs and other trade barriers and protectionist practices, taxation policies, including royalty and tax increases and retroactive tax claims, volatility of financial markets and fluctuations in foreign exchange rates, difficulties in the protection of intellectual property particularly in countries with fewer intellectual property protections, the effects that evolving regulations regarding data privacy may have on the Company's online operations, adverse changes in the creditworthiness of parties with whom the Company has significant receivables or forward currency exchange contracts, labour disputes and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted. The Company's operations may also be adversely affected by social, political and economic instability and by laws and policies of such foreign jurisdictions affecting foreign trade, taxation and investment. If the Company's operations are disrupted and/or the economic integrity of its contracts is threatened for unexpected reasons, its business may be harmed.

The Company is subject to foreign exchange and currency risks that could adversely affect its operations, and the Company's ability to mitigate its foreign exchange risk through hedging transactions may be limited

The Company anticipates deriving most of its revenue outside of Canada; however, the Company's operating currency is the Canadian dollar. Fluctuations in the exchange rate between the Canadian dollar, United States dollar, the British pound and other currencies may have a material adverse effect on the Company's business, financial condition and operating results. The Company's consolidated financial results are affected by foreign currency exchange rate fluctuations. Foreign currency exchange rate exposures arise from current transactions and anticipated transactions denominated in currencies other than Canadian dollars and from the translation of foreign currency-denominated balance sheet accounts into Canadian dollar-denominated balance sheet accounts.

The impact of COVID-19

The Company is vulnerable to the general economic effects of epidemics/pandemics and other public health crises, such as COVID-19. COVID-19 is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

Management's Discussion and Analysis

For the year ended August 31, 2022

Since December 31, 2019, the outbreak of COVID-19 has resulted in governments worldwide, including Canada, the United States and the U.K., enacting emergency measures to combat the spread of the virus. Although vaccines have been developed, their rate of vaccine deployment has been slow in many regions of the world, including Canada, the United States and the U.K. New coronavirus variants are continuing to spread and there is no guarantee that the vaccines will continue to be effective against new coronavirus variants, and geographic regions may continue to experience government-imposed lock-downs and public health emergencies. Recently, travel into Canada from countries with high-levels of COVID-19 variants has been restricted, and implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally. Governments and central banks have reacted to the COVID-19 pandemic with significant monetary and fiscal interventions designed to stabilize economic conditions. Due to the COVID-19 variants, the duration and impact of the COVID-19 pandemic remain unknown at this time, as is the continued efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company. To date, a number of businesses have suspended or scaled back their operations and development as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. If the operation or development of the Company is suspended, scaled back or disrupted, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and the trading price of the Company's securities. To the extent that the Company's management or other personnel are unavailable to work due to the COVID-19 pandemic, whether due to illness, government action or otherwise, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and the trading price of the Company's securities. The breadth of the impact of the COVID-19 pandemic on investors, businesses, the global economy and financial and commodity markets may also have a material adverse impact on the Company's profitability, results of operations, financial conditions and the trading price of the Company's securities.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company as a Going Concern

The continued operation of the Company as a going concern is dependent upon the Company's ability to generate positive cash flows and/or obtain additional financing sufficient to fund continuing activities and acquisitions. While the Company continues to review its operations in order to identify strategies and tactics to increase revenue streams and financing opportunities, there is no assurance that the Company will be successful in such efforts; if the Company is not successful, it may be required to significantly reduce or limit operations, or no longer operate as a going concern. It is also possible that operating expenses could increase in order to grow the business. If the Company does not significantly increase its revenue to meet these increased operating expenses and/or obtain financing until its revenue meets these operating expenses, its business, financial condition and operating results could be materially adversely affected. The Company cannot be sure when or if it will ever achieve profitability and, if it does, it may not be able to sustain or increase that profitability.

Need for Additional Financing and Possible Dilution

The development of the business of the Company and its ability to execute on its expansion opportunities described herein will depend, in part, upon the amount of additional financing available. Failure to obtain sufficient financing may result in delaying, scaling back, eliminating or indefinitely postponing expansion opportunities and the business of the Company's current or future operations. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be acceptable to the Company. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors. In addition, the Company may become involved in other transactions which conflict with the interests of its directors and officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be

Management's Discussion and Analysis

For the year ended August 31, 2022

dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Negative Operating Cash Flow

The Company's business has incurred losses since its inception. Although the Company expects to become profitable, there is no guarantee that will happen, and the Company may never become profitable. The Company currently has a negative operating cash flow and may continue to have a negative operating cash flow for the foreseeable future. To date, a large portion of the Company's expenses are fixed, including expenses related to facilities, contractual commitments and personnel. As a result, the Company expects for its net losses from operations to improve. The Company's ability to generate additional revenues and potential to become profitable will depend largely on its ability to market its products and services, and obtain sponsorships or other revenue generating opportunities with respect to its RixGG teams. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, the Company may be unable to continue its business.

Internal Controls

One or more material weaknesses in the Company's internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, the Company's internal controls over financial reporting may not prevent or detect misstatements, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the Company's policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure or difficulty in implementing required new or improved controls, its business and results of operations could be harmed, the Company may not be able to provide reasonable assurance as to its financial results or meet its reporting obligations and there could be a material adverse effect on the price of its securities.

Ongoing Costs and Obligations Related to Investment in Infrastructure, Growth, Regulatory Compliance and Operations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition, and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the common shares may significantly decrease.

Information Systems and Cybersecurity Risks

The Company places significant reliance on its information technology ("IT") systems to operate its business and is dependent upon the availability, capacity, reliability and security of its IT infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. In the event that the Company is unable to secure its software and hardware, effectively upgrade systems and network infrastructure and take other steps to maintain or improve its systems, the operation of such systems could be interrupted or result in the loss, corruption or release of confidential data.

The IT systems are subject to a variety of security risks, which are growing in both complexity and frequency and could include potential breakdown, cyber phishing, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of its IT systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential fiduciary or proprietary information, in a loss or theft of our financial resources, critical data and information or could result in a loss of control of our technological infrastructure or financial resources.

Management's Discussion and Analysis

For the year ended August 31, 2022

The Company maintains certain controls, such as two factor authentication requirements for all communications. However, due to the variety, sophistication and frequency of change in technology, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a material negative effect on the Company's business, financial condition, and results of operations as well as on the Company's reputation.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability. Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Governmental Regulations and Risks

The Company and its suppliers are subject to a wide variety of laws, regulations and orders across all jurisdictions in which they do business, including those laws involving labour and employment, intellectual property, privacy, and other matters. Changes to any of the laws, rules, regulations or policies applicable to the Company's business, including tax laws, could adversely affect the operations or financial condition or performance of the Company. Failure by the Company or its suppliers to comply with applicable laws, regulations and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect reputation, operations or financial condition or performance of the Company. In the course of complying with changes to laws, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business.

Competition

Our esports business faces intense and wide-ranging competition, which may have a material negative effect on our business and results of operations. The success of our esports business is dependent upon the performance and/or popularity of its teams. RixGG's teams compete, in varying respects and degrees, with other live sporting events and entertainment options for fans and consumers, including with sporting events delivered over television networks, radio, the Internet and online services, mobile applications and other alternative sources. During some or all of the esports season, our teams face competition, in varying respects and degrees, from professional and collegiate basketball, hockey, baseball, football, and soccer, among others.

As a result of the large number of options available, we face strong competition for the sports and gaming fan. We must compete with other esports teams, traditional sports teams and sporting events, in varying respects and degrees, including on the basis of the quality of the teams we field, their success in the leagues, tournaments and genres in which they compete.

Many of these companies can be expected to have longer operating histories and more financial resources and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. Some of these competitors and new entrants may have brands that are or become more widely recognized by consumers than the Company's brand, and they may also have substantially greater financial, marketing, technical or other resources. The Company's competitors may also merge or form strategic partnerships. These factors could adversely impact the Company's competitive position. To remain competitive, the Company will require a continued high level of investment in marketing, sales and customer support. The Company may not

Management's Discussion and Analysis

For the year ended August 31, 2022

have sufficient resources to maintain marketing, sales and customer support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Reputation Risk

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other webbased tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Brand Value

The Company's success largely depends on its ability to maintain and grow the value of the Company's brands. Maintaining, promoting and positioning the Company's brands and reputation will depend on, among other factors, the success of the Company's services and the Company's ability to provide a consistent, high-quality customer experience. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of customers or suppliers, including adverse publicity or a governmental investigation or litigation, could significantly reduce the value of our brand and adversely affect our business, results of operations and financial condition.

Liability for Actions of Employees, Contractors and Consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company. The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, the curtailment of the Company's operations or asset seizures, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Key Personnel

The success of the Company is highly dependent upon the ability, expertise, judgment, discretion and good faith of its limited number of senior management personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.



X1 ENTERTAINMENT GROUP INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2023**

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

Management's Discussion and Analysis For the year ended August 31, 2023

The following discussion and analysis, prepared as of December 13, 2023, has been prepared by management. The following discussion of performance, financial condition and future prospects should be read in conjunction with the consolidated financial statements for the years ended August 31, 2023 and 2022 of X1 ENTERTAINMENT GROUP INC. (with its subsidiaries, collectively, the "Company" or "X1"). Those consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated.

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

Additional information related to the Company is available for view on the Company's website at www.x1ent.com and SEDAR+ at www.sedarplus.ca.

FORWARD LOOKING STATEMENTS

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the availability of financing for the Company's objectives on reasonable terms;
- the ability to attract and retain skilled staff and consultants;
- foreign currency and exchange rates;
- market competition; and
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, risks related to international operations, conclusions of economic evaluations, and changes in project parameters as plans continue to be refined. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

DESCRIPTION OF BUSINESS

X1 is 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 name was changed from "1236705 B.C. LTD." to "X1 Esports and Entertainment Ltd." on April 23, 2021, and then subsequently changed to "X1 Entertainment Group Inc." on October 19, 2022. The Company completed a reverse takeover transaction on April 16, 2021 and the continuing entity for accounting purposes was incorporated under the *Companies Act* (Malta) on September 16, 2020. The Company maintains its registered office at Royal Centre, 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company's principal place of business is 615 – 800 Pender Street W, Vancouver, British Columbia, Canada V6C 2V6.

Management's Discussion and Analysis For the year ended August 31, 2023

OVERALL PERFORMANCE AND HIGHLIGHTS

To date, the Company has not yet realized profitable operations and has relied on equity financing and loans to fund the losses. The Company recognized a comprehensive loss of \$3,421,304 during the year ended August 31, 2023 (2022 - \$3,089,255).

Acquisition of Octane.GG

On September 28, 2022, the Company completed an asset purchase agreement ("Octane APA") to acquire the assets of Octane.GG ("Octane") an online fan statistics platform focused on the popular video game, Rocket League.

In connection with the acquisition of the assets comprising the business of Octane, the Company entered into consulting agreements with two individuals, who as key personnel would be responsible for the continued operation of Octane. As consideration for the acquisition of the assets comprising the business of Octane, the Company paid a cash purchase price of US\$35,000 (\$47,509), US\$17,500 (\$23,931) of which was paid in connection with the closing of the acquisition and US\$17,500 (\$23,578) of which was paid 45 days after closing.

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

On March 17, 2023, the Company sold all assets related to Shift. The purchasers are the prior owners of Shift, and the primary service providers to the Company in respect of the operations of Shift. The purchasers have satisfied the purchase price by forgoing any rights to termination payments or otherwise in connection with their consulting agreements with the Company, for an aggregate value to the Company of US\$35,250 (\$48,412).

Cessation of Rix's Operations

On December 9, 2022, the Company announced that it will cease operations of Rix.GG Europe Ltd. ("Rix") which holds and operates its esports franchise. Rix will no longer compete in Wild Rift effective March 2023 as a result of Riot Games' 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.

Wind-down of X1 Talent Operations

On April 6, 2023, the Company wound down operations of X1 Talent Corp. ("X1 Talent", formerly Tyrus, LLC), a boutique talent management group for digital content creators.

Share Consolidation

On November 6, 2023, the Company completed a share consolidation on the basis of 1 new common share for 5 old common shares. No fractional shares were issued as a result of the consolidation. Fractional interests of 0.5 or greater were rounded up to the nearest whole number of common shares and fractional interests of less than 0.5 were rounded down to the nearest whole number of common shares. All share and per share information have been amended retrospectively to reflect the share consolidation.

Convertible Debenture Financing

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, approximately, \$146,106 was completed through the distribution of Debentures in settlement of existing debt.

The Debentures mature on the date (the "Maturity Date") that is 12 months from the date of issuance (the "Closing Date") and 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.

Management's Discussion and Analysis For the year ended August 31, 2023

Letter of Intent with SKRR Exploration Inc.

On December 1, 2023, the Company announced it's entered into a non-binding letter of intent with SKRR Exploration Inc. ("SKRR") which sets out the terms of a proposed transaction (the "Proposed Transaction") whereby the Company will acquire a 100% legal and beneficial interest in certain mining claims located in Manitoba known as the Manson Bay Project (the "Property").

Pursuant to the terms and conditions of the LOI, as consideration for the acquisition of the Project, the Company will issue 1,000,000 common shares to SKRR at an issue price of \$0.055, or such higher price as may be required by the policies of the Canadian Securities Exchange (the "CSE"). The final terms of the Proposed Transaction will be set forth in a definitive agreement to be entered into among the parties that will replace the LOI (the "Definitive Agreement").

It is contemplated that completion of the Proposed Transaction will be subject to a number of customary conditions, including, but not limited to, the receipt of all necessary governmental, regulatory, and stock exchange approvals; meeting all conditions required by the CSE to receive approval of the Proposed Transaction, including the Company having sufficient working capital for 12 months, which will require additional capital raising activities by the Company; the satisfactory completion of due diligence; the absence of any material adverse change in respect of the Property; and the negotiation and execution of the Definitive Agreement. The Proposed Transaction cannot be completed until these conditions have been satisfied or waived. There can be no guarantees that the Proposed Transaction will be completed as contemplated or at all.

Following the completion of the Proposed Transaction, the Company will be a mineral exploration company primarily engaged in exploration of the Property, and the identification and acquisition of additional mineral exploration properties. The Property, which is in the exploration stage, will be the Company's first material mineral property.

The Company is currently evaluating possible acquisitions.

OUTLOOK

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

OUTSTANDING SHARE DATA

At August 31, 2023 and the date of this report, the Company has:

- 9,515,501 issued and outstanding common shares;
- 422,601 outstanding stock options with a weighted average exercise price of \$2.44; and
- 1,396,297 warrants with a weighted average exercise price of \$3.50.

SELECTED ANNUAL INFORMATION

The following table sets forth selected audited financial information of the Company for the last three completed financial years:

	August 31, 2023	August 31, 2022	September 16, 2020 to August 31, 2021
Total assets	\$ 20,112	\$ 3,023,295	\$ 2,146,852
Total liabilities	550,295	771,688	143,231
Net loss for the period	(3,411,035)	(3,064,521)	(2,014,622)
Comprehensive loss for the period	(3,421,304)	(3,089,255)	(2,006,534)

During the year ended August 31, 2023, total assets decreased year to year due to the Company not having an equity financing. Total liabilities primarily consist of accounts payable and accrued liabilities. Net loss for the period increased year to year due to investment in esports teams under Rix and marketing initiatives.

Management's Discussion and Analysis
For the year ended August 31, 2023

SUMMARY OF QUARTERLY RESULTS

	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022
Net income (loss) for the period	\$ 175,865	\$ (416,151)	\$ (1,433,127)	\$ (1,737,622)
Comprehensive income (loss) for the period	173,070	(412,402)	(1,438,104)	(1,743,868)
Basic and diluted loss per share – continuing operations	0.02	(0.03)	(0.12)	(0.11)
Basic and diluted loss per share – discontinued operations	(0.00)	(0.01)	(0.03)	(0.07)

	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021
Net income (loss) for the period	\$ (1,223,779)	\$ (460,776)	\$ (673,492)	\$ (706,474)
Comprehensive income (loss) for the period	(1,238,249)	(473,330)	(673,453)	(704,223)
Basic and diluted loss per share – continuing operations	(0.11)	(0.03)	(0.02)	(0.01)
Basic and diluted loss per share – discontinued operations	(0.03)	(0.03)	(0.06)	(0.08)

Over the periods presented, the Company's principal focus has been investment and development of its esports gaming portfolio. Revenue fluctuates relative to player transfers which are periodic, and prize money which is relative to tournament success. Expenses are driven by the prevailing portfolio of esports teams and players and supporting staff for the esports gaming division. During the three months ended August 31, 2023 and May 31, 2023, expenses decreased from the prior periods as the Company wound down Rix and X1 Talent.

RESULTS OF OPERATIONS

For the three months ended August 31, 2023 (Fourth Quarter)

For the three months ended August 31, 2023, the Company recognized a comprehensive income of \$173,070 (2022 – loss of \$1,238,249). Significant expenses included in comprehensive loss are as follows:

- Business development expense of \$15,000 (2022 - \$nil) is related to advisory services to pursue business development.
- Consulting fees of \$42,750 (2022 - \$188,374) is associated with payments for financial reporting support and general consulting services.
- Directors' fee of \$15,000 (2022 - \$nil) consists of one director.
- Insurance expense of \$9,201 (2022 - \$27,100) reflects directors' and officers' insurance.
- Investor relations expense of \$nil (2022 - \$67,420) is based on investor relations services to the German community. The Company is listed on the Frankfurt Stock Exchange under the symbol "ZIO".
- Listing fee of \$7,821 (2021 - \$37,942) is associated with the Company listing on the CSE under the symbol "XONE" and OTC Markets under the symbol "XOEEF".
- Office and miscellaneous expenses of \$4,727 (2022 - \$40,791) consists of administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Professional fees of \$45,623 (2022 - \$114,459) decreased due to fewer costs related to legal fees in the period.
- Salaries and wages of \$nil (2022 - \$16,261) includes amounts paid to the Shift employees.
- Share-based compensation recovery of \$359,419 (2022 – expense of \$316,927) is recorded relative to the vesting of stock options, net of forfeitures, valued using the Black-Scholes methodology.
- Technology marketing and web development of \$23,583 (2022 - \$74,500) decreased due to fewer marketing campaigns in the period.

For the year ended August 31, 2023

For the year ended August 31, 2023, the Company recognized a comprehensive loss of \$3,421,304 (2022 - \$3,089,255). Significant expenses included in comprehensive loss are as follows:

- Business development expense of \$170,000 (2022 - \$nil) is related to advisory services to pursue business development.
- Consulting fees of \$346,790 (2022 - \$406,947) is associated with payments for financial reporting support and general consulting services.
- Directors' fee of \$45,000 (2022 - \$nil) consists of one director.
- Insurance expense of \$81,468 (2022 - \$36,133) reflects directors' and officers' insurance.

Management's Discussion and Analysis

For the year ended August 31, 2023

- Investor relations expense of \$134,840 (2022 - \$67,420) is based on investor relations services to the German community. The Company is listed on the Frankfurt Stock Exchange under the symbol "Z10".
- Professional fees of \$129,079 (2022 - \$314,287) decreased due to fewer costs related to legal fees in the period.
- Salaries and wages of \$200,960 (2022 - \$16,261) includes amounts paid to the Shift employees.
- Share-based compensation expense of \$639,514 (2022 - \$316,927) is recorded relative to the vesting of stock options, net of forfeitures, valued using the Black-Scholes methodology.
- Technology marketing and web development of \$288,421 (2022 - \$81,551) increased due to multiple marketing campaigns in the period.
- Loss on sale of domain name of \$230,877 (2022 - \$nil) and consideration payable recovery of \$60,366 (2022 - \$nil) is related to the sale of Shift.

LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has not yet realized profitable operations and has relied on equity financings to fund the losses. The Company's growth and success is dependent on additional external sources of financing until such time that profitable operations are achieved. The Company reported a net loss for the year ended August 31, 2023 of \$3,411,035 (2022 - \$3,064,521) and as of that date had an accumulated deficit of \$8,260,632 (2022 - \$5,079,143) and working capital deficiency of \$530,183 (2022 - capital of \$1,707,036). The Company incurred negative cash flows from operations of \$1,495,388 (2022 - \$2,983,839) 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.

For the year ended August 31, 2023

As at August 31, 2023, the Company had cash of \$8,359 and working capital deficiency of \$530,183, compared with cash of \$1,624,231 and working capital of \$1,707,036 as of August 31, 2022.

Cash Used in Operating Activities

Cash used in operating activities during the year ended August 31, 2023 was \$1,495,388 (2022 - \$2,983,839) resulting from a net loss of \$2,346,941 (2022 - \$1,430,229) from continuing operations and net of non-cash, working capital adjustments and discontinued operations.

Cash Used in Investing Activities

Cash used in investing activities during the year ended August 31, 2023 was \$221,081 (2022 - \$146,164) resulting from the X1 Talent, Shift and Octane acquisitions.

Cash Generated by Financing Activities

For the year ended August 31, 2023, cash generated from financing activities was \$100,597 (2022 - \$2,844,215). The Company received \$137,817 (2022 - \$nil) in loans from a third party, \$nil (2022 - \$3,289,869) in proceeds from issuance of shares through private placements, offset by \$nil (2022 - \$445,654) paid in share issue costs.

Requirement of Additional Equity Financing

The Company has relied primarily on equity financings to date for its operations. The Company needs additional funds to finance its ongoing operating costs. The Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions until such time that the Company becomes self-sustaining.

On November 15, 2023, the Company completed a non-brokered private placement of unsecured convertible debentures for gross proceeds of \$500,000.

Management's Discussion and Analysis
For the year ended August 31, 2023

USE OF PROCEEDS

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

The following tables sets out a comparison of how the Company used the proceeds following the closing date to August 31, 2023, an explanation of the variances and the impact of the variance on the ability of the Company to achieve its business objectives and milestones.

Intended Use of Proceeds	Actual Use of Proceeds
<p>To engage in sales and marketing activities to attract global and regional partners and sponsors.</p> <p>Enhancing existing retail, merchandising, apparel business and to develop a product licensing business.</p>	<p>The Company engaged with multiple firms to conduct marketing initiatives through business development. Efforts were not fruitful and have been ended.</p>
<p>Develop a content creation business.</p>	<p>The Company has not used any use of proceeds towards this objective.</p>
<p>Become a tier 1 esports team.</p>	<p>The Company has invested into the Wild Rift team. On December 9, 2022, the Company announced that it will cease operations of Rix which holds and operates its esports franchise. Rix will no longer compete in Wild Rift effective March 9, 2023 as a result of Riot Games' recent announcement that it will discontinue support for Wild Rift esports operations outside of Asia. As this team represents the sole team competing in the esports industry within the Rix franchise, the operations supporting the team are being terminated as well.</p>
<p>Business acquisitions.</p>	<p>The Company acquired X1 Talent, Shift and Octane to expand its gaming and media portfolio.</p> <p>On March 17, 2023, the Company sold all assets related to Shift. The purchasers are the prior owners of Shift, and the primary service providers to the Company in respect of the operations of Shift. The purchasers have satisfied the purchase price by forgoing any rights to termination payments or otherwise in connection with their consulting agreements with the Company, for an aggregate value to the Company of US\$35,250 (\$48,412).</p> <p>On April 6, 2023, the Company wound down operations of X1 Talent, a boutique talent management group for digital content creators.</p>
<p>Explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones.</p>	<p>The Company has reduced intended investment into direct esports activities. Current economic and market conditions have contributed to a challenging environment for investing and development in the esports and entertainment space. The Company is pursuing to enhance financial resources and identify new opportunities.</p>

Management's Discussion and Analysis
For the year ended August 31, 2023

RELATED PARTY TRANSACTIONS

Management Compensation

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

Payments to key management personnel	For the year ended August 31, 2023	For the year ended August 31, 2022
Consulting fees – Red Fern Consulting Ltd., a company in which the CFO, Bobby Dhaliwal, is an employee	\$ 90,983	\$ -
Consulting fees – Red Fern Consulting Ltd., a company in which the former CFO, Samantha Shorter, has a significant investment	15,250	77,859
Consulting fees – Adam Giddens, former CEO and current Director	68,000 ⁽¹⁾	-
Consulting fees – Mark Elfenbein, former CEO	135,057	192,022
Directors' fees – Latika Prasad, CEO and Director	45,000	50,000
Salaries and wages – Jan Hoffmann, former Director	-	52,828

(1) Includes \$26,000 in consulting fees prior to appointment of CEO.

As at August 31, 2023, \$191,756 (August 31, 2022 – \$19,063) was included in accounts payable and accrued liabilities owing to key management personnel noted above. Amounts recorded in accounts payable are non-interest bearing and subject to normal trade terms. The Company has loans payable to a director of \$59,763 (2022 - \$nil) as at August 31, 2023. The interest on the principal amount on the loans is at a rate of 10% per annum and are due on demand.

The Company recognized share-based compensation of \$431,023 (2022 - \$229,481) to officers and directors during the year ended August 31, 2023.

Off Balance Sheet Arrangements and Proposed Transactions

The Company has no off-balance sheet arrangements. There are no proposed transactions other than as disclosed elsewhere in this document.

Accounting Policies and Estimates

The Company's significant accounting policies are disclosed in note 3 of the Company's consolidated financial statements for the year ended August 31, 2023.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates. The Company's significant use of judgments and estimates are disclosed in note 2 of the Company's consolidated financial statements for the year ended August 31, 2023.

In preparing this MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

Financial Risk Management

The Company's financial instruments are exposed to the following risks:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. As the Company's policy is to limit cash holdings to instruments issued by major international banks financial institutions, the credit risk is considered by management to be negligible. Accounts receivable include amounts due from the Government of Canada for input tax credits, which are not considered financial instruments, and talent management receivables. Accounts receivables 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.

Management's Discussion and Analysis For the year ended August 31, 2023

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 August 31, 2023, the Company had working capital deficiency of \$530,183 (August 31, 2022 – capital of \$1,707,036). The Company's financial obligations are limited to accounts payable and accrued liabilities, loans payable 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 August 31, 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 August 31, 2023, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	(5,369)	\$	(7,883)
United States Dollar	\$	(1,777)	\$	(2,404)
UK Pound Sterling	£	343	\$	587

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 \$29. A 5% change in the Canadian dollar to Euro and the Canadian dollar to United States dollar would decrease the Company's comprehensive loss by approximately \$394 and \$120, respectively. As at August 31, 2023, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at August 31, 2023.

RISK FACTORS

Due to the nature of the Company's business and the present stage of development of its business, the Company is subject to significant risks. The risks described herein are not the only risks that affect the Company. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect the Company's future business, financial condition and result of operations. Select risks significant to the Company are included here:

Competition

The Company's business faces intense and wide-ranging competition, which may have a material negative effect on our business and results of operations. Many of the Company's competitors have longer operating histories and more financial resources and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. Some of these competitors and new entrants may have brands that are or become more widely recognized by consumers than the Company's brand, and they may also have substantially greater financial, marketing, technical or other resources. The Company's competitors may also merge or form strategic partnerships. These factors could adversely impact the Company's competitive position. To remain competitive, the Company will require a continued high level of investment in marketing, sales and customer support. The Company may not have sufficient resources to maintain marketing, sales and customer support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Management's Discussion and Analysis

For the year ended August 31, 2023

Difficulty integrating acquisitions

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

Reputation Risk

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Brand Value

The Company's success largely depends on its ability to maintain and grow the value of the Company's brands. Maintaining, promoting and positioning the Company's brands and reputation will depend on, among other factors, the success of the Company's services and the Company's ability to provide a consistent, high-quality customer experience. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of talent providers and other customers, including adverse publicity or a governmental investigation or litigation, could significantly reduce the value of our brand and adversely affect our business, results of operations and financial condition.

Liability for Actions of Employees, Contractors and Consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company. The Company is exposed to the risk that its employees, contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and the Company is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, the curtailment of the Company's operations or asset seizures, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Key Personnel

The success of the Company is highly dependent upon the ability, expertise, judgment, discretion and good faith of its limited number of senior management personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including, but not limited to, changes in the regulatory environment. Such occurrences could result in delays in operations, monetary losses and possible legal liability. Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

The Company is subject to foreign exchange and currency risks that could adversely affect its operations, and the Company's ability to mitigate its foreign exchange risk through hedging transactions may be limited

The Company anticipates deriving most of its revenue outside of Canada; however, the Company's operating currency is the Canadian dollar. Fluctuations in the exchange rate between the Canadian dollar, the United States dollar, and other currencies may have a material adverse effect on the Company's business, financial condition and operating results. The Company's consolidated financial results are affected by foreign currency exchange rate fluctuations. Foreign currency exchange rate exposures arise from current transactions and anticipated transactions denominated in currencies other than Canadian dollars and from the translation of foreign currency-denominated balance sheet accounts into Canadian dollar-denominated balance sheet accounts.

Ongoing Costs and Obligations Related to Investment in Infrastructure, Growth, Regulatory Compliance and Operations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition, and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the common shares may significantly decrease.

Governmental Regulations and Risks

The Company is subject to a wide variety of laws, regulations and orders across all jurisdictions in which it conducts business, including those laws involving labour and employment, intellectual property, privacy, and other matters. Changes to any of the laws, rules, regulations or policies applicable to the Company's business, including tax laws, could adversely affect the operations or financial condition or performance of the Company. Failure by the Company to comply with applicable laws, regulations and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect reputation, operations or financial condition or performance of the Company. In the course of complying with changes to laws, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company as a Going Concern

The continued operation of the Company as a going concern is dependent upon the Company's ability to generate positive cash flows and/or obtain additional financing sufficient to fund continuing activities and acquisitions. While the Company continues to review its operations in order to identify strategies and tactics to increase revenue streams and financing opportunities, there is

Management's Discussion and Analysis

For the year ended August 31, 2023

no assurance that the Company will be successful in such efforts; if the Company is not successful, it may be required to significantly reduce or limit operations, or no longer operate as a going concern. It is also possible that operating expenses could increase in order to grow the business. If the Company does not significantly increase its revenue to meet these increased operating expenses and/or obtain financing until its revenue meets these operating expenses, its business, financial condition and operating results could be materially adversely affected. The Company cannot be sure when or if it will ever achieve profitability and, if it does, it may not be able to sustain or increase that profitability.

Need for Additional Financing and Possible Dilution

The development of the business of the Company will depend, in part, upon the amount of additional financing available. Failure to obtain sufficient financing may result in delaying, scaling back, eliminating or indefinitely postponing the Company's current or future operations. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be acceptable to the Company. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.

Negative Operating Cash Flow

The Company's business has incurred losses since its inception. Although the Company expects to become profitable, there is no guarantee that will happen, and the Company may never become profitable. The Company currently has a negative operating cash flow and may continue to have a negative operating cash flow for the foreseeable future. To date, a large portion of the Company's expenses are fixed, including expenses related to facilities, contractual commitments and personnel. As a result, the Company expects for its net losses from operations to improve. The Company's ability to generate additional revenues and potential to become profitable will depend largely on its ability to market its products and services. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, the Company may be unable to continue its business.

Internal Controls

One or more material weaknesses in the Company's internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, the Company's internal controls over financial reporting may not prevent or detect misstatements, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the Company's policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure or difficulty in implementing required new or improved controls, its business and results of operations could be harmed, the Company may not be able to provide reasonable assurance as to its financial results or meet its reporting obligations and there could be a material adverse effect on the price of its securities.

Limited Operating History

The Company has a very limited history of operations and is considered a start-up company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The Company will also be competing with established competitors who may have more resources and a more recognizable brand presence in the market. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered in light of its early stage of operations. The directors believe that they have the experience and connections to ensure that the business is able to compete with established rivals and take advantage of market opportunities they have identified.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside

Management's Discussion and Analysis
For the year ended August 31, 2023

business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors. In addition, the Company may become involved in other transactions which conflict with the interests of its directors and officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

APPENDIX V
INTERIM MD&A
[see attached]



X1 ENTERTAINMENT GROUP INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024
AND FEBRUARY 28, 2023**

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

Management's Discussion and Analysis

For the six months ended February 29, 2024 and February 28, 2023

The following discussion and analysis, prepared as of April 29, 2024, has been prepared by management. The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited consolidated interim financial statements for the six-month period February 29, 2024 and the audited consolidated financial statements for the year ended August 31, 2023 of X1 ENTERTAINMENT GROUP INC. (with its subsidiaries, collectively, the "Company" or "X1"). The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated.

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

Additional information related to the Company is available for view on the Company's website at www.x1ent.com and SEDAR+ at www.sedarplus.ca.

FORWARD LOOKING STATEMENTS

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the availability of financing for the Company's objectives on reasonable terms;
- the ability to attract and retain skilled staff and consultants;
- foreign currency and exchange rates;
- market competition; and
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, risks related to international operations, conclusions of economic evaluations, and changes in project parameters as plans continue to be refined. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

DESCRIPTION OF BUSINESS

X1 was a portfolio company that had targeted assets across gaming, esports, media, and entertainment industries and is currently evaluating possible acquisitions. X1 was incorporated under the *Business Corporations Act* (British Columbia) on January 9, 2020. The Company name was changed from "1236705 B.C. LTD." to "X1 Esports and Entertainment Ltd." on April 23, 2021, and then subsequently changed to "X1 Entertainment Group Inc." on October 19, 2022. The Company maintains its registered office at Royal Centre, 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company's principal place of business is 615 – 800 Pender Street W, Vancouver, British Columbia, Canada V6C 2V6.

Management's Discussion and Analysis
For the six months ended February 29, 2024 and February 28, 2023

OVERALL PERFORMANCE AND HIGHLIGHTS

To date, the Company has not yet realized profitable operations and has relied on equity financing and loans to fund the losses. The Company recognized a comprehensive loss of \$312,017 during the six months ended February 29, 2024 (2023 - \$3,181,972).

Acquisition of Octane.GG

On September 28, 2022, the Company completed an asset purchase agreement ("Octane APA") to acquire the assets of Octane.GG ("Octane") an online fan statistics platform focused on the popular video game, Rocket League.

In connection with the acquisition of the assets comprising the business of Octane, the Company entered into consulting agreements with two individuals, who as key personnel would be responsible for the continued operation of Octane. As consideration for the acquisition of the assets comprising the business of Octane, the Company paid a cash purchase price of US\$35,000 (\$47,509), US\$17,500 (\$23,931) of which was paid in connection with the closing of the acquisition and US\$17,500 (\$23,578) of which was paid 45 days after closing.

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

On March 17, 2023, the Company sold all assets related to Shift. The purchasers are the prior owners of Shift, and the primary service providers to the Company in respect of the operations of Shift. The purchasers have satisfied the purchase price by forgoing any rights to termination payments or otherwise in connection with their consulting agreements with the Company, for an aggregate value to the Company of US\$35,250 (\$48,412).

Cessation of Rix's Operations

On December 9, 2022, the Company announced that it will cease operations of Rix.GG Europe Ltd. ("Rix") which holds and operates its esports franchise. Rix will no longer compete in Wild Rift effective March 2023 as a result of Riot Games' 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.

Wind-down and Dissolution of X1 Talent Operations

On April 6, 2023, the Company wound down operations of X1 Talent Corp. ("X1 Talent", formerly Tyrus, LLC), a boutique talent management group for digital content creators.

During the year ended August 31, 2023, the Company considered the operations of X1 Talent to have met the definition of discontinued operations.

On December 1, 2023, the Company dissolved the entity.

Share Consolidation

On November 6, 2023, the Company completed a share consolidation on the basis of 1 new common share for 5 old common shares. No fractional shares were issued as a result of the consolidation. Fractional interests of 0.5 or greater were rounded up to the nearest whole number of common shares and fractional interests of less than 0.5 were rounded down to the nearest whole number of common shares. All share and per share information have been amended retrospectively to reflect the share consolidation.

Convertible Debenture Financing

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 debt.

The Debentures mature on the date (the "Maturity Date") that is 12 months from the date of issuance (the "Closing Date") and 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.

Management's Discussion and Analysis

For the six months ended February 29, 2024 and February 28, 2023

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.

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.

Definitive Agreement with SKRR Exploration Inc.

On February 7, 2024, the Company entered into a definitive asset purchase agreement (the "Definitive Agreement") with SKRR Exploration Inc. ("SKRR") pursuant to which the Company has agreed to acquire 100% legal and beneficial interest in thirteen (13) contiguous mineral claims totalling 4,293 hectares in the province of Saskatchewan, known as the Manson Bay Project (the "Property") for a consideration of 1,000,000 common shares in the capital of the Company. The price of each common share will be based on a concurrent financing.

Pursuant to the terms and conditions of the Definitive Agreement, the Company has agreed to acquire (i) 100% of SKRR's rights, title, and interest in the Property, and (ii) all data and information in the possession of SKRR with respect to the Property and the activities conducted thereon (the "Data and Information", and together with the Property, the "Purchased Assets").

The Company's acquisition of the Purchased Assets (the "Transaction") is subject to a number of customary conditions including, but not limited to, meeting all conditions required by the CSE to receive approval of the Transaction.

Following the completion of the Transaction, the Company will be a mineral exploration company primarily engaged in exploration of the Property, and the identification and acquisition of additional mineral exploration properties. The Property, which is in the exploration stage, will be the Company's first material mineral property.

As at February 29, 2024, the Company had incurred \$66,510 (August 31, 2023 - \$nil) in costs with respect to the Definitive Agreement which has been deferred.

The Company is currently evaluating possible acquisitions.

OUTLOOK

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

OUTSTANDING SHARE DATA

At the date of this report, the Company has:

- 16,658,358 issued and outstanding common shares;
- 62,601 outstanding stock options with a weighted average exercise price of \$3.50; and
- 8,539,154 warrants with a weighted average exercise price of \$0.66.

Management's Discussion and Analysis
For the six months ended February 29, 2024 and February 28, 2023

SUMMARY OF QUARTERLY RESULTS

	February 29, 2024	November 30, 2023	August 31, 2023	May 31, 2023
Net income (loss) for the period	\$ (178,260)	\$ (141,251)	\$ 175,865	\$ (416,151)
Comprehensive income (loss) for the period	(178,288)	(133,729)	173,070	(412,402)
Basic and diluted loss per share – continuing operations	(0.01)	(0.01)	0.02	(0.03)
Basic and diluted loss per share – discontinued operations	-	-	(0.00)	(0.01)

	February 28, 2023	November 30, 2022	August 31, 2022	May 31, 2022
Net income (loss) for the period	\$ (1,433,127)	\$ (1,737,622)	\$ (1,223,779)	\$ (460,776)
Comprehensive income (loss) for the period	(1,438,104)	(1,743,868)	(1,238,249)	(473,330)
Basic and diluted loss per share – continuing operations	(0.12)	(0.11)	(0.11)	(0.03)
Basic and diluted loss per share – discontinued operations	(0.03)	(0.07)	(0.03)	(0.03)

Over the periods presented, the Company's principal focus has been investment and development of its esports gaming portfolio. Revenue fluctuates relative to player transfers which are periodic, and prize money which is relative to tournament success. Expenses are driven by the prevailing portfolio of esports teams and players and supporting staff for the esports gaming division. During the three months ended February 29, 2024, November 30, 2023, August 31, 2023 and May 31, 2023, expenses decreased from the prior periods as the Company wound down Rix and dissolved X1 Talent.

RESULTS OF OPERATIONS

For the three months ended February 29, 2024 (Second Quarter)

For the three months ended February 29, 2024, the Company recognized a comprehensive loss of \$178,288 (2023 – \$1,438,104). Significant expenses included in comprehensive loss are as follows:

- Accretion expense of \$8,865 (2023 - \$nil) is related to the convertible debenture financing.
- Business development expense of \$15,000 (2023 - \$75,000) is related to advisory services to pursue business development.
- Consulting fees of \$39,000 (2023 - \$117,587) are associated with payments for financial reporting support and general consulting services.
- Directors' fee of \$15,000 (2023 - \$15,000) consists of one director.
- Insurance expense of \$nil (2023 - \$27,100) reflects directors' and officers' insurance.
- Investor relations expense of \$nil (2023 - \$33,710) is based on investor relations services to the German community. The Company is listed on the Frankfurt Stock Exchange under the symbol "Z10".
- Listing fee of \$10,899 (2023 - \$7,821) is associated with the Company listing on the CSE under the symbol "XONE" and OTC Markets under the symbol "XOEEF".
- Salaries and wages of \$nil (2023 - \$86,011) includes amounts paid to the Shift employees.
- Share-based compensation expense of \$nil (2023 – \$448,397) is recorded relative to the vesting of stock options, net of forfeitures, valued using the Black-Scholes methodology.
- Technology marketing and web development of \$5,000 (2023 - \$85,463) decreased due to fewer marketing campaigns in the period.
- Dissolution of X1 Talent of \$22,205 (2023 - \$nil) is associated with non-cash loss on foreign exchange on translating foreign operations.
- Impairment of domain name of \$nil (2023 - \$230,877) and consideration payable recovery of \$nil (2023 - \$60,366) is related to the sale of Shift.

For the six months ended February 29, 2024

For the six months ended February 29, 2024, the Company recognized a comprehensive loss of \$312,017 (2023 – \$3,181,972). Significant expenses included in comprehensive loss are as follows:

- Accretion expense of \$13,298 (2023 - \$nil) is related to the convertible debenture financing.
- Business development expense of \$30,000 (2023 - \$140,000) is related to advisory services to pursue business development.

Management's Discussion and Analysis

For the six months ended February 29, 2024 and February 28, 2023

- Consulting fees of \$78,000 (2023 - \$253,790) are associated with payments for financial reporting support and general consulting services.
- Directors' fee of \$30,000 (2023 - \$15,000) consists of one director.
- Insurance expense of \$nil (2023 - \$54,200) reflects directors' and officers' insurance.
- Investor relations expense of \$nil (2023 - \$134,840) is based on investor relations services to the German community. The Company is listed on the Frankfurt Stock Exchange under the symbol "ZIO".
- Office and miscellaneous of \$10,991 (2023 - \$42,527) consists of administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Salaries and wages of \$nil (2023 - \$152,547) includes amounts paid to the Shift employees.
- Share-based compensation expense of \$nil (2023 - \$899,724) is recorded relative to the vesting of stock options, net of forfeitures, valued using the Black-Scholes methodology.
- Technology marketing and web development of \$5,000 (2023 - \$187,838) decreased due to fewer marketing campaigns in the period.
- Dissolution of X1 Talent of \$22,205 (2023 - \$nil) is associated with non-cash loss on foreign exchange on translating foreign operations.
- Impairment of domain name of \$nil (2023 - \$230,877) and consideration payable recovery of \$nil (2023 - \$60,366) is related to the sale of Shift.

LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has not yet realized profitable operations and has relied on equity financings to fund the losses. The Company's growth and success is dependent on additional external sources of financing until such time that profitable operations are achieved. The Company reported a net loss for the six months ended February 29, 2024 of \$319,511 (2023 - \$3,170,749) and as of that date had an accumulated deficit of \$7,853,248 (August 31, 2023 - \$8,260,632) and working capital deficiency of \$333,314 (August 31, 2023 - \$530,183). The Company incurred negative cash flows from operations of \$461,401 (2023 - \$1,321,847) 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.

For the six months ended February 29, 2024

As at February 29, 2024, the Company had cash of \$381,477 and working capital deficiency of \$333,314, compared with cash of \$8,359 and working capital deficiency of \$530,183 as of August 31, 2023.

Cash Used in Operating Activities

Cash used in operating activities during the six months ended February 29, 2024 was \$461,401 (2023 - \$1,321,847) resulting from a net loss of \$319,511 (2023 - \$2,201,047) from continuing operations and net of non-cash, working capital adjustments and discontinued operations.

Cash Used in Investing Activities

Cash used in investing activities during the six months ended February 29, 2024 was \$19,375 (2023 - \$221,081) resulting from the Manson Bay, X1 Talent, Shift and Octane acquisitions.

Cash Generated (Used In) by Financing Activities

For the six months ended February 29, 2024, cash generated from financing activities was \$853,894 (2023 - used in of \$2,220). The Company received \$500,000 (2023 - \$nil) from a private placement financing and \$353,894 (2023 - \$nil) from a convertible debenture financing. The Company received \$nil (2023 - \$35,000) in loans and repaid the non-interest bearing loan to a third party.

Requirement of Additional Equity Financing

The Company has relied primarily on equity financings to date for its operations. The Company needs additional funds to finance its ongoing operating costs. The Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions until such time that the Company becomes self-sustaining.

On November 15, 2023, the Company completed a non-brokered private placement of unsecured convertible debentures for gross proceeds of \$500,000.

Management’s Discussion and Analysis
For the six months ended February 29, 2024 and February 28, 2023

On January 25, 2024, the Company completed a non-brokered private placement for gross proceeds of \$500,000.

USE OF PROCEEDS

On June 28, 2022, the Company completed an initial public offering and raised gross proceeds of \$3,111,669.

The following tables sets out a comparison of how the Company used the proceeds following the closing date to February 29, 2024, an explanation of the variances and the impact of the variance on the ability of the Company to achieve its business objectives and milestones.

Intended Use of Proceeds	Actual Use of Proceeds
<p>To engage in sales and marketing activities to attract global and regional partners and sponsors.</p> <p>Enhancing existing retail, merchandising, apparel business and to develop a product licensing business.</p>	<p>The Company engaged with multiple firms to conduct marketing initiatives through business development. Efforts were not fruitful and have been ended.</p>
<p>Develop a content creation business.</p>	<p>The Company has not used any use of proceeds towards this objective.</p>
<p>Become a tier 1 esports team.</p>	<p>The Company has invested into the Wild Rift team. On December 9, 2022, the Company announced that it will cease operations of Rix which holds and operates its esports franchise. Rix will no longer compete in Wild Rift effective March 9, 2023 as a result of Riot Games’ recent announcement that it will discontinue support for Wild Rift esports operations outside of Asia. As this team represents the sole team competing in the esports industry within the Rix franchise, the operations supporting the team are being terminated as well.</p>
<p>Business acquisitions.</p>	<p>The Company acquired X1 Talent, Shift and Octane to expand its gaming and media portfolio.</p> <p>On March 17, 2023, the Company sold all assets related to Shift. The purchasers are the prior owners of Shift, and the primary service providers to the Company in respect of the operations of Shift. The purchasers have satisfied the purchase price by forgoing any rights to termination payments or otherwise in connection with their consulting agreements with the Company, for an aggregate value to the Company of US\$35,250 (\$48,412).</p> <p>On April 6, 2023, the Company wound down operations of X1 Talent, a boutique talent management group for digital content creators. On December 1, 2023, X1 Talent was dissolved.</p>
<p>Explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones.</p>	<p>The Company has reduced intended investment into direct esports activities. Current economic and market conditions have contributed to a challenging environment for investing and development in the esports and entertainment space. The Company is pursuing to enhance financial resources and identify new opportunities.</p>

Management's Discussion and Analysis
For the six months ended February 29, 2024 and February 28, 2023

RELATED PARTY TRANSACTIONS

Management Compensation

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

Payments to key management personnel	Six months ended February 29, 2024	Six months ended February 28, 2023
Consulting fees – Red Fern Consulting Ltd., a company in which the CFO, Bobby Dhaliwal, is an employee	\$ 36,000	\$ 54,983
Consulting fees – Red Fern Consulting Ltd., a company in which the former CFO, Samantha Shorter, has a significant investment	-	15,250
Consulting fees – Adam Giddens, former CEO and current Director	36,000	-
Consulting fees – Mark Elfenbein, former CEO	-	135,057
Directors' fees – Latika Prasad, CEO and Director	36,000	15,000

As at February 29, 2024, \$134,464 (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 February 29, 2024. The loans are interest bearing and due on demand.

The Company recognized share-based compensation of \$nil (2023 - \$620,738) to officers and directors during the six months ended February 29, 2024.

Off Balance Sheet Arrangements and Proposed Transactions

The Company has no off-balance sheet arrangements. There are no proposed transactions other than as disclosed elsewhere in this document.

Accounting Policies and Estimates

The Company's material accounting policies are disclosed in note 3 of the Company's consolidated financial statements for the year ended August 31, 2023.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates. The Company's significant use of judgments and estimates are disclosed in note 2 of the Company's consolidated financial statements for the year ended August 31, 2023.

In preparing this MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

Financial Risk Management

The Company's financial instruments are exposed to the following risks:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. 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.

Management's Discussion and Analysis

For the six months ended February 29, 2024 and February 28, 2023

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 29, 2024, the Company had working capital deficiency of \$333,314 (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. The Company's remaining undiscounted contractual obligation for the convertible debentures is \$506,249 (August 31, 2023 - \$nil) which are due on November 15, 2024.

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 29, 2024, 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 February 29, 2024, the Company has not hedged its exposure to currency fluctuations. The Company assessed its foreign currency risk as low as at February 29, 2024.

RISK FACTORS

Due to the nature of the Company's business and the present stage of development of its business, the Company is subject to significant risks. The risks described herein are not the only risks that affect the Company. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect the Company's future business, financial condition and result of operations. Select risks significant to the Company are included here:

Competition

The Company's business faces intense and wide-ranging competition, which may have a material negative effect on our business and results of operations. Many of the Company's competitors have longer operating histories and more financial resources and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. Some of these competitors and new entrants may have brands that are or become more widely recognized by consumers than the Company's brand, and they may also have substantially greater financial, marketing, technical or other resources. The Company's competitors may also merge or form strategic partnerships. These factors could adversely impact the Company's competitive position. To remain competitive, the Company will require a continued high level of investment in marketing, sales and customer support. The Company may not have sufficient resources to maintain marketing, sales and customer support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Difficulty integrating acquisitions

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

Reputation Risk

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community

Management's Discussion and Analysis

For the six months ended February 29, 2024 and February 28, 2023

relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Brand Value

The Company's success largely depends on its ability to maintain and grow the value of the Company's brands. Maintaining, promoting and positioning the Company's brands and reputation will depend on, among other factors, the success of the Company's services and the Company's ability to provide a consistent, high-quality customer experience. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of talent providers and other customers, including adverse publicity or a governmental investigation or litigation, could significantly reduce the value of our brand and adversely affect our business, results of operations and financial condition.

Liability for Actions of Employees, Contractors and Consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company. The Company is exposed to the risk that its employees, contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and the Company is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, the curtailment of the Company's operations or asset seizures, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Key Personnel

The success of the Company is highly dependent upon the ability, expertise, judgment, discretion and good faith of its limited number of senior management personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including, but not limited to, changes in the regulatory environment. Such occurrences could result in delays in operations, monetary losses and possible legal liability. Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Ongoing Costs and Obligations Related to Investment in Infrastructure, Growth, Regulatory Compliance and Operations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition, and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the

Management's Discussion and Analysis

For the six months ended February 29, 2024 and February 28, 2023

future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the common shares may significantly decrease.

Governmental Regulations and Risks

The Company is subject to a wide variety of laws, regulations and orders across all jurisdictions in which it conducts business, including those laws involving labour and employment, intellectual property, privacy, and other matters. Changes to any of the laws, rules, regulations or policies applicable to the Company's business, including tax laws, could adversely affect the operations or financial condition or performance of the Company. Failure by the Company to comply with applicable laws, regulations and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect reputation, operations or financial condition or performance of the Company. In the course of complying with changes to laws, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company as a Going Concern

The continued operation of the Company as a going concern is dependent upon the Company's ability to generate positive cash flows and/or obtain additional financing sufficient to fund continuing activities and acquisitions. While the Company continues to review its operations in order to identify strategies and tactics to increase revenue streams and financing opportunities, there is no assurance that the Company will be successful in such efforts; if the Company is not successful, it may be required to significantly reduce or limit operations, or no longer operate as a going concern. It is also possible that operating expenses could increase in order to grow the business. If the Company does not significantly increase its revenue to meet these increased operating expenses and/or obtain financing until its revenue meets these operating expenses, its business, financial condition and operating results could be materially adversely affected. The Company cannot be sure when or if it will ever achieve profitability and, if it does, it may not be able to sustain or increase that profitability.

Need for Additional Financing and Possible Dilution

The development of the business of the Company will depend, in part, upon the amount of additional financing available. Failure to obtain sufficient financing may result in delaying, scaling back, eliminating or indefinitely postponing the Company's current or future operations. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be acceptable to the Company. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.

Negative Operating Cash Flow

The Company's business has incurred losses since its inception. Although the Company expects to become profitable, there is no guarantee that will happen, and the Company may never become profitable. The Company currently has a negative operating cash flow and may continue to have a negative operating cash flow for the foreseeable future. To date, a large portion of the Company's expenses are fixed, including expenses related to facilities, contractual commitments and personnel. As a result, the Company expects for its net losses from operations to improve. The Company's ability to generate additional revenues and potential to become profitable will depend largely on its ability to market its products and services. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, the Company may be unable to continue its business.

Management's Discussion and Analysis
For the six months ended February 29, 2024 and February 28, 2023

Internal Controls

One or more material weaknesses in the Company's internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, the Company's internal controls over financial reporting may not prevent or detect misstatements, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the Company's policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure or difficulty in implementing required new or improved controls, its business and results of operations could be harmed, the Company may not be able to provide reasonable assurance as to its financial results or meet its reporting obligations and there could be a material adverse effect on the price of its securities.

Limited Operating History

The Company has a very limited history of operations and is considered a start-up company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The Company will also be competing with established competitors who may have more resources and a more recognizable brand presence in the market. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered in light of its early stage of operations. The directors believe that they have the experience and connections to ensure that the business is able to compete with established rivals and take advantage of market opportunities they have identified.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors. In addition, the Company may become involved in other transactions which conflict with the interests of its directors and officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

APPENDIX VI
CARVE-OUT MD&A
[see attached]

SKRR EXPLORATION INC.
CARVE-OUT OF MANSON BAY PROJECT
CARVE-OUT MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED
APRIL 30, 2023 AND 2022, AND FROM AUGUST 31, 2020 TO APRIL 30, 2021

1.1 JULY 12, 2024

This Carve-Out Management's Discussion and Analysis ("MD&A") of the Manson Bay Property from SKRR Exploration Inc. (the "Entity") provides analysis of the Entity's financial results for the periods ended January 31, 2024, April 30, 2023, 2022 and 2021. The following information should be read in conjunction with the audited carve-out financial statements including the notes thereto for the periods ended January 31, 2024, April 30, 2023, 2022 and 2021, prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. Financial information contained herein is expressed in Canadian dollars, unless stated otherwise. All information in this MD&A is current as of July 12, 2024 unless otherwise indicated. Readers are cautioned that this MD&A contains "forward-looking statements" and that actual events may vary from management's expectations. Readers are encouraged to read the cautionary note contained herein regarding such forward-looking statements. This MD&A was reviewed, approved and authorized for issue by the Entity and the Company's Audit Committee, on behalf of our Board of Directors, on July 12, 2024.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. Further information regarding the Entity and the Company and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval Plus (SEDAR+) in Canada and can be obtained from www.sedarplus.ca.

1.2 CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A may contain forward-looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes the further development of the Entity mineral projects, potential financings, future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the *forward-looking information*.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, which are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices; governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; adverse weather and climate events; competition for and/or inability to retain drilling rigs, personnel and other services; the availability of capital on acceptable terms; failure to maintain or obtain all necessary government permits, approvals and authorizations; failure to maintain community acceptance (including First Nations); increase in costs; litigation; failure of counterparties to perform their contractual obligations; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein as well as in our public filings available at www.sedarplus.ca. Readers are cautioned that this list of risk factors should not be construed as exhaustive. Such forward-looking information reflects the Entity's views with respect to future events and is subject to risks, uncertainties and assumptions, including the risks and uncertainties relating to the interpretation of exploration and metallurgical results, risks related to the inherent uncertainty of exploration, metallurgy and cost estimates, the potential for unexpected costs and expenses, continued availability of capital and

SKRR EXPLORATION INC.
CARVE-OUT OF MANSON BAY PROJECT
CARVE-OUT MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED
APRIL 30, 2023 AND 2022, AND FROM AUGUST 31, 2020 TO APRIL 30, 2021

financing and general economic, market or business conditions, and those other risks filed under the Company's profile on SEDAR+ at www.sedarplus.ca. While such estimates and assumptions are considered reasonable by the management of the Entity, they are inherently subject to significant business, economic, competitive and regulatory uncertainties and risks.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

1.3 OVERALL PERFORMANCE

During the periods ended January 31, 2024, April 30, 2023, 2022 and 2021, the Entity had \$nil cash on hand, did not generate any revenues and had incurred losses since inception. Whether and when the Entity can obtain profitability and positive cash flows from operations is uncertain. These material uncertainties may cast significant doubt on the ability of the Entity to continue as a going concern. The Entity's ability to continue further operations is dependent upon support from its owner, SKRR Exploration Inc ("SKRR" or the "Company"). The carve-out financial statements for the periods ended January 31, 2024, April 30, 2023, 2022 and 2021 do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Entity be unable to continue as a going concern. Such adjustments could be material.

1.4 MINERAL PROPERTY EXPLORATION TECHNICAL UPDATE

A list of the Entity's exploration property as at the date of this document, is shown below:

Property	Location	Ownership	Claims	Hectares	Stage
Manson Bay	Flin Flon district, SK	100%	13	4,294	1 & 2
Totals			13	4,294	

Exploration Stage:

1. Prospecting
2. Drilling

SKRR EXPLORATION INC.
CARVE-OUT OF MANSON BAY PROJECT
CARVE-OUT MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED
APRIL 30, 2023 AND 2022, AND FROM AUGUST 31, 2020 TO APRIL 30, 2021

MINERAL PROPERTY EXPLORATION SUMMARIES

Exploration and evaluation assets comprise the following accumulated expenditures:

	For the period ended April 30, 2021	For the year ended April 30, 2022	For the year ended April 30, 2023	For the period ended January 31, 2024	Total
	\$	\$	\$	\$	\$
OPENING	-	616,295	1,669,947	-	-
Acquisition costs	567,726	-	-	-	567,726
Drilling	-	574,321	-	-	574,321
Field and camp costs	-	50,960	-	-	50,960
Geological	20,587	350,684	800	-	372,071
Geophysical	-	37,940	4,132	-	42,072
Management costs (Note 8)	7,500	11,976	12,143	-	31,619
Report and survey	20,482	27,771	10,000	-	58,253
Impairment of accumulated expenditures	-	-	(1,697,022)	-	(1,697,022)
ENDING	616,295	1,669,947	-	-	-

MANSON BAY PROJECT

On August 31, 2020, the Company acquired 100% interest in Eagle Plains Resources Ltd.'s ("Eagle Plains") Manson Bay South Property comprising nine mineral claims totaling 4,228 hectares. In addition the Company signed an agreement to acquire a 100% interest in Edge Geological Consulting Inc.'s ("Edge") Manson Bay Property comprising four adjacent mineral claims totaling 64.537 hectares. Edge is owned and operated by a director of the Company. Eagle Plains agreement and the Edge agreement together will be referred to as the "Acquisition Agreements".

Under the terms of the Acquisition Agreements, the Company acquired a 100% interest in the Manson Bay South Property and the Manson Bay Property by making a cash payments of \$10,000 and issuing 750,000 common shares of the Company to each of Eagle Plains and Edge (for aggregate consideration of \$20,000 of cash and 1,500,000 common shares). The Acquisition Agreements provide for an over-riding 2% net smelter return royalty in favour of Eagle Plains and Edge, respectively (total 4%) (subject to a buy down to 1% for \$1,000,000 on each NSR). Pursuant to the Acquisition Agreements, Eagle Plains will be the initial operator on both the Manson Bay and Manson Bay South claim packages, and Eagle Plains and Edge will alternate as operator every two years thereafter. As of April 30, 2021, the cash payments were paid and the shares were issued.

The property's carrying value was written off during the year ended April 30, 2023 as the Company re-evaluates its future plans with respect to this property.

SKRR EXPLORATION INC.
CARVE-OUT OF MANSON BAY PROJECT
CARVE-OUT MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED
APRIL 30, 2023 AND 2022, AND FROM AUGUST 31, 2020 TO APRIL 30, 2021

1.5 SELECTED ANNUAL INFORMATION

The following table sets forth selected financial information for the Entity expressed in Canadian dollars for the three most recently completed financial periods and should be read in conjunction with the Entity's carve-out financial statements and related notes for such periods.

	For the Year ended April 30, 2023	For the Year ended April 30, 2022	For the Period ended April 30, 2021
Revenue	\$ -	\$ -	\$ -
Expenses	\$ (1,697,022)	\$ -	\$ -
Total comprehensive loss	\$ (1,697,022)	\$ -	\$ -
Working capital	\$ -	\$ -	\$ -
Total assets	\$ -	\$ 1,669,947	\$ 616,295
Total long-term financial liabilities	\$ -	\$ -	\$ -
Deficit	\$ (1,697,022)	\$ -	\$ -

1.6 RESULTS OF OPERATIONS

For the periods ended January 31, 2024, April 30, 2023, 2022 and 2021

The Entity incurred \$616,295 in exploration and evaluation expenditures during the period ended April 30, 2021; these expenditures were capitalized to the balance sheet during the period and no expenses were incurred in this reporting period. The Entity incurred a further \$1,053,652 in exploration and evaluation expenditures during the year ended April 30, 2022; these expenditures were capitalized to the balance sheet during the year and no expenses were incurred in this reporting period. The Entity incurred a further \$27,075 in exploration and evaluation expenditures during the year ended April 30, 2023; these expenditures were capitalized to the balance sheet during the year. As at April 30, 2023, the Entity's capitalized costs were written off and \$1,697,022 in impairment expenses was recognized in profit or loss for this reporting period. No further expenditures were made towards the Manson Bay Property during the nine month period ended January 31, 2024.

SKRR EXPLORATION INC.
CARVE-OUT OF MANSON BAY PROJECT
CARVE-OUT MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED
APRIL 30, 2023 AND 2022, AND FROM AUGUST 31, 2020 TO APRIL 30, 2021

1.7 SUMMARY OF QUARTERLY RESULTS

A summary of quarterly results for the eight most recently completed quarters are as follows:

	Three Months Ended January 31, 2024	Three Months Ended October 31, 2023	Three Months Ended July 31, 2023	Three Months Ended April 30, 2023
Deficit	1,697,022	1,697,022	1,697,022	1,697,022
Comprehensive loss	-	-	-	1,697,022
Total assets	-	-	-	-
Total liabilities	-	-	-	-
Total equity	-	-	-	-

	Three Months Ended January 31, 2023	Three Months Ended October 31, 2022	Three Months Ended July 31, 2022	Three Months Ended April 30, 2022
Deficit	-	-	-	-
Comprehensive loss	-	-	-	-
Total assets	1,693,004	1,680,902	1,673,925	1,669,947
Total liabilities	-	-	-	-
Total equity	1,693,004	1,680,902	1,673,925	1,669,947

LIQUIDITY AND CAPITAL RESOURCES

The Entity had a working capital of \$Nil as at January 31, 2024, April 30, 2023, 2022 and 2021.

During the periods ended April 30, 2023, 2022 and 2021, the Company contributed \$27,075, \$1,053,652, and \$616,295 to the Entity, respectively. There were no further capital contributions during the nine month period ended January 31, 2024.

Net cash used in investing activities for the periods ended April 30, 2023, 2022 and 2021 was \$27,075, \$1,053,652, and \$616,295, respectively. The cash used in investing activities for these periods was for the acquisition and exploration of the Manson Bay Property. There was no further cash activity during the nine month period ended January 31, 2024.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Entity does not utilize off-balance sheet arrangements.

SKRR EXPLORATION INC.
CARVE-OUT OF MANSON BAY PROJECT
CARVE-OUT MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2024, THE YEARS ENDED
APRIL 30, 2023 AND 2022, AND FROM AUGUST 31, 2020 TO APRIL 30, 2021

1.9 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Entity has identified its directors and officers as its key management personnel.

	For the period ended January 31, 2024	For the year ended April 30, 2023	For the year ended April 30, 2022	For the period ended April 30, 2021
	\$	\$	\$	\$
Manson Bay Project management costs paid to the Chief Executive Officer	-	12,143	11,976	7,500

Manson Bay Project management costs represent the portion of the Chief Executive Officer consulting fee allocated to the project for the respective years.

1.10 PROPOSED TRANSACTIONS

There are no proposed transactions.

1.11 SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES

The details of the Entity’s accounting policies and critical accounting estimates are presented in Note 3 of the carve-out financial statements for the nine month period ended January 31, 2024, the years ended April 30, 2023 and 2022, and the period from August 31, 2020 to April 30, 2021.

1.12 CAPITAL MANAGEMENT

The Entity does not have share capital and its equity is a carve-out amount from SKRR’s equity. SKRR manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of underlying assets. SKRR is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. SKRR has no traditional revenue sources. SKRR’s ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business, rather than through a process of forced liquidation, is primarily dependent upon its continued ability to find and develop mineral property interests, and there being a favorable market in which to sell or option the mineral properties interest, and/or its ability to borrow or raise additional funds from equity markets.

1.13 MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in the MD&A and the carve-out financial statements is the responsibility of management. In the preparation of the carve-out financial statements, estimates are sometimes necessary to make a determination of the carrying value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the carve-out financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Entity’s assets are safeguarded and to facilitate the preparation of relevant and timely information.