

**KINGS ENTERTAINMENT GROUP INC.**

**NOTICE OF ANNUAL GENERAL & SPECIAL MEETING OF  
SHAREHOLDERS AND  
MANAGEMENT INFORMATION CIRCULAR**

**IN RESPECT OF THE ANNUAL GENERAL & SPECIAL MEETING OF SHAREHOLDERS OF  
KINGS ENTERTAINMENT GROUP INC. TO BE HELD ON OCTOBER 25, 2022**

Dated as of September 23, 2022

*Neither the Canadian Securities Exchange nor any securities commission has in any way passed upon the merits of the transaction described herein and any representation to the contrary is an offence.*

Dear Shareholders:

The directors of Kings Entertainment Group Inc. (“**KEG**” or the “**Corporation**”) cordially invite you to attend the annual general & special meeting (the “**Meeting**”) of the shareholders of KEG (the “**Shareholders**”) to be held virtually through the platform of AGM Connect at [www.agmconnect.com/Kings2022](http://www.agmconnect.com/Kings2022) on **October 25, 2022 at 10:00 a.m. (Toronto time)**.

At the Meeting, among other things, you will be asked to consider and, if thought appropriate, to pass, with or without variation, an ordinary resolution approving the arm’s length business combination (the “**Business Combination**”) of KEG with Sports Venture Holdings Inc. (“**SVH**”), pursuant to which a wholly-owned subsidiary of the Corporation will acquire all of the issued and outstanding securities of SVH by way of a three-cornered amalgamation transaction (the “**Transaction**”).

Following the completion of the Business Combination, current SVH Shareholders will hold approximately 545 million common shares (without giving effect to the proposed share consolidation described in the accompanying management information circular (the “**Circular**”)) of the combined company (the “**Resulting Issuer**”) (excluding any shares of the Resulting Issuer issuable in connection with any financing transaction of equity securities of SVH or the Corporation prior to completion of the Transaction), representing approximately 85.82% of the shares of the Resulting Issuer issued and outstanding on a basic basis. A deemed value of C\$0.21 per share has been placed on the common shares of the Corporation issued in connection with the Business Combination, resulting in total consideration paid to the holders of SVH Shares of approximately \$115 million. Further details on the Transaction are set out in the Appendix “A” to the Circular.

At the Meeting, you will also be asked to consider and, if deemed appropriate, to pass the following:

- i. resolutions to appoint the auditors of the Corporation and authorize the directors to fix their remuneration;
- ii. resolutions to fix the number of directors of the Corporation and to elect the directors of the Corporation;
- iii. a resolution to ratify and approve the Corporation’s stock option plan and the prior grant of 3,265,650 options thereunder; and
- iv. a resolution to approve the Transaction, all as more fully described in the Circular.

The Board of Directors of the Corporation unanimously recommends that Shareholders vote **in favour** of these resolutions at the Meeting for the reasons set out in this Circular. You are urged to read this information carefully and, if you require assistance, to consult your own legal, tax, financial or other professional advisor.

We hope that we will have the opportunity to welcome you to this year’s Meeting.

Sincerely,

*(Signed) “Steve Budin”*

Steve Budin  
**Chief Executive Officer & Director**

**KINGS ENTERTAINMENT GROUP INC.  
NOTICE OF ANNUAL GENERAL & SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an annual general & special meeting (the “**Meeting**”) of the shareholders (“**Shareholders**”) of Kings Entertainment Group Inc. (the “**Corporation**” or “**KEG**”) will be held virtually on **October 25, 2022 at 10:00 a.m. (Toronto time)**, for the following purposes:

1. to receive and consider the audited financial statements of the Corporation as at and for the year ended December 31, 2021 together with the report of the auditors thereon;
2. to appoint Baker Tilly WM LLP as the auditor of the Corporation for the ensuing year and to authorize the board of directors of the Corporation to fix the remuneration of the auditor;
3. to fix the number of directors of the Corporation for the ensuing year at six (6);
4. to elect the directors of the Corporation;
5. to approve and ratify the Corporation’s stock option plan and the prior grant of 3,265,650 options thereunder;
6. to approve the Corporation’s proposed transaction (the “**Transaction**”) with Sports Venture Holdings Inc. (“**SVH**”), all as more fully described in the accompanying management information circular (the “**Circular**”); and
7. to transact such other business as may properly come before the Meeting.

**The Meeting can be accessed at [www.agmconnect.com/Kings2022](http://www.agmconnect.com/Kings2022)**

The accompanying Circular provides additional information relating to each of the matters to be addressed at the Meeting and is deemed to form part of this Notice of Meeting. The board of directors of the Corporation has fixed the closing of business on September 16, 2022 as the record date for determination of Shareholders entitled to receive notice of and vote at the Meeting or any adjournment(s) or postponement(s) thereof.

A registered Shareholder wishing to be represented by proxy at the Meeting or any adjournment or postponement thereof must have deposited his, her or its duly executed form of proxy with Olympia Trust Company, by mail using the enclosed return envelope, by email to [proxy@olympiustrust.com](mailto:proxy@olympiustrust.com), by hand delivery to Suite 4000, 520 – 3rd Ave SW, Calgary, AB T2P 0R3, by facsimile to (403) 668-8307 or by internet at <https://css.olympiustrust.com/pxlogin>, using the 12-digit control number located at the bottom of your proxy, not later than 10:00 a.m. (Toronto time) on October 21, 2022 or, if the Meeting is adjourned or postponed, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned or postponed Meeting. If you are a non-registered shareholder (for example, if you hold shares of the Corporation in an account with an intermediary), you should follow the voting procedures prescribed by your intermediary.

**The participation of Shareholders is very important to the Corporation. Please ensure that the votes attached to your Common Shares will be exercised at the Meeting.**

**DATED** at Toronto, Ontario as of September 23, 2022.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(Signed) “Steve Budin”*

Steve Budin  
**Chief Executive Officer & Director**



**MANAGEMENT INFORMATION CIRCULAR  
ANNUAL GENERAL & SPECIAL MEETING OF SHAREHOLDERS  
Dated September 23, 2022**

The Meeting can be accessed at [www.agmconnect.com/Kings2022](http://www.agmconnect.com/Kings2022).

See “ How to Attend and Vote at the Meeting” below more information.

**Solicitation of Proxies**

This management information circular (the “Circular”) is furnished in connection with the solicitation of proxies by the management of Kings Entertainment Group Inc. (“KEG” and/or the “Corporation”) for use at the annual general and special meeting (the “Meeting”) of shareholders (the “Shareholders”) to be held on October 25, 2022 at 10:00 a.m. through the platform of AGM Connect, and at any adjournment(s) or postponement(s) thereof.

Solicitation of proxies will be primarily by mail, but may also be carried out by directors, officers, employees or agents of the Corporation personally, in writing, by telephone or by fax. All cost thereof will be borne by the Corporation. Management of the Corporation has therefore prepared this Circular and has sent it to those shareholders who are entitled to receive a notice of meeting.

**Shareholders Entitled to Vote**

Registered shareholders (“Registered Shareholders”) as at the close of business on September 16, 2022 (the “Record Date”), or the person or persons they appoint as their proxies, are entitled to attend and vote on all matters that may properly come before the Meeting in respect of which their vote is required. Each Shareholder of record at the close of business on the Record Date will be entitled to one vote for each common share of the Corporation (“Common Share”) held with respect to all matters proposed to come before the Meeting, or any adjournment or postponement thereof, and requiring a vote by Shareholders.

Registered Shareholders are entitled to vote at the Meeting, or any adjournment or postponement thereof, either in person or by proxy. Voting by proxy means that you are giving the person or persons named on your proxy form (your proxyholder) the authority to vote your Common Shares for you at the Meeting or any adjournment(s) or postponement(s) thereof.

**Appointment of Proxies and Revocation of Proxies**

The individuals named in the enclosed form of proxy will represent management of the Corporation at the Meeting. **A Shareholder has the right to appoint a person or company (who need not be a Shareholder), other than the persons designated in the accompanying form of proxy, to represent the Shareholder at the Meeting. Such right may be exercised by inserting the name of such person or company in the blank space provided in the proxy or by completing another proper form of proxy.** A Shareholder wishing to be represented by proxy at the Meeting or any adjournment or postponement thereof must, in all cases, deposit the completed proxy with Olympia Trust Company by 10:00 AM on **October 21, 2022** (and register such proxyholder at [www.agmconnect.com/Kings2022](http://www.agmconnect.com/Kings2022) so that AGM Connect may provide the proxyholder with a meeting code and control number via email), or, if the Meeting is adjourned or postponed, at least 48 hours, excluding Saturdays, Sundays and holidays, prior to any adjournment or postponement of the Meeting at which the proxy is to be used, or deliver it to the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof prior to the commencement of the Meeting. A proxy should be executed by the Registered Shareholder or its attorney duly authorized in writing or, if the Registered Shareholder is a corporation, by an officer or attorney thereof duly authorized. Failure to properly complete or deposit a proxy may result in its invalidation.

Registered Shareholders may deposit their proxies with Olympia by the deadline stipulated above by:

- (i) mail using the enclosed return envelope;
- (ii) facsimile at (403) 668-8307

- (iii) hand delivery to Olympia Trust Company at Suite 4000, 520 – 3rd Ave SW, Calgary, AB T2P 0R3;
- (iv) by submitting completed proxy via email to [proxy@olympiatruster.com](mailto:proxy@olympiatruster.com); or
- (v) internet at <https://css.olympiatruster.com/pxlogin>, using the 12-digit control number located on your proxy.

A Registered Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a Registered Shareholder who has given a proxy attends the Meeting in person at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to any other manner permitted by law, a proxy may be revoked before it is exercised by an instrument in writing executed in the same manner as a proxy and deposited to the attention of the Chief Financial Officer of the Corporation at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used or with the Chairman of the Meeting on the day of such Meeting or any adjournment or postponement thereof and thereupon the proxy is revoked. If you login to the Meeting using your control number and you accept the terms and conditions, you will be revoking any and all previously submitted proxies and will be provided the opportunity to vote online by ballot.

A Registered Shareholder attending the Meeting has the right to vote electronically and, if he or she does so, his or her proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment or postponement thereof.

If you are not a Registered Shareholder, please refer to the section below entitled “*Advice to Beneficial Holders of Common Shares*”.

#### **Advice to Beneficial Holders of Common Shares**

The information set forth in this section is of significant importance to many Shareholders as a substantial number of Shareholders do not hold their Common Shares in their own name and thus are considered non-registered Shareholders (referred to as “**Beneficial Shareholders**”). Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to Shareholders by a broker then, in almost all cases, those shares will not be registered in the Shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker or another similar entity (an “**Intermediary**”). Common Shares held in the name of an Intermediary can only be voted by the Intermediary (for or against resolutions or withheld) upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting shares.

*If you are a Beneficial Shareholder:*

Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated in a timely manner and in accordance with the instructions provided by their Intermediary. Applicable regulatory rules require Intermediaries to seek voting instructions from Beneficial Shareholders in advance of the Meeting. Every Intermediary has its own mailing procedures and provides its own return instructions to clients, which instructions should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting.

Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in the United States and in Canada. Broadridge mails a voting instruction form in lieu of a form of proxy provided by the Corporation. The voting instruction form will name the same persons as the Corporation’s form of proxy to represent you at the Meeting. You have the right to appoint a person (who need not be a shareholder of the Corporation), other than the persons designated in the voting instruction form, to represent you at the Meeting. To exercise this right, you should insert the name of the desired representative in the blank space provided in the voting instruction form. The completed voting instruction form must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **If you receive a voting instruction form from Broadridge, you cannot use it to vote Common Shares directly at the Meeting - the voting instruction form**

**must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purpose of voting Common Shares registered in the name of their Intermediary, a Beneficial Shareholder may attend at the Meeting as proxyholder for the Intermediary and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as a proxyholder should enter their own names in the blank space on the form of proxy provided to them by their Intermediary and return the same to their Intermediary in accordance with the instructions provided by their Intermediary well in advance of the Meeting.**

Non-registered holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Corporation are referred to as “non-objecting beneficial owners”. Those non-registered holders who have objected to their Intermediary disclosing ownership information about themselves to the Corporation are referred to as “objecting beneficial owners” (“OBOs”).

This Circular and applicable proxy-related materials are being sent directly to non-objecting beneficial owners pursuant to National Instrument 54-101.

**The Corporation does not intend to pay for Intermediaries to deliver the Meeting materials and Form 54-101F7 - Request for Voting Instructions Made by Intermediary to OBOs. As a result, OBOs will not receive the Meeting materials unless their Intermediary assumes the costs of delivery.**

### **How to Attend and Vote at the Meeting**

Shareholders and proxyholders can attend the meeting by visiting [www.agmconnect.com/Kings2022](http://www.agmconnect.com/Kings2022). You will not be able to attend the Meeting physically. If you plan to vote at the meeting, it is important that you are connected to the internet at all times during the Meeting. It is your responsibility to ensure internet connectivity for the duration of the Meeting. We recommend you log-in at least fifteen minutes before the Meeting starts. If you encounter any difficulties accessing the virtual Meeting during the log-in or Meeting time, please call the technical support number that will be posted on the Meeting log-in page.

You will be able to access the meeting by following the instructions outlined in the chart below using an internet connected device such as a laptop, computer, tablet or mobile phone and the Meeting platform will be supported across browsers and devices that are running the most recent version of the applicable software plugins. Only Registered Shareholders and proxyholders will be entitled to vote at the meeting. To vote at the virtual meeting, log in and click on the voting icon when the Chairman of the Meeting declares the poll open.

	IF YOU HAVE RECEIVED A PROXY FORM WITH A 12-DIGIT CONTROL NUMBER FROM OLYMPIA TRUST	IF YOU HAVE RECEIVED A VOTING INSTRUCTION FORM (“VIF”) WITH A 12-DIGIT CONTROL NUMBER FROM OLYMPIA TRUST	IF YOU HAVE RECEIVED A VIF WITH A 16-DIGIT CONTROL NUMBER FROM AN INTERMEDIARY
	<b>Registered Shareholders</b> (your Common Shares are held in your name in a physical certificate or DRS statement)	<b>Non-Objecting Beneficial Owner</b> (your Common Shares are held with a broker, bank or other intermediary)	<b>Objecting Beneficial Owner</b> (your Common Shares are held with a broker, bank or other intermediary)
<b>PRIOR TO THE MEETING</b>	Follow the instructions on the personalized Form of Proxy included with your Meeting materials	Follow the instructions on the personalized VIF included with your Meeting materials	Appoint yourself as proxyholder as instructed herein and on the VIF  <b>AFTER submitting your proxy appointment</b> , email <a href="mailto:support@agmconnect.com">support@agmconnect.com</a> for your Meeting Code

<p><b>JOINING THE MEETING</b></p> <p>(at least 15 minutes prior to start of the Meeting)</p>	<p>Register and login at <a href="http://www.agmconnect.com/Kings2022">www.agmconnect.com/Kings2022</a></p> <ul style="list-style-type: none"> <li>• You will need to provide an email address, your control number and the <b>Meeting Code</b></li> <li>• See accompanying AGM Connect meeting guide for more Information</li> </ul>
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### Interest of Certain Persons or Companies in Matters to Be Acted Upon

Other than as described herein, the Corporation is not aware of: (i) any person who has been a director or executive officer of the Corporation at any time since the beginning of the last financial year; (ii) a nominee for election as a director of the Corporation at the Meeting; or (iii) any associate or affiliate of any such director or executive officer or nominee, who has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

The directors and officers of the Corporation may have interest in the Transaction that are, or may be, different from, or in addition to, the interest of other Shareholders. These interests include those described herein. The Board was aware of these interests and considered them, among other matters, when recommending approval of the Transaction by the Shareholders.

### Use of Discretionary Power Conferred By the Proxies

Common Shares represented by proxies in favour of management nominees will be voted in accordance with the instructions of the Shareholder on any ballot that may be called for and, if a Shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by proxy shall be voted accordingly. Where no choice is specified, the proxy will confer discretionary authority and will be voted FOR all matters proposed by management at the Meeting. The enclosed form of proxy also confers discretionary authority upon the persons named therein to vote with respect to any amendments or variations to the matters identified in the notice with respect to this Meeting and with respect to any other matters which may properly come before the Meeting in such manner as the nominee in his judgment may determine. At the date hereof, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting.

### Voting Securities and Principal Holders of Voting Securities

The authorized share capital of the Corporation consists of an unlimited number of Common Shares without par value. As at the date hereof, 68,463,500 Common Shares without par value are issued and outstanding. Each Common Share carries the right to one vote at any ballot taken at any meeting of the shareholders. Only shareholders of record of the Corporation at the close of business on the Record Date or their duly authorized agents are entitled to attend and vote at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, no person beneficially owns, or controls or directs, directly or indirectly, Common Shares carrying in excess of 10% of the voting rights attached to all outstanding Common Shares as at the date of this Circular, except as follows:

Name	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly	Percentage of Common Shares Issued and Outstanding
Adam Arviv	16,796,982 <sup>(1)</sup>	24.53%

**Notes:**

(1) The number of Common Shares indicated includes 722,500 Common Shares owned by KAOS Capital Ltd., of which Adam Arviv is the president, chief executive officer and sole shareholder, and 16,074,482 Common Shares owned by Legacy Eight Group Ltd., of which Adam Arviv is a shareholder and the president.

### Currency

All references to dollars or \$ are in Canadian dollars unless otherwise noted.

## **Reliance**

SVH has provided the information contained in this Circular and the Listing Statement concerning SVH and its business, including its financial information and financial statements, which information has been relied upon by KEG in preparing this Circular. KEG assumes no responsibility for the accuracy or completeness of such information, nor for any omission on the part of SVH to disclose facts or events which may affect the accuracy of any such information.

## **Cautionary Statement Regarding Forward-Looking Information**

The information provided in this Circular, including exhibits, may contain “forward-looking statements” and/or “forward-looking information” within the meaning of applicable securities legislation (collectively, “forward-looking statements”). Forward-looking statements include statements concerning the Corporation's current expectations, estimates, projections, assumptions and beliefs, and, in certain cases, can be identified by the use of words such as “potential”, “propose”, “aim”, “depend”, “seeks”, “plans”, “expects”, “is expected”, “budget”, “estimates”, “intends”, “anticipates”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “can”, “could”, “should”, “shall”, “would”, “might” or “will”, “occur” or “be achieved”, or the negative forms of any of these words and other similar expressions.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments as more particularly described in items proposed for approval at the Meeting, as more particularly described in this Circular, including the Company’s intentions and plans with respect to compensation of its executive officers and directors.

These statements speak only as at the date they are made and are based on information currently available and on the then-current expectations of the Corporation and/or assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the occurrence and outcome of the Meeting; and
- risks described in this Circular and elsewhere in the Corporation's public disclosure record including those risks set out in the Listing Statement.

Forward-looking statements reflect the Corporation's current expectations and assumptions, and are subject to a number of known and unknown risks, uncertainties and other factors that may cause the Corporation’s actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements. Consequently, all forward-looking statements made in this Circular and other documents of the Corporation are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Corporation.

The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Corporation and/or persons acting on its behalf may issue. The Corporation undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **Financial Statements**

The shareholders will receive and consider the annual audited financial statements of the Corporation for the year ended December 31, 2021, together with the auditor’s report hereon. No formal action will be taken at the Meeting to approve the financial statements. Copies of the Corporation’s financial statements are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Appointment of Auditors**

Baker Tilly WM LLP (“**Baker**”) has been the auditor of the Corporation since December 30, 2021. It is proposed, and management recommends, that Baker be re-appointed as the auditor of the Corporation to hold office until the close of the next annual meeting of the Shareholders, or until their successor is appointed by the board of directors of the Corporation (the “**Board**”), and that the directors be authorized to fix the auditors remuneration. To be adopted, this resolution is required to be passed by the affirmative vote of a majority of the votes cast at the Meeting.

**Common Shares represented by proxies in favour of the management nominees will be voted FOR the appointment of Baker, as the auditor of the Corporation as set forth above and authorizing the directors of the Corporation to fix their remuneration, unless a Shareholder has specified in their proxy that their Common Shares are to be withheld from voting on the appointment of the auditor.**

#### **Number of Directors**

Currently, the Board has six (6) directors.

It is proposed, and management recommends, that the number of directors to be elected at the Meeting to hold office until the next annual meeting of Shareholders be fixed at six (6). To be adopted, this resolution is required to be passed by the affirmative vote of a majority of the votes cast at the Meeting.

**Common Shares represented by proxies in favour of the management nominees will be voted FOR fixing the number of directors to be elected at the Meeting, for the periods stated above, at six (6), unless a Shareholder has specified in their proxy that their Common Shares are to be voted against such resolution.**

#### **Election of Directors**

It is proposed, and management recommends, that each of the persons named below be nominated at the Meeting for re-election as directors of the Corporation to serve, until the earlier of (i) the close of the next annual meeting of Shareholders; (b) the completion of the Transaction; or (c) his or her successor is elected or appointed, unless his or her office is vacated earlier. Unless re-elected, the terms of office of the current directors of the Corporation will expire at the close of the Meeting. Voting for the election of each of the persons named below will be conducted on an individual, and not slate basis. Shareholders can vote for all of the proposed directors set forth herein, vote for some of them and withhold for others, or withhold for all of them.

Management does not contemplate that any of the nominees will be unable to serve as a director. However, if a nominee should be unable to so serve for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. The approval of the election of each director will require the affirmative vote of a majority of the votes cast at the Meeting.

**Common Shares represented by proxies in favour of management nominees will be voted FOR the election of all of the nominees whose names are set forth below, unless a Shareholder has specified in their proxy that their Common Shares are to be withheld from voting on the election of directors.**

The following table and the notes thereto state the names of all persons to be nominated for election as directors, all other positions or offices with the Corporation now held by them, their principal occupations of employment, the year in which they became directors for the Corporation, and the approximate number of Common Shares beneficially owned, or controlled, directly or indirectly, by each of them, as of the date hereof.

<b>Name and residence</b>	<b>Position(s) held with Corporation</b>	<b>Principal occupation during past five years</b>	<b>Year first became director</b>	<b>Number of Common Shares, beneficially owned or controlled</b>
Steven Budin Florida, United States	Chief Executive Officer and Director	Chief Executive Officer of Jace Inc., a pay-per-view sports analysis company, since January 2004; Chief Executive Officer of Stevo Design Inc., a pay-per-view sports analysis company, from May 2002 to May 2019	July 27, 2021	3,500,000
Kelvin Lee British Columbia, Canada	Chief Financial Officer, Corporate Secretary and Director	Director of Finance at K2 Capital, a capital markets advisory company, since November 2019; CFO of Monument Mining Limited, a mining company, from January 2018 to November 2019; VP of Finance and Administration of Monument Mining Limited from July 2013 to January 2018	July 27, 2021	2,000
Robin Godfrey <sup>(1)</sup> Ontario, Canada	Director (Chair of the Board)	Director of HEXO Corp., a licensed cannabis producer, since February 2022; President of Brown Lab Industries Inc., a consulting and property management company, since January 2003; Director of Bragg Gaming Group Inc., an iGaming technology provider and owner of B2B companies, since October 2019	July 27, 2021	Nil

Name and residence	Position(s) held with Corporation	Principal occupation during past five years	Year first became director	Number of Common Shares, beneficially owned or controlled
Laryssa Hetmanczuk <sup>(1)</sup> Ontario, Canada	Director	Owner of Walman Communicators, a communications and government relations consulting firm, since September 2017; Principal of GT&Co. since January 2021; Executive Director of Communications of Premier's Office (Government of Ontario) from June 2018 to February 2020; Executive Director, Strategic Engagement of Ontario Cannabis Store from May 2020 to December 2020; Lead, Government Relations and Policy of The Organ Project Foundation, a charity that promotes organ donation, from October 2016 to September 2017	July 27, 2021	Nil
Joseph Krutel Florida, United States	Director	TV and Film Producer of HBO Network, a media company, from January 2014 to February 2020	July 27, 2021	Nil
Anthony Zelen <sup>(1)(2)</sup> British Columbia, Canada	Director	President of Zelen Consulting Inc., a management consulting company, since June 1997	July 27, 2021	40,000

**Notes:**

- (1) Members of the Audit Committee.  
(2) Chair of the Audit Committee.

**Biographies of Directors Nominees**

*Steven Budin (50), Chief Executive Officer & Director*

Steven Budin has over 25 years of experience in the online gaming industry. He most recently acted as the Chief Executive Officer of Pick-Nation.com, a pay-per-view sports analysis platform, for the past 15 years.

*Kelvin Lee (43), Chief Financial Officer, Corporate Secretary & Director*

Kelvin Lee has over 15 years of extensive financial management experience with publicly traded companies. He is

formerly CFO of Freeman Gold Corp. and prior, had progressively senior roles from Corporate Controller, VP Finance and Administration to Chief Financial Officer, for a TSXV listed gold producer with \$400 million in revenue over nine years. His responsibilities included development and execution of financial strategy and operations, including regulatory reporting, financial planning and analysis, treasury, tax and audit. He also held prior Controller positions in the mining industry with various publicly traded companies including Prodigy Gold Inc. that was acquired for \$340 million. Mr. Lee is currently CFO and Director of MegaWatt Lithium and Battery Metals Corp. (formerly, Walcott Resources Ltd.); CFO and Director of Karam Minerals Inc.; and CFO of Mantaro Silver Corp. Mr. Lee is a CPA, CGA (British Columbia).

*Robin Godfrey (48), Director (Chair of the Board)*

An entrepreneur born in Toronto, Robin Godfrey is the President of Brown Lab Industries Inc. Mr. Godfrey oversees two portfolio companies: Qwatro USA (specialty chemicals) and UrbanDog Holdings (pet services). In addition, Mr. Godfrey is active in Brown Lab's real estate activities including the management of commercial and industrial properties in Ajax, Etobicoke and Toronto. Mr. Godfrey is also a registered lobbyist in the Province of Ontario and sits as a director on the Board of Bragg Gaming Group.

Previous work experience includes Senior Vice President of the Toronto Blue Jays Baseball Club, President of the Toronto Phantoms Arena Football Team and Associate at TD Securities. Mr. Godfrey holds a BA from the University of Western Ontario, and a J.D./MBA from Pepperdine University in California.

*Laryssa Hetmanczuk (30), Director*

Laryssa Hetmanczuk started her career in Ottawa, working in the Stephen Harper government at Health Canada and Industry Canada. She cut her teeth on several big files including auto industry restructuring, the digital economy, infrastructure programs, telecom and the Chemical Management Plan. She was recently the Executive Director of Communications to the Ontario Premier, 2018-2020, overseeing the communication efforts of the entire provincial government. In this role she served as a senior counsellor to the Premier, media spokesperson, narrative builder for all government initiatives, and air-traffic controller of some 25 ministries and Premier's Office.

In addition to her extensive experience in government and politics, Ms. Hetmanczuk has worked with the construction, cannabis, alcohol, gambling, non-profit, media, health and energy sectors. She worked at the Ontario Lottery and Gaming Corporation as a policy advisor and recently at the government agency responsible for cannabis in Ontario, in strategic engagement. She is currently a principal at the Executive Advisory Firm, GT&Co.

Ms. Hetmanczuk holds a degree from the University of Toronto, and a graduate certificate in Public Relations from Humber College. Ms. Hetmanczuk is fluent in English, Ukrainian and French.

*Joseph Krutel (53), Director*

Joseph Krutel is an experienced entertainment executive and producer. Currently, he is the Executive Producer of upcoming television series Net Work with Academy Award director Antoine Fuqua. Most recently, Mr. Krutel was a producer for the widely acclaimed film, Critical Thinking featuring John Leguizamo and Michael K. Williams. He is also a producer on HBO's hit show, Ballers. The series is produced by Steven Levinson and Mark Wahlberg, featuring Dwayne Johnson and Rob Corddry, whose character is named Joe Krutel - a nod to Mr. Krutel's deal-making.

Mr. Krutel has also worked with iconic Director and Producer, Michael Mann, with a production role on Miami Vice. Additional credits include Disney's, The Crew, featuring Jeremy Piven, Richard Dreyfuss, and Burt Reynolds, as well as New Line Cinemas, Next Friday featuring Ice Cube and Mike Epps.

In addition to entertainment industry credits, Mr. Krutel is also known as a 'connector' bringing in mega brands such as Adidas, Nike, Under Armor, Range Rover, Audemars Piguet, for association with product placement and A-List talent. He is also affiliated with (ABG) Authentic Brands Group, eBoost Energy Drinks, TIDL Sport, Onward Athletics, (PFL) Professional Fighters League, Dita Eyewear, Ferrari of North America, and OODA eGaming Company.

*Anthony Zelen (49), Director*

Anthony Zelen has over 23 years of experience in finance, investor relations, start-ups and corporate development. He has served as a director and officer for a number of public companies listed both in the United States and Canada in roles relating to investor relations, public relations, financing and strategic marketing for companies in the technology, mining and oil and gas sectors. Mr. Zelen received an undergraduate degree from Simon Fraser University.

### **Election of Directors Post-Transaction**

It is proposed, and management recommends, in connection with the Transaction, that each of the persons named below be nominated at the Meeting for election or re-election, as the case may be, but subject to closing of the Transaction, as directors of the Corporation to serve, from the completion of the Transaction until the earlier of (i) the close of the next annual meeting of Shareholders; or (ii) his or her successor is elected or appointed, unless his or her office is vacated earlier. Voting for the election of each of the persons named below will be conducted on an individual, and not slate basis. Shareholders can vote for all of the proposed directors set forth herein, vote for some of them and withhold for others, or withhold for all of them.

Management does not contemplate that any of the nominees will be unable to serve as a director. However, if a nominee should be unable to so serve for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. The approval of the election of each director will require the affirmative vote of a majority of the votes cast at the Meeting.

**Common Shares represented by proxies in favour of management nominees will be voted FOR the election of all of the nominees whose names are set forth below, unless a Shareholder has specified in their proxy that their Common Shares are to be withheld from voting on the election of directors.**

The following table and the notes thereto state the names of all persons to be nominated for election as directors, all other positions or offices with the Corporation to be held by them, their principal occupations of employment, the year in which they became directors for the Corporation, the approximate number of Common Shares beneficially owned, or controlled, directly or indirectly, by each of them, as of the date hereof.

<b>Name and residence</b>	<b>Position(s) to held with Corporation post-Transaction</b>	<b>Principal occupation during past five years</b>	<b>Year first became director</b>	<b>Number of Common Shares, beneficially owned or controlled<sup>(1)</sup></b>
Jared Beber Toronto, ON	CEO and Director	Chief Executive Officer of SVH since March 15, 2022; Chief Financial Officer of SVH from July 2020 to March 2022; Director of Mergers and Acquisitions at Jonas Software from April 2018 to July 2020; Senior Associate at Ernst & Young LLP from October 2014 to April 2018	N/A	Nil

Name and residence	Position(s) to held with Corporation post-Transaction	Principal occupation during past five years	Year first became director	Number of Common Shares, beneficially owned or controlled <sup>(1)</sup>
Robin Godfrey <sup>(1)</sup> Toronto, Ontario	Director	Director of HEXO Corp., a licensed cannabis producer, since February 2022; Director of Kings Entertainment Inc. since July 2021; President of Brown Lab Industries Inc., a consulting and property management company, since January 2003; Director of Bragg Gaming Group Inc., an iGaming technology provider and owner of B2B companies, since October 2019	July 27, 2021	Nil
David Danziger Toronto, ON	Director	Partner at MNP LLP since 2013	N/A	Nil
Kevin Kirby Toronto, ON	Director	President and CEO of Freedom International Brokerage Company since 2015	N/A	Nil
Cory Levi Montreal, QC	Director	Founder and President of CORLEV Legal Inc. since 2021; Senior Attorney at Lazarus Charbonneau, a law firm, from 2011 to 2021	N/A	Nil
Hélène F. Fortin Montreal, QC	Director	Managing Partner of LFB cpa LLP (or its predecessor), an audit, tax and advisory firm, since 2015	N/A	Nil

**Notes:**

(1) Reference to Common Shares in this section refers to the pre-consolidated common shares of the Resulting Issuer (as defined below).

**Biographies of Directors Nominees**

*Jared Beber (30), Chief Executive Officer and Director*

Mr. Beber was the CEO, and previously served as the CFO, of SVH. Prior thereto, he was the head of M&A in North America at Jonas Software I Division of Constellation Software (TSX: CSU) which globally operates 90+ independently managed software companies. Mr. Beber was an integral part of the global corporate development team at Jonas Software which closed numerous acquisitions during his tenure. Mr. Beber is also a Certified Chartered Professional Accountant with previous experience in assurance and taxation at Ernst & Young LLP, a full service

audit and accounting firm.

*Robin Godfrey (48), Director*

See “*Particulars of Matters to be Acted Upon – Election of Directors – Biographies of Directors Nominees*” herein.

*David Danziger (65), Director*

Mr. Danziger is a chartered professional accountant and a partner at MNP LLP, Chartered Accountants, a full service audit and accounting firm. The focus of Mr. Danziger’s work at MNP LLP is public companies. Mr. Danziger is experienced in management consulting and business advisory services and has served and continues to serve on a number of public company boards including CPC’s. Mr. Danziger graduated with a B.Comm from the University of Toronto in 1978 and was designated a Chartered Accountant in 1983.

*Kevin Kirby (53), Director*

Mr. Kirby is the CEO and President of Freedom International Brokerage Company, a global brokerage businesses. Kevin joined Freedom in 1994 and became President & CEO in 2015.

*Cory Levi (40), Director*

Cory Levi is the founder of CORLEV Legal Inc. a law firm. His areas of practice are regulatory compliance, corporate structuring, contracts and start-up venture. Prior thereto, he was a partner at a boutique law firm in Montreal, working primarily in the gaming and corporate law departments. He is a member of the International Masters of Gaming Law and has been ranked by Chambers and Partners as one of Canada’s leading gaming attorneys. Mr. Levi has civil and common law degrees from the University of Ottawa along with a BA from Concordia University.

*Hélène F. Fortin (66), Director*

Hélène has served on boards of directors of large public and private corporations since 2003 which has provided her with exposure to best governance practices from a wide range of organizations. She has previously served on several boards including Loto Quebec, Concordia University and CBC Radio Canada, and currently serves as chair of the audit committees for UBS Bank (Canada) and VoiceAge Corporation; as a member of the Audit and Oversight Committee for the Senate of Canada and for the department of Justice Canada audit committee; as well as director for the Prince Albert II of Monaco (Canada) Foundation for the environment and biodiversity.

From 1982 to 2019, Hélène was actively involved with the Canadian Institute of Chartered Accountants (CPA Canada) including sitting on the Interprovincial Board of Evaluators and the Auditing and Assurance Standards Board during which time the 36 international standards of auditing were adopted in Canada. Hélène also participated in a series of acquisitions from 1985 to 1990 that punctuated the growth of Quebecor Inc (TSX QBR.B) and is actively involved with asset management and financing/funding strategies in her role as trustee and advisor for large pension plans, estates, and foundations.

Hélène F. Fortin FCPA auditor, FCA, ICD.D-IAS.A completed a Bachelor of Commerce – Finance and Accounting Magna Cum Laude from Concordia University and a post graduate Diploma in Public Accountancy from McGill University with honours.

### **Corporate Cease Trade Orders or Bankruptcies**

Other than as disclosed below, no existing or proposed director of the Corporation is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any other corporation that, while such person was acting in that capacity:

1. was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the

Corporation access to any exemptions under securities legislation, and that was in effect for a period of more than 30 consecutive days; or

2. was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the Corporation access to any exemptions under securities legislation, that was issued after that individual ceased to be a director or chief executive officer or chief financial officer and which resulted from an event that occurred while such person was acting in a capacity as a director, chief executive officer or chief financial officer.

Anthony Zelen, a director of the Company, was a director of New Wave Holdings Corp. (“**New Wave**”) a Canadian Securities Exchange listed company at the time a cease trade order was issued by the British Columbia Securities Commission on July 30, 2021 for not having filed its annual financial statements and management’s discussion and analysis for the year ended March 31, 2021. The cease trade order remains in effect and Mr. Zelen remains a director of New Wave.

No director or proposed director of the Corporation is, or has been within the past ten years, a director or executive officer of any other corporation that, while such person was acting in that capacity, or within a year of that individual 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.

#### **Individual Bankruptcies**

No director or proposed director of the Corporation is or has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

#### **Penalties or Sanctions**

No director or proposed director of the Corporation has been subject to 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. No director or proposed director of the Corporation has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

#### **Conflicts of Interest**

To the best of the Corporation’s knowledge, there are no known existing or potential conflicts of interest among the Corporation, proposed directors, executive officers or other members of management of the Corporation as a result of their outside business interests, except that certain proposed directors and officers may serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies.

#### **Approval and Ratification of Stock Option Plan**

The Corporation adopted a rolling stock option plan (the “**Option Plan**”) effective July 29, 2021, which provided for a total of 15% of the issued and outstanding Common Shares available for issuance thereunder. The Board approved an amendment (the “**Amendment**”) to the Option Plan to increase the number of Common Shares issuable under the Option Plan from 15% of the issued and outstanding Common Shares to 20% of the issued and outstanding Common Shares. Neither the Option Plan nor the Amendment have been approved by Shareholders.

The purpose of the Option Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified directors, officers, employees and consultants to contribute towards the long term goals of the Corporation. The granting of stock options to purchase Common Shares (“**Options**”) under the Option Plan is intended to align the interests of such persons with that of the Shareholders. The full text of the Option Plan, as amended by

the Amendment, is attached to this Circular as Schedule “A” and is also available upon written request made directly to the Corporation at its registered head office located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7, Attention: Chief Financial Officer.

The Option Plan is administered by the Board, a special committee of the Board (the “**Committee**”) or by an administrator appointed by the Board or the Committee (the “**Administrator**”) either of which will have full and final authority with respect to the granting of all Options thereunder. Options may be granted under the Option Plan to such directors, officers, employees or consultants of the Corporation, as the Board, the Committee or the Administrator may from time to time designate.

Subject to adjustment as provided for in the Option Plan, the aggregate number of Common Shares available for purchase pursuant to Options granted under the Option Plan will not exceed 20% of the number of Common Shares which are issued and outstanding on the particular date of grant. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Common Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to the Option Plan.

The exercise price at which an Option holder may purchase a Common Share upon the exercise of an Option is determined by the Board, the Committee or the Administrator, as applicable, and shall be set out in the Option certificate (an “**Option Certificate**”) issued in respect of the Option. The exercise price shall not be less than the price determined in accordance with CSE policies while, and if, the Common Shares are listed on the CSE.

The term of any Option granted under the Option Plan (the “**Term**”) is determined by the Board, the Committee or the Administrator, as applicable, at the time the Option is granted but, subject to earlier termination in the event of termination, or in the event of death or disability of the Option holder. In the event of death or disability, the Option shall expire on the earlier of the date which is one year following the date of disability or death and the applicable expiry date of the Option. Options granted under the Option Plan are not to be transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession. The Option Plan does not establish a maximum term for Options granted under the Option Plan.

Subject to such other terms or conditions that may be attached to Options granted under the Option Plan, an Option holder may exercise an Option in whole or in part at any time and from time to time during the Term. Any Option or part thereof not exercised within the Term shall terminate and become null, void and of no effect as of the date of expiry of the Option. The expiry date of an Option shall be the date so fixed by the Board, the Committee or the Administrator, as applicable, at the time the Option is granted as set out in the Option Certificate or, if no such date is set out in the Option Certificate for the applicable circumstances, the date established, if applicable, in paragraphs (a) or (b) below or in the event of death or disability (as discussed above) or in the event of certain triggering events occurring, as provided for under the Option Plan:

- (a) *Ceasing to Hold Office* – In the event that the Option holder holds his or her Option as an executive and such Option holder ceases to hold such position other than by reason of death or disability, the expiry date of the Option shall be, unless otherwise determined by the Board, the Committee or the Administrator, as applicable, and expressly provided for in the Option Certificate, the 30th day following the date the Option holder ceases to hold such position unless the Option holder ceases to hold such position as a result of:
  - (i) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Corporation;
  - (ii) a special resolution having been passed by the shareholders of the Corporation removing the Option holder as a director of the Corporation or any subsidiary; or
  - (iii) an order made by any regulatory authority having jurisdiction to so order;

in which case the expiry date shall be the date the Option holder ceases to hold such position; or

- (b) *Ceasing to be Employed or Engaged* - In the event that the Option holder holds his or her Option as an employee or consultant and such Option holder ceases to hold such position other than by reason of death or disability, the expiry date of the Option shall be, unless otherwise determined by the

Board, the Committee or the Administrator, as applicable, and expressly provided for in the Option Certificate, the 30th day following the date the Option holder ceases to hold such position, unless the Option holder ceases to hold such position as a result of:

- (i) termination for cause;
- (ii) resigning or terminating his or her position; or
- (iii) an order made by any regulatory authority having jurisdiction to so order;

in which case the expiry date shall be the date the Option holder ceases to hold such position.

In the event that the Option holder ceases to hold the position of executive, employee or consultant for which the Option was originally granted, but comes to hold a different position as an executive, employee or consultant prior to the expiry of the Option, the Committee, the Board or the Administrator, as applicable, may, in its sole discretion, choose to permit the Option to stay in place for that Option holder with such Option then to be treated as being held by that Option holder in his or her new position and such will not be considered to be an amendment to the Option in question requiring the consent of the Option Holder. Notwithstanding anything else contained in the Option Plan, in no case will an Option be exercisable later than the expiry date of the Option.

The Board, the Committee or the Administrator, as applicable, may amend the Option Plan or the terms of any Options granted thereunder, provided that where the amendment relates to an existing Option and would (i) materially decrease the rights and benefits accruing to the holder of such Option, or (ii) materially increase the obligations of the holder of such Option, the Committee must obtain consent to the amendment from the holder of such Option.

The Board has approved the grant of options (the “**Granted Options**”) under the Option Plan to certain officers, directors, and consultants of the Corporation or its subsidiaries, on the terms described below:

Position	Number of Options	Grant Date	Exercise Price	Expiry Date
Officers	1,825,000	January 24, 2022	\$0.50	January 24, 2027
Directors	525,000	January 24, 2022	\$0.50	January 24, 2027
Consultants	7,662,000	January 24, 2022	\$0.50	January 24, 2027
Officer	100,000	On or before closing of the Transaction	\$0.2775	The date that is five years following closing of the Transaction

The total number of Granted Options is equal to 10,112,000, representing approximately 14.77% of the Common Shares issued and outstanding as of the date hereof.

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to approve and authorize the following resolution (the “**Option Plan and Prior Grant Approval Resolution**”):

“BE IT RESOLVED, as an ordinary resolution of the shareholders of the Corporation, that:

1. The Corporation’s stock option plan, as amended, (the “**Option Plan**”) substantially in the form attached as Schedule “A” to and as described in the Corporation’s management information circular dated September 23, 2022 (the “**Circular**”) is hereby approved.
2. The prior grant of 3,265,650 stock options to purchase common shares of the Corporation pursuant to the Option Plan, representing approximately 5% of the Common Shares issued and outstanding as of the date of

the Circular, as more particularly described in the Circular, be and is hereby ratified and approved.

3. The adoption and approval of the Option Plan by the board of directors of the Corporation is hereby ratified and approved, and any one director or officer of the Corporation be and is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Corporation or otherwise, all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions.”

**The Board recommends that Shareholders vote FOR the Option Plan and Prior Grant Approval Resolution. In order to be effective, the Option Plan and Prior Grant Approval Resolution requires approval of a majority of the votes cast in respect thereof by Shareholders, present in person or by proxy at the Meeting. Unless the Shareholder has specified in the enclosed form of proxy that the Common Shares represented by such proxy are to be voted against the Option Plan and Prior Grant Approval Resolution, the persons named in the enclosed form of proxy will vote FOR the Option Plan and Prior Grant Approval Resolution.**

### **Transaction with Sports Venture Holdings Inc.**

#### *Background*

The Corporation was incorporated on February 27, 2020 with the intent of undergoing a transaction to become a reporting issuer and to list on a Canadian stock exchange. On December 30, 2021, the Corporation closed the acquisition of LottoKings Group and became a reporting issuer under applicable Canadian securities laws by filing a final prospectus. The Corporation ultimately listed its common shares on the Canadian Securities Exchange (the “CSE”) on January 24, 2022 under the symbol “JKPT”.

The industry in which the Corporation operates is fragmented and highly competitive. The Corporation believes that these risks can be mitigated through growth and acquisitions of complementary businesses. Accordingly, the Corporation’s publicly stated business plans include an acquisition strategy focused on acquiring businesses and technologies that will complement the Corporation’s business. In particular, the Corporation identified that it would target other businesses engaged in substantially the same business as the Corporation, with an established brand name and customer base, whose operations may be easily integrated with those of the Corporation.

Since its listing on the CSE, the Corporation engaged its financial and legal advisors to consider potential targets of acquisition. Management considered various targets and took meetings during this time to explore the potential of such acquisitions.

In H1 2022, representatives of the Corporation and Sports Venture Holdings Inc. (“SVH”), a corporation incorporated pursuant to the laws of Ontario, met to discuss the merits of a potential combination of their businesses. Recognizing that SVH and its Bet99 business was in line with the Corporation’s stated acquisition strategy and complimentary to the Corporation’s existing business, management determined to proceed with discussions with the SVH Team. Following further discussion concerning the companies’ respective businesses, the general terms of any potential transaction and the potential synergies, management considered that such a transaction could bring potential benefit to the Corporation and its stakeholders.

Following further discussions, SVH and the Corporation entered into a non-binding letter of intent with SVH dated as of April 16, 2022. In connection with the Transaction, it is intended that the Corporation will be re-named “Interactive Entertainment Group Inc.”, or such other name as may be agreed (the “**Resulting Issuer**”).

On May 24, 2022, the Corporation and SVH entered into an agreement (the “**Business Combination Agreement**”), to complete a business combination, pursuant to which 1000212177 Ontario Inc., a wholly-owned subsidiary of the Corporation (“**Subco**”), will acquire all of the issued and outstanding securities of SVH by way of a three-cornered amalgamation transaction (the “**Transaction**”). The completion of the Transaction will be effected pursuant to an amalgamation agreement (the “**Amalgamation Agreement**”) between SVH, Subco and the Corporation in the form of amalgamation agreement attached as Schedule “A” to the Business Combination Agreement.

#### *About SVH*

SVH is a holding company of subsidiaries that operate the Bet99 brand. SVH's Swiss subsidiary, BQC, operates BET99.com and BET99.net. Bet99.net, a 100% pure free-play website, is marketed throughout Canada. SVH's other subsidiary, Canco, operates and markets BET99.ca to residents of Ontario. Through the BET99 platform, the Resulting Issuer aims to become one of the market leaders in the Canadian online gaming industry by providing its customers with a comprehensive selection of gaming activities and offering a secure, trustworthy and recognized entertainment experience.

Additional details concerning SVH, the Resulting Issuer and the Transaction will be included in the listing statement required to be completed in connection with the Transaction under the polices of the CSE, which will be filed under the Resulting Issuer's profile on the CSE website and www.sedar.com. For review by shareholders, a preliminary draft of the Listing Statement is attached to this Circular as Appendix "A". The information contained in the draft listing statement may not be complete and remains subject to amendment and change. The draft listing statement and the documents incorporated therein contain information regarding certain contemplated transactions and events which are subject to change and modification. As a result, actual results, events and transactions may differ materially. The entire draft Listing Statement should be considered as "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws (forward-looking information and forward-looking statements being collectively hereinafter referred to as "forward-looking statements"). By their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation those risks outlined in the draft or final Listing Statement.

#### *About the Transaction*

Pursuant to the Business Combination Agreement, the Corporation will indirectly acquire all of the issued and outstanding common shares in the capital of SVH in exchange for Common Shares pursuant to an exchange ratio of 31.0724 pre-Consolidation Common Shares for each common share of SVH (collectively, the "**Exchange Ratio**"). In addition, all of the outstanding common share purchase warrants become exercisable for Common Shares as adjusted based on the Exchange Ratio, all outstanding out of the money SVH options will be cancelled and all the in the money SVH options will either be cashlessly exercised immediately prior to closing of the Transaction or become exercisable for Common Shares as adjusted based on the Exchange Ratio. Upon completion of the Transaction, shareholders of SVH will own a controlling interest in the issued and outstanding shares in the capital of the Corporation: following the completion of the Transaction, current SVH Shareholders will hold approximately 545 million pre-Consolidation Common Shares of the Resulting Issuer (excluding any shares of the Resulting Issuer issuable in connection with any financing transaction of equity securities of SVH or the Corporation prior to completion of the Transaction), representing approximately 85.82% of the shares of the Resulting Issuer issued and outstanding on a basic basis.

It is contemplated that immediately prior to the Transaction and subject to the rules of the CSE, the Corporation will complete a consolidation on the basis of its Common Shares on the basis of one (1) new common share in the capital of the Corporation for twenty (20) old common shares Share, or such other basis as agreed to between the KEG and SVH (the "**Consolidation**"). Further, KEG and SVH may elect to complete a financing transaction prior to the closing of the Transaction.

It is contemplated that in connection with the Transaction, the Corporation will change its name to "Interactive Entertainment Group Inc." or such other name as may be agreed (the "**Name Change**"). While relevant corporate law does not require the Corporation's shareholders to approve either the Consolidation or Name Change, the Corporation expects that it will need to obtain a new CUSIP/ISIN number as a result of the Consolidation and Name Change.

#### *Business Combination Agreement*

##### *Representations and Warranties*

The Business Combination Agreement contains customary representations and warranties of the Corporation relating

to, among other matters: (a) organization and qualification; (b) existence and ownership of subsidiaries; (c) registrations and good standing (d) authority and enforceability with respect to the Business Combination Agreement; (e) no violations and absence of defaults and conflicts; (f) capitalization; (g) convertible securities; (h) legal proceedings; (i) reporting status and securities law matters; (j) financial statements; (k) conduct of the business; (l) taxes; (m) compliance with laws; (n) required licenses, authorizations, consents and approvals; (o) intellectual property; (p) information technology and information technology breaches and security incidents; (q) data handling procedures; (r) investments; (s) ownership of assets; (t) material contracts; (u) restrictions on business activities; (v) change of control payments; (w) obligations with respect to third-party liabilities; (x) absence of material changes; (y) absence of discussions regarding amalgamation, merger, business combination, or similar transactions; (z) agreements with restrictions regarding termination; (aa) financial advisors; (bb) accuracy of information; (cc) third-party consents; (dd) condition and suitability of assets; (ee) compliance with corrupt practices legislation; (ff) labour and employment matters; (gg) interests of directors and officers in material transactions; (hh) indebtedness to directors and officers; (ii) undisclosed liabilities; (jj) enforceability of contracts.

The Business Combination Agreement contains customary representations and warranties of SVH relating to, among other matters: (a) organization and qualification; (b) existence and ownership of subsidiaries; (c) registrations and good standing; (d) authority and enforceability with respect to the Business Combination Agreement; (e) no violations and absence of defaults and conflicts; (f) capitalization; (g) convertible securities; (h) shareholders; (i) financial statements; (j) conduct of the business; (k) taxes; (l) compliance with laws; (m) required licenses, authorizations, consents and approvals; (n) intellectual property; (o) information technology and information technology breaches and security incidents; (p) data handling procedures; (q) legal proceedings; (r) absence of shareholder or similar agreements; (s) investments; (t) ownership of assets; (u) material contracts; (v) restrictions on business activities; (w) change of control payments; (x) obligations with respect to third-party liabilities; (y) absence of discussions regarding amalgamation, merger, business combination, or similar transactions; (z) agreements with restrictions regarding termination; (aa) reporting status and securities law matters; (bb) financial advisors; (cc) accuracy of information; (dd) third-party consents; (ee) condition and suitability of assets; (ff) compliance with corrupt practices legislation; (gg) compliance with anti-money laundering legislation; (hh) labour and employment matters; (ii) interests of directors and officers in material transactions; (jj) undisclosed liabilities; (kk) enforceability of contracts; and (ll) status under the *Investment Canada Act*.

#### *Interim Covenants*

The Corporation and SVH agreed to customary, mutual covenants that during the interim period between the signing of the Business Combination Agreement and the earlier of the closing of the Transaction and the termination of the Business Combination Agreement in accordance with its terms, the Corporation and SVH will each:

- conduct their business in the ordinary course;
- operate and maintain their assets in strict compliance with industry standards and applicable laws and regulations;
- notify the other party in the event of any Material Adverse Effect (as defined in the Business Combination Agreement),

and will each refrain from:

- amending their constating documents (except as required to give effect to the Transaction);
- declaring any dividend or other distribution;
- issuing any shares without prior approval of the other party;
- redeeming, purchasing or otherwise acquiring any of their outstanding securities;
- splitting, combining or reclassifying any of their shares other than pursuant to the Transaction or as contemplated in the Business Combination Agreement;
- reducing their stated capital;
- adopting a plan of liquidation or resolutions providing for liquidation, merger, consolidation or reorganization;
- incurring any debt except in the ordinary course or incurring any significant expenditure commitments without the prior commitment of the other party; and

- granting compensation increases to officers, directors, employees or consultants, except as is necessary to comply with applicable law or the existing provisions of applicable plans, programs, arrangements or agreements.

*Non-Solicitation and Termination*

The parties have agreed that during the interim period between the signing of the Business Combination Agreement and November 30, 2022 (the “**Outside Date**”), neither party shall solicit, discuss or otherwise facilitate any proposal, offer or enquiry relating to any (i) merger, amalgamation, consolidation, share exchange, recapitalization, reorganization, business combination, liquidation or dissolution involving themselves or any of their respective subsidiaries; (ii) any sale of any material asset(s) or any of their subsidiaries outside of the ordinary course of business, (iii) any take-over bid or tender-offer for, or offer to acquire or subscribe for, any of their securities or any of their subsidiaries, or (iv) any similar transaction or business combination involving either party or any of its subsidiaries (any proposal, offer or enquiry relating to the transactions described in (i) through (iv) being an “**Acquisition Proposal**”). The Business Combination Agreement further provides that if either party receives an Acquisition Proposal with which it is required to proceed in order for the respective directors to discharge their obligations pursuant to applicable laws, such party shall pay to the other party a termination fee in the amount of \$5,000,000.

The Business Combination Agreement provides that it may be terminated:

1. by mutual consent of SVH and the Corporation;
2. by either SVH or the Corporation if:
  - (a) approval of shareholders of SVH of all matters to be considered at the meeting of shareholders of SVH or approval of shareholders of the Corporation of all matters to be considered at the meeting of shareholders of the Corporation is not obtained, provided that the failure to obtain such approval has not been caused by, and is not a result of, a breach by the terminating party of any of its representations and warranties under the Business Combination Agreement or the failure of such party to perform any of its covenants or agreements under the Business Combination Agreement;
  - (b) after the date of the Business Combination Agreement, any law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Transaction illegal or otherwise permanently prohibits or enjoins SVH or the Corporation from consummating the Transaction, and such law has, if applicable, become final and non-appealable;
  - (c) the Effective Date (as defined in the Business Combination Agreement) does not occur prior to the Outside Date, provided that the failure of the Effective Date to so occur has not been caused by, and it not a result of, a breach by the terminating party of any of its representations and warranties under the Business Combination Agreement or the failure of such party to perform any of its covenants or agreements under the Business Combination Agreement;
3. by SVH if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Corporation occurs that would cause a closing condition in favour of SVH not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date; provided that SVH is not then in breach of the Business Combination Agreement so as to cause a closing condition in favour of the Corporation not to be satisfied;
4. by the Corporation if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of SVH occurs that would cause a closing condition in favour of the Corporation not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date; provided that the Corporation is not then in breach of the Business Combination Agreement so as to cause a closing condition in favour of SVH not to be satisfied;
5. by any party if it receives an Acquisition Proposal with which it is required to proceed in order for the

respective directors to discharge their obligations pursuant to applicable laws.

#### *Conditions Precedent*

The Transaction is conditional upon, among other things, the following mutual conditions precedent:

- the receipt by the applicable subsidiary of SVH of a license from the Alcohol and Gaming Commission of Ontario to be a registered internet gaming operator in the province of Ontario, which license was received on September 1, 2022;
- the approval of SVH shareholders of the amalgamation;
- all applicable securityholders shall have entered into the requisite escrow agreements and/or lock-up agreements required by the CSE;
- the approval of the Transaction by the Corporations' shareholders; and
- the receipt of all necessary regulatory and third-party consents, approvals and authorizations as may be required in respect of the Transaction, including from the CSE.

The Transaction is conditional upon, among other things, the following conditions precedent in favour of the Corporation:

- the representations and warranties of SVH are true and correct;
- SVH shall have fulfilled or complied, in all material respects, with all covenants contained in the Business Combination Agreement; and
- there shall not have occurred a Material Adverse Effect with respect to SVH.

The Transaction is conditional upon, among other things, the following conditions precedent in favour of SVH:

- the representations and warranties of the Corporation are true and correct;
- the Corporation shall have fulfilled or complied, in all material respects, with all covenants contained in the Business Combination Agreement;
- each of the required directors and officers of the Corporation and its subsidiaries shall have resigned from their respective positions;
- each of Jared Beber and Simon Legge shall have entered into employment agreements and restrictive covenant agreements with the Resulting Issuer; and
- there shall not have occurred a Material Adverse Effect with respect to the Corporation.

Upon completion of the Transaction, the business of the Resulting Issuer will be the combined businesses of Kings and SVH.

#### *Effect of the Amalgamation*

At the effective time of the Amalgamation, the amalgamation of SVH and SubCo and their continuance as one corporation, "Amalco", will be effective such that, among other things, (a) the property, rights and interests of each of SVH and SubCo will continue to be the property of Amalco; (b) Amalco will be a wholly-owned subsidiary of the Corporation; and (c) Amalco will continue to be liable for the obligations of each of SVH and SubCo.

Pursuant to the Amalgamation, (a) each issued and outstanding share of Subco will be cancelled and replaced by one issued and fully paid Amalco share for each Subco share held by the Corporation; (b) holders of issued and outstanding SVH shares (including former holders of SVH shares issued pursuant to any concurrent offering) will receive from the Corporation such number of fully paid Common Shares (for greater certainty, prior to any Consolidation) as is equal to the number of SVH shares so held multiplied by the Exchange Ratio, each such KEG share so issued (and any replacement securities issued following the Consolidation or otherwise) shall be issued subject to, and with, a legend restricting the sale of such Common Shares such that 1/24 of the shares of the Resulting Issuer subject to the legend restriction shall be released on closing of the Transaction followed by 23 subsequent releases of 1/24 every month thereafter; (c) SVH shares replaced by issued and fully paid Common Shares will be cancelled; and (d) in consideration of the issuance by the Corporation of the Common Shares, Amalco will issue to KEG one fully paid and

non-assessable Amalco share for each Common Share issued to former holders of SVH shares.

*Canadian Securities Exchange Matters*

The Transaction constitutes a “Fundamental Change” under Policy 8 of the CSE and is therefore subject to approval by a majority of the votes cast by Shareholders eligible to vote on the resolution at the Meeting and CSE approval. The Corporation has submitted a draft listing statement (Form 2A) (the “**Listing Statement**”), attached hereto as Schedule “B”, in respect of the proposed Transaction to the CSE for review and completion of the Fundamental Change and the Transaction remains subject to receipt of CSE approval. The Resulting Issuer has not yet been approved for listing by the CSE and completion of the Transaction is subject to the receipt of such approval.

The CSE will not approve a “Fundamental Change” or change of business proposed for an issuer that has been listed for a period of less than 12 months unless the issuer obtains approval from the “majority of the minority Shareholders”, being at least a majority of the votes cast on the Transaction Approval Resolution (as defined below) excluding votes attaching to Common Shares held by directors and officers of the Corporation and any shareholder that holds 10% or more of the issued and outstanding Common Shares. Defined terms mentioned in this paragraph but not otherwise defined in this Circular have the meanings given to such terms in Policy 1 of the Exchange.

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to approve and authorize the following resolutions in respect of the Transaction (the “**Transaction Approval Resolution**”):

“BE IT RESOLVED THAT:

1. the business combination transaction (the “**Transaction**”) between Sports Venture Holdings Inc. (“**SVH**”) and the Corporation pursuant to the terms of a business combination agreement (the “**Business Combination Agreement**”) dated May 24, 2022, between SVH and the Corporation, and as described in the management information circular of the Corporation dated September 23, 2022 be and the same are hereby ratified and approved;
2. the amalgamation agreement (the “**Amalgamation Agreement**”) among the Corporation, Subco, and SVH, and the actions of the officers of the Corporation in executing and delivering the Amalgamation Agreement and any amendments thereto, are hereby ratified and approved;
3. notwithstanding that this resolution has been passed (and the Transaction adopted) by the shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered, without further notice to, or approval of, the shareholders of the Corporation:
  - (a) to amend the Business Combination Agreement or the Amalgamation Agreement attached thereto to the extent permitted thereby; or
  - (b) subject to the terms of the Business Combination Agreement and the Amalgamation Agreement attached thereto, not to proceed with the Amalgamation;
4. any one director or officer of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute, whether under corporate seal of the Corporation or otherwise, and to deliver such documents as are necessary or desirable to give effect to the Transaction; and
5. any one director or officer of the Corporation is hereby authorized, for and on behalf and in the name of the Corporation, to execute and deliver, whether under corporate seal of the Corporation or otherwise, all such agreements, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to the foregoing resolutions and the Amalgamation Agreement, including:
  - (a) all actions required to be taken by or on behalf of the Corporation, and all necessary filings and

obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and

- (b) the signing of the certificates, consents and other documents or declarations required under the Amalgamation Agreement or otherwise to be entered into by the Corporation.”

The Board unanimously determined that the Transaction is fair to Shareholders, is in the best interests of the Corporation and the Shareholders and authorized the submission of the Transaction to Shareholders for approval.

In the course of its evaluation, the Board consulted with its management, financial advisors and legal advisors considered and relied upon a number of substantive factors, procedural safe guards, and risks and uncertainties, including the following: the ability of the Shareholders to participate in the business of the SVH and the synergies and opportunities that arise from combining the business of the Corporation and SVH under one public company; the Exchange Ratio and implied value of the Corporation; support from key shareholders; and other factors considered to be relevant by the Board.

In addition, the Corporation retained Cormark Securities Inc. (“**Cormark**”) as financial advisor to the Corporation and to provide an opinion as to the fairness, from a financial point of view, of the consideration to be received by Shareholders pursuant to the Transaction (the “**Fairness Opinion**”). The Fairness Opinion is attached hereto as Schedule “C”. On May 24, 2022, Cormark verbally delivered its opinion to the Board, and subsequently confirmed in writing, that as at the date thereof, the consideration to be received by Shareholders under the Transaction is fair from a financial point of view to the Shareholders. In connection with rendering its opinion, Cormark provided the Board with a detailed presentation to assist them in understanding the basis for the Fairness Opinion. The Corporation has agreed to pay Cormark a fee for its services in connection with the Transaction, a portion of which was paid at the rendering of Cormark’s opinion and a portion of which is contingent upon the consummation of the Transaction. The Corporation has also agreed to reimburse Cormark for its expenses incurred in connection with Cormark’s engagement and to indemnify Cormark against specified liabilities. The fairness opinion was provided solely for the information and assistance of the Board in connection with its consideration of the Transaction and is not a recommendation to any Shareholder as to how to vote or act on any matter relating to the Transaction. The Fairness Opinion was only one factor that the Board took into consideration in making its determination to recommend that the Shareholders vote in favour of the Transaction.

**The Board has unanimously approved the Transaction and recommends that Shareholders vote FOR the Transaction Approval Resolution. In order to be effective, the Transaction Approval Resolution requires approval of a majority of the eligible votes cast in respect thereof by Shareholders, present in person or by proxy at the Meeting. Unless the Shareholder has specified in the enclosed form of proxy that the Common Shares represented by such proxy are to be voted against the Transaction Approval Resolution, the persons named in the enclosed form of proxy will vote FOR the Transaction Approval Resolution.**

#### **Other Matters to Be Acted Upon**

As of the date of this Circular, management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, the accompanying proxy will be voted on such matters in the best judgment of the person or persons voting the proxy.

## STATEMENT OF EXECUTIVE COMPENSATION

Securities laws require that a “Statement of Executive Compensation” in accordance with Form 51- 102F6V (“the **Form**”) be included in this Circular. The Form prescribes the disclosure requirements in respect of the compensation of named executive officers and directors of reporting issuers.

The term “named executive officer” (“**NEO**”) means the Chief Executive Officer (“**CEO**”) and the Chief Financial Officer (“**CFO**”) of the Corporation and each of the three most highly compensated officers, other than the CEO and CFO, who were serving as at the most recently completed fiscal year and whose salary and bonus in the aggregate exceeded \$150,000.

### *KEG Compensation Discussion and Analysis*

As of the date of this Circular, KEG did not, during the two most recently completed financial years, pay any fees to its current directors or NEOs, except as disclosed below. The following is a compensation discussion and analysis in respect of the existing directors and NEOs of KEG.

### *Director and named executive officer compensation, excluding compensation securities*

The following table sets out all compensation, excluding compensation securities, paid, awarded, granted given or otherwise provided to all directors and NEOs by KEG in the most recently completed financial year ended December 31, 2021, for services provided, directly or indirectly, to KEG.

<b>Table of compensation excluding compensation securities</b>							
<b>Name and position</b>	<b>Year</b>	<b>Salary, consulting fee, retainer or commission (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or meeting (\$)</b>	<b>Value of perquisites (\$)</b>	<b>Value of all other(\$)</b>	<b>Total compensation (\$)</b>
Steve Budin, <sup>(1)(2)(3)</sup> Chief Executive Officer and Director	2021	USD\$300,000	n/a	n/a	n/a	n/a	USD\$300,000
	2020	USD\$150,015	n/a	n/a	n/a	n/a	USD\$150,015
Damian Goodwin, <sup>(4)</sup> Chief Operating Officer	2021	USD\$137,604	n/a	n/a	n/a	n/a	USD\$137,604
	2020	USD\$128,290	n/a	n/a	n/a	n/a	USD\$128,290
Kelvin Lee, <sup>(2)(3)(5)</sup> Chief Financial Officer, Corporate Secretary and Director	2021	n/a	n/a	n/a	n/a	n/a	n/a
	2020	n/a	n/a	n/a	n/a	n/a	n/a
James Dominique, <sup>(6)</sup> Chief Marketing Officer	2021	USD\$110,086	n/a	n/a	n/a	n/a	USD\$110,086
	2020	USD\$126,537	n/a	n/a	n/a	n/a	USD\$126,537
Robin Godfrey, <sup>(2)</sup> Director	2021	n/a	n/a	n/a	n/a	n/a	n/a
	2020	n/a	n/a	n/a	n/a	n/a	n/a
Joseph Krutel, <sup>(2)</sup> Director	2021	n/a	n/a	n/a	n/a	n/a	n/a
	2020	n/a	n/a	n/a	n/a	n/a	n/a
Laryssa Hetmanczuk, <sup>(2)</sup> Director	2021	n/a	n/a	n/a	n/a	n/a	n/a
	2020	n/a	n/a	n/a	n/a	n/a	n/a

Anthony Zelen, <sup>(2)</sup> Director	2021	n/a	n/a	n/a	n/a	n/a	n/a
	2020	n/a	n/a	n/a	n/a	n/a	n/a

**Notes:**

- (1) Mr. Budin was appointed as Chief Executive Officer on July 27, 2021.
- (2) All directors of the Company were appointed to the Board on July 27, 2021.
- (3) Messrs Budin and Lee do not and will not receive additional compensation for serving as directors of the Corporation.
- (4) Mr. Goodwin was appointed as Chief Operating Officer on July 27, 2021.
- (5) Mr. Lee was appointed as Chief Financial Officer on July 27, 2021.
- (6) Mr. Dominique was appointed as Chief Marketing Officer on July 27, 2021.

*Stock options and other compensation securities*

No compensation securities were granted or issued by KEG to any directors or NEOs in the financial year ended December 31, 2021 for services provided, directly or indirectly, to KEG. The following table sets out all compensation securities granted or issued to all directors and NEOs by KEG in the current financial year for services provided, directly or indirectly, to KEG.

Compensation Securities							
Name and position	Type of compensation security <sup>(1)</sup>	Number of compensation securities, number of underlying securities, and percentage of class <sup>(2)</sup>	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$) <sup>(3)</sup>	Closing price of security or underlying security at year end (\$) <sup>(3)</sup>	Expiry date
Steven Budin, Chief Executive Officer and Director	Options	1,250,000 (1.83%)	January 24, 2022	CAD\$0.50	CAD\$0.40	n/a	January 24, 2027
Damian Godwin, Chief Operating Officer	Options	250,000 (0.37%)	January 24, 2022	CAD\$0.50	CAD\$0.40	n/a	January 24, 2027
Kelvin Lee, Chief Financial Officer, Corporate Secretary and Director	Options	75,000 (0.11%)	January 24, 2022	CAD\$0.50	CAD\$0.40	n/a	January 24, 2027
James Dominique, Chief Marketing Officer	Options	250,000 (0.37%)	January 24, 2022	CAD\$0.50	CAD\$0.40	n/a	January 24, 2027
Robin Godfrey, Director	Options	125,000 (0.18%)	January 24, 2022	CAD\$0.50	CAD\$0.40	n/a	January 24, 2027
Joseph Krutel, Director	Options	75,000 (0.11%)	January 24, 2022	CAD\$0.50	CAD\$0.40	n/a	January 24, 2027
Laryssa Hetmanczuk, Director	Options	75,000 (0.11%)	January 24, 2022	CAD\$0.50	CAD\$0.40	n/a	January 24, 2027
Anthony Zelen, Director	Options	250,000 (0.37%)	January 24, 2022	CAD\$0.50	CAD\$0.40	n/a	January 24, 2027

**Notes:**

- (1) Granted pursuant to the Issuer's Option Plan as further described herein in the section entitled "Particulars of Matters to be Acted Upon – Approval and Ratification of Stock Option Plan".
- (2) These stock options vested immediately.
- (3) The Common Shares began trading on the CSE on January 24, 2022.

No options were exercised by NEOs or directors of KEG in the financial year ended December 31, 2021.

*Stock Option Plans and Other Incentive Plans*

See the section entitled “Particulars of Matters to be Acted Upon – Approval and Ratification of Stock Option Plan” for a description of the material features of the Option Plan.

#### *Employment, Consulting and Management Agreements*

Except as disclosed below, the Corporation is not party to any other employment, consulting or management agreement with a NEO or a person performing services of a similar capacity and there are no arrangements for compensation with respect to the termination of NEOs in the event of a change of control.

The Corporation entered into an employment agreement with Steven Budin, the Corporation’s CEO (the “**Budin Employment Agreement**”). Pursuant to the terms of the Budin Employment Agreement, the Corporation pays Mr. Budin an annual base salary of USD\$300,000.00 (the “**CEO Base Salary**”). Mr. Budin may earn an annual bonus of 100% of the CEO Base Salary based on the achievement of corporate objectives and Mr. Budin’s individual performance (the “**CEO Bonus**”). Mr. Budin may terminate the Budin Employment Agreement at any time by providing 60 days’ written notice to the Corporation. The Corporation may terminate the Budin Employment Agreement without cause by providing Mr. Budin with pay in lieu of notice equivalent to USD\$400,000, the CEO Bonus pro-rated for a 12 month term, and an additional USD\$200,000 to be paid no later than 12 months after the termination. If Mr. Budin is terminated without cause, and assuming he would be entitled to receive the full CEO Bonus, he would be entitled to an estimated severance payment of USD\$700,000 and an additional payment of USD\$200,000 to be paid within 12 months after the termination.

#### *Oversight and Description of Director and Named Executive Officer Compensation*

The Corporation does not have a compensation committee or a formal compensation policy. The Corporation relies solely on the directors to determine the compensation of the NEOs on an annual basis. In determining compensation, the directors consider industry standards and the Corporation’s financial situation, but the Corporation does not have any formal objectives or criteria. The performance of each executive officer is informally monitored by the directors, 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 Option Plan.

When considering the appropriate executive compensation to be paid to our officers, the Board have regard to a number of factors including: (i) recruiting and retaining executives 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. Compensation for the NEOs is composed primarily of three components: base fees, performance bonuses and stock based compensation.

#### *Salary*

Amounts paid to executive officers as base salary, including merit salary increases, are determined in accordance with an individual’s performance and salaries in the marketplace for comparable positions. However, certain NEOs provide their services in similar capacities to other reporting issuers, in addition to the Corporation. There is no mandatory framework that determines which of these factors may be more or less important and the emphasis placed on any of these factors may vary among the executive officers. The determination of base salaries relies principally on negotiations between the respective NEO and the Issuer and is therefore heavily discretionary.

### *Bonus*

The Corporation's cash bonus awards are designed to reward an executive for the direct contribution that he or she has made to the Corporation. NEOs are entitled to receive discretionary bonuses from time to time as determined or approved by the Board or the Chief Executive Officer, as applicable. The Corporation does not currently prescribe a set of formal objective measures to determine discretionary bonus entitlements. Rather the Corporation uses informal goals which may include an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Issuer. Precise goals or milestones are not pre-set by the Board.

### *Stock Option Grants*

Options are granted pursuant to the Option Plan as described above and in accordance with the rules of the CSE. The Option Plan is administered by the Board, which has authority to amend the Option Plan and the terms of the outstanding options, subject to applicable regulatory and shareholder approvals and provided that no amendment may materially impair the rights of existing option holders in respect of options outstanding prior to the amendment.

### *Pension Plan Benefits*

The Corporation does not currently provide any pension to its NEOs or directors.

### *Securities Authorized for Issuance Under Equity Compensation Plans*

No equity securities were authorized for issuance under any equity compensation plans as at December 31, 2021.

## **STATEMENT OF CORPORATE GOVERNANCE MATTERS**

### *Corporate Governance*

Pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”), the Corporation is required to disclose its corporate governance practices, as summarized below.

Corporate governance refers to the policies and structure of the board of directors of a corporation, whose members are elected by and are accountable to the shareholders of the corporation. 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 recognizes 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*

The Board will be composed of six directors.

Directors are considered to be independent if they have no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which could, in the opinion of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Board will exercise its independent judgment 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 Corporation's activities and to provide relevant information concerning the business of the Corporation in order to identify and manage risks. The Board will be responsible for monitoring the Corporation's senior officers, who in turn are responsible for the maintenance of internal controls and management information systems.

The independent members of the Board are Anthony Zelen, Robin Godfrey, Joseph Krutel, and Laryssa Hetmanczuk. Steven Budin and Kelvin Lee are non-independent members of the Board as they are both officers of the Corporation.

Following completion of the Transaction, and subject to being elected by the Shareholders, the independent members of the Board will be Kevin Kirby, David Danziger, Robin Godfrey, H el ene F. Fortin and Cory Levi. Jared Beber will be a non-independent member of the Board as he will be an officer of the Corporation.

Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

#### *Other Reporting Issuer Directorships*

The following directors of the Corporation are currently directors of other reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction:

<b>Name</b>	<b>Name of Reporting Issuer</b>	<b>Exchange</b>	<b>Position Held</b>	<b>Start Date</b>	<b>End Date</b>
Kelvin Lee	Mantaro Silver Corp.	TSXV	CFO	May 2021	Present
	Karam Minerals Inc.	CSE	CFO, Corporate Secretary and Director	September 2020	Present
	MegaWatt Lithium and Battery Metals Corp. (formerly Walcott Resources Ltd.)	CSE	CFO, Corporate Secretary and Director	July 2020	Present
Anthony Zelen	Jessy Ventures Corp.	TSXV	CEO and Director	August 2020	Present
	Paloma Resources Inc.	TSXV	CEO, Secretary and Director	May 2017	Present
	QMC Quantum Minerals Corp.	TSXV	Director	October 2014	Present
	Pure Extraction Corp.	TSXV	Director	April 2008	Present
	Hollister Biosciences Inc.	CSE	Director	November 2019	Present
	New Wave Holdings Corp.	CSE	Director	June 2020	Present
	Rex Resources Corp.	TSXV	Director	June 2020	Present
	Samurai Capital Corp.	TSXV	CEO and Director	July 2020	Present
Robin Godfrey	Bragg Gaming Group Inc.	TSX	Director	October 2019	Present

#### *Orientation and Continuing Education*

The Board has not adopted formal policies respecting continuing education for Board members. Board members are encouraged to communicate with management, legal counsel, auditors and consultants of the Corporation, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, and to attend related industry seminars and visit the Corporation's operations. Board members will have full access to the Corporation's records.

#### *Ethical Business Conduct*

The Board has not adopted formal guidelines to encourage and promote a culture of ethical business conduct but does promote ethical business conduct by nominating board members it considers ethical, by avoiding or minimizing conflicts of interest and by having a sufficient number of its Board members independent of corporate matters.

The Board has found that the fiduciary duties placed on individual directors by governing corporate legislation and the common law, and the restrictions placed by the BCBCA and/or CBCA, as applicable, on an individual director's participation in decisions of the Board in which the director has an interest, have helped to ensure that the Board operates independently of management and in the best interests of the Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of a company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, if a director of a company also serves as a director or officer of another company engaged in similar business activities to the first company, that director must comply with the conflict of interest provisions of the BCBCA and/or CBCA, as applicable, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors that evoke such a conflict.

#### *Nomination of Directors*

The Corporation does not have a stand-alone nomination committee. The full Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the industry are consulted for possible candidates.

#### *Compensation*

The Board will conduct reviews with regard to directors' and officers' compensation at least once a year. For information regarding the steps taken to determine compensation for the directors and the executive officers, see "*Statement of Executive Compensation*" herein.

#### *Other Board Committees*

The Board has no other committees other than the Audit Committee, the details of which are provided below.

#### *Assessment of Board Performance*

The Board of Directors will monitor the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees. On an ongoing annual basis, the Board will assess the performance of the Board as a whole, each of the individual directors and each committee of the Board in order to satisfy itself that each is functioning effectively.

### **AUDIT COMMITTEE INFORMATION**

#### *Audit Committee Charter*

The full text of the Audit Committee Charter is annexed hereto as Schedule "D".

The Audit Committee's mandate and responsibilities include: (i) reviewing and recommending for approval to the Board the financial statements, accounting policies that affect the statements, annual MD&A and associated press releases; (ii) being satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing those procedures; (iii) establishing and maintaining complaint procedures regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; (iv) overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing such other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) pre-approving all non-audit services to be provided to the Company or its subsidiary entities by the

external auditor; (vi) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company; and (vii) reviewing and approving the Company’s hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Company.

The Audit Committee is to meet at least quarterly to review financial statements and MD&A and to meet with the Company’s external auditors at least once a year.

*Composition of the Audit Committee*

The Audit Committee is comprised as follows:

Name	Independent/Not Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Robin Godfrey	Independent	Financially literate
Anthony Zelen (Chair)	Independent	Financially literate
Laryssa Hetmanczuk	Independent	Financially literate

**Notes:**

- (1) A member is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board of Directors, reasonably interfere with the exercise of that member’s independent judgment.
- (2) A member is financially literate if such member has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issued that can reasonably be expected to be raised by the Company’s financial statements.

*Relevant Education and Experience*

For a summary of the experience and education of the Audit Committee members see “Particulars of Matters to be Acted Upon – Election of Directors” and “Particulars of Matters to be Acted Upon – Election of Directors Post-Transaction” herein.

*Audit Committee Oversight*

At no time since the commencement of the Corporation’s financial year ended December 31, 2021 was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board.

*Reliance on Certain Exemptions*

At no time since the commencement of the Corporation’s financial year ended December 31, 2021 has the Corporation relied on the exemption provided under section 2.4 of NI 52-110 (De Minimis Non-Audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Corporation is relying on the exemption in section 6.1 of NI 52-110 regarding the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

*Pre-Approval Policies and Procedures*

The Corporation has not adopted specific pre-approval policies and procedures for the Audit Committee.

*Audit Fees*

The aggregate audit fees billed by the Corporations external auditors in each of the last two fiscal years are set out in the table below:

Entity	Financial Year Ended	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
<b>Kings Entertainment Group Inc.</b>	December 31, 2021	180,000	Nil	Nil	57,700

<b>LottoKings Group<sup>(3)</sup></b>	December 31, 2020	260,521.50	Nil	Nil	Nil
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**Notes:**

- (1) "Audit Fees" includes fees necessary to perform the annual audit of the Corporation's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the 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 review of the Prospectus and all other non-audit services.
- (5) LottoKings Group is comprised of Legacy Eight Curacao NV, Azteca Messenger Services S.A. de C.V. and Phoenix Digital Services Ltd.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As at the date of this Circular, there is no indebtedness outstanding of any current or former director, executive officer or employee of the Corporation or any of its subsidiaries which is owing to the Corporation or any of its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

No individual who is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, and no proposed nominee for election as a director of the Corporation, or any associate of any such director, executive officer or proposed nominee: (a) is or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries, or (b) has indebtedness to another entity that is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

## **OTHER INFORMATION**

### **Registrar and Transfer Agent**

The registrar and transfer agent of the Corporation is Olympia Trust Company at its Vancouver office located at Suite 1900, 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

### **Interest of Informed Persons in Material Transactions**

Except as disclosed in this Circular or the Schedules hereto, no informed person (as defined in National Instrument 51-102) or any proposed director of the Corporation, or any of the associates or affiliates of those persons, has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has, in either case, materially affected or would materially affect the Corporation or any of its subsidiaries.

### **Interests of Certain Persons in Matters to be Acted Upon**

Except as disclosed in this Circular or the Schedules hereto, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, or of any nominee for election as a director, or of any associate or affiliate of any such persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors. Certain directors and officers of the Corporation, and their affiliates, own or control, directly or indirectly, Common Shares. See "*Particulars of Matters to be Acted Upon – Election of Directors*" and "*Particulars of Matters to be Acted Upon – Election of Directors Post-Transaction*" herein

### **Additional Information**

Additional information relating to the Corporation is available through the internet on the Canadian System for

Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com). Financial information on the Corporation is provided in the comparative financial statements and management discussion and analysis of the Corporation for its most recently completed financial year which can also be accessed at [www.sedar.com](http://www.sedar.com) or which may be obtained upon request from the Corporation to the Corporate Secretary at Suite 1570-505 Burrard Street Vancouver, British Columbia, V7X 1M5.

#### **APPROVAL OF DIRECTORS**

The contents and sending of this Information Circular to the Shareholders of the Corporation have been approved by the Board.

**DATED** at Toronto, Ontario as of September 23, 2022.

#### **BY ORDER OF THE BOARD OF DIRECTORS**

*(Signed) "Steve Budin"*

Steve Budin  
Chief Executive Officer & Director

**SCHEDULE "A"**  
**OPTION PLAN**

See attached.

**KINGS ENTERTAINMENT GROUP INC.  
(formerly, 1242455 B.C. LTD.)**

**STOCK OPTION PLAN**

**DATED FOR REFERENCE JULY 29, 2021**

Approved by the board of directors effective on July 29, 2021

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## STOCK OPTION PLAN

### SECTION 1 DEFINITIONS AND INTERPRETATION

#### 1.1 Definitions

As used herein, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the meanings set forth below:

- (a) “**Administrator**” means such Executive or Employee of the Company as may be designated as Administrator by the Committee from time to time, or, if no such person is appointed, the Committee itself.
- (b) “**Associate**” means, where used to indicate a relationship with any person:
  - (i) any relative, including the spouse of that person or a relative of that person's spouse, where the relative has the same home as the person;
  - (ii) any partner, other than a limited partner, of that person;
  - (iii) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity; and
  - (iv) any corporation of which such person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the corporation.
- (c) “**Black-Out**” means a restriction imposed by the Company on all or any of its directors, officers, Employees, Insiders or persons in a special relationship whereby they are to refrain from trading in the Company's securities until the restriction has been lifted by the Company.
- (d) “**Board**” means the board of directors of the Company.
- (e) “**Change of Control**” means an occurrence when either:
  - (i) a Person, other than the current “control person” of the Company (as that term is defined in the *Securities Act*), becomes a “control person” of the Company; or
  - (ii) a majority of the directors elected at any annual or extraordinary general meeting of shareholders of the Company are not individuals nominated by the Company's then-incumbent Board.

- (f) “**Committee**” means a committee of the Board to which the responsibility of approving the grant of Options has been delegated, or if no such committee is appointed, the Board itself.
- (g) “**Company**” means Kings Entertainment Group Inc. (formerly, 1242455 B.C. Ltd.);
- (h) “**Consultant**” means an individual who:
  - (i) is engaged to provide, on an ongoing bona fide basis, consulting, technical, management or other services to the Company or any Subsidiary other than services provided in relation to a “distribution” (as that term is described in the *Securities Act*);
  - (ii) provides the services under a written contract between the Company or any Subsidiary and the individual or a Consultant Entity (as defined in clause (h)(v) below);
  - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any Subsidiary; and
  - (iv) has a relationship with the Company or any Subsidiary that enables the individual to be knowledgeable about the business and affairs of the Company or is otherwise permitted by applicable Regulatory Rules to be granted Options as a Consultant or as an equivalent thereof,

and includes:

- (i) a corporation of which the individual is an Employee or shareholder or a partnership of which the individual is an Employee or partner (a “**Consultant Entity**”); or
  - (ii) an RRSP or RRIF established by or for the individual under which he or she is the beneficiary.
- (i) “**CSE**” means the Canadian Securities Exchange.
  - (j) “**Disability**” means a medically determinable physical or mental impairment expected to result in death or to last for a continuous period of not less than 12 months, and which causes an individual to be unable to engage in any substantial gainful activity, or any other condition of impairment which cannot be accommodated under applicable human rights laws without imposing undue hardship on the Company or any Subsidiary employing or engaging the Person, that the Committee, acting reasonably, determines constitutes a disability.
  - (k) “**Employee**” means:

- (i) an individual who works full-time or part-time for the Company or any Subsidiary and such other individual as may, from time to time, be permitted by applicable Regulatory Rules to be granted Options as an Employee or as an equivalent thereto; or
- (ii) an individual who works for the Company or any Subsidiary either full-time or on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an Employee and who is subject to the same control and direction by the Company or any Subsidiary over the details and methods of work as an Employee of the Company or any Subsidiary, but for whom income tax deductions are not made at source,

and includes:

- (i) a corporation wholly-owned by such individual; and
  - (ii) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
- (l) “**Exchange**” means the stock exchange upon which the Company’s shares principally trade.
- (m) “**Executive**” means an individual who is a director or officer of the Company or a Subsidiary, and includes:
- (i) a corporation wholly-owned by such individual; and
  - (ii) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
- (n) “**Exercise Notice**” means the written notice of the exercise of an Option, in the form set out as Schedule B hereto, or by written notice in the case of uncertificated Shares, duly executed by the Option Holder.
- (o) “**Exercise Period**” means the period during which a particular Option may be exercised and is the period from and including the Grant Date through to and including the Expiry Time on the Expiry Date provided, however, that the Option has Vested pursuant to the terms and conditions of this Plan and any additional terms and conditions imposed by the Committee, and that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (p) “**Exercise Price**” means the price at which an Option is exercisable as determined in accordance with section 5.3.
- (q) “**Expiry Date**” means the date the Option expires as set out in the Option Certificate or as otherwise determined in accordance with sections 5.4, 6.2, 6.3, 6.4 or 11.4.

- (r) “**Expiry Time**” means the time the Option expires on the Expiry Date, which is 4:00 p.m. local time in Vancouver, British Columbia on the Expiry Date.
- (s) “**Grant Date**” means the date on which the Committee grants a particular Option, which is the date the Option comes into effect provided however that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (t) “**Insider**” means an insider as that term is defined in the *Securities Act*.
- (u) “**Investor Relations Activities**” means any activities, by or on behalf of the Company or shareholder of the Company, that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:
  - (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company
    - (A) to promote the sale of products or services of the Company, or
    - (B) to raise public awareness of the Company,that cannot reasonably be considered to promote the purchase or sale of securities of the Company;
  - (ii) activities or communications necessary to comply with the requirements of:
    - (A) applicable securities laws;
    - (B) Exchange requirements or the by-laws, rules or other regulatory instruments of any other self-regulatory body or exchange having jurisdiction over the Company;
  - (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if:
    - (A) the communication is only through the newspaper, magazine or publication, and
    - (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
  - (iv) activities or communications that may be otherwise specified by the Exchange.
- (v) “**Market Value**” means the market value of the Shares as determined in accordance with section 5.3.

- (w) “**NI 45-106**” means National Instrument 45-106—*Prospectus Exemptions*.
- (x) “**Option**” means an incentive share purchase option granted pursuant to this Plan entitling the Option Holder to purchase Shares of the Company.
- (y) “**Option Certificate**” means the certificate, in substantially the form set out as Schedule A hereto, evidencing the Option.
- (z) “**Option Holder**” means a Person who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.
- (aa) “**Outstanding Issue**” means the number of Shares that are outstanding (on a non-diluted basis) immediately prior to the Share issuance or grant of Option in question.
- (bb) “**Person**” means an individual, natural person, corporation, government or political subdivision or agency of a government, and where two or more persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such partnership, limited partnership, syndicate or group shall be deemed to be a Person.
- (cc) “**Personal Representative**” means:
  - (i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and
  - (ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder.
- (dd) “**Plan**” means this stock option plan as from time to time amended.
- (ee) “**Regulatory Approvals**” means any necessary approvals of the Regulatory Authorities as may be required from time to time for the implementation, operation or amendment of this Plan or for the Options granted from time to time hereunder.
- (ff) “**Regulatory Authorities**” means all organized trading facilities on which the Shares are listed, and all securities commissions or similar securities regulatory bodies having jurisdiction over the Company, this Plan or the Options granted from time to time hereunder.
- (gg) “**Regulatory Rules**” means all corporate and securities laws, regulations, rules, policies, notices, instruments and other orders of any kind whatsoever which may, from time to time, apply to the implementation, operation or amendment of this Plan or the Options granted from time to time hereunder including, without limitation, those of the applicable Regulatory Authorities.

- (hh) “**Related Entity**” means a Person that is controlled by the Company. For the purposes of this Plan, a Person (first person) is considered to control another Person (second person) if the first Person, directly or indirectly, has the power to direct the management and policies of the second person by virtue of
- (i) ownership of or direction over voting securities in the second Person,
  - (ii) a written agreement or indenture,
  - (iii) being the general partner or controlling the general partner of the second Person, or
  - (iv) being a trustee of the second Person.
- (ii) “**Related Person**” means:
- (i) a Related Entity of the Company;
  - (ii) a partner, director or officer of the Company or Related Entity;
  - (iii) a promoter of or Person who performs Investor Relations Activities for the Company or Related Entity; and
  - (iv) any Person that beneficially owns, either directly or indirectly, or exercises voting control or direction over at least 10% of the total voting rights attached to all voting securities of the Company or Related Entity.
- (jj) “**Securities Act**” means the *Securities Act* (British Columbia), RSBC 1996, c.418 as from time to time amended.
- (kk) “**Share**” or “**Shares**” means, as the case may be, one or more common shares without par value in the capital stock of the Company.
- (ll) “**Subsidiary**” means a wholly-owned or controlled subsidiary corporation of the Company.
- (mm) “**Triggering Event**” means:
- (i) the proposed dissolution, liquidation or wind-up of the Company;
  - (ii) a proposed merger, amalgamation, arrangement or reorganization of the Company with one or more corporations as a result of which, immediately following such event, the shareholders of the Company as a group, as they were immediately prior to such event, are expected to hold less than a majority of the outstanding capital stock of the surviving corporation;
  - (iii) the proposed acquisition of all or substantially all of the issued and outstanding shares of the Company by one or more Persons;

- (iv) a proposed Change of Control of the Company;
  - (v) the proposed sale or other disposition of all or substantially all of the assets of the Company; or
  - (vi) a proposed material alteration of the capital structure of the Company which, in the opinion of the Committee, is of such a nature that it is not practical or feasible to make adjustments to this Plan or to the Options granted hereunder to permit the Plan and Options granted hereunder to stay in effect.
- (nn) “Vest”, “Vesting” or “Vested” means that a portion of the Option granted to the Option Holder which is available to be exercised by the Option Holder at any time and from time to time.

## 1.2 **Choice of Law**

The Plan is established under, and the provisions of the Plan shall be subject to and interpreted and construed solely in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein without giving effect to the conflicts of laws principles thereof and without reference to the laws of any other jurisdiction. The Company and each Option Holder hereby attorn to the jurisdiction of the Courts of British Columbia.

## 1.3 **Headings**

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

# SECTION 2 GRANT OF OPTIONS

## 2.1 **Grant of Options**

The Committee shall, from time to time in its sole discretion, grant Options to such Persons and on such terms and conditions as are permitted under this Plan.

## 2.2 **Record of Option Grants**

The Committee shall be responsible to maintain a record of all Options granted under this Plan and such record shall contain, in respect of each Option:

- (a) the name and address of the Option Holder;
- (b) the category (Executive, Employee or Consultant) under which the Option was granted to him, her or it;
- (c) the Grant Date and Expiry Date of the Option;
- (d) the number of Shares which may be acquired on the exercise of the Option and the Exercise Price of the Option;

- (e) the Vesting and other additional terms, if any, attached to the Option; and
- (f) the particulars of each and every time the Option is exercised.

### 2.3 **Effect of Plan**

All Options granted pursuant to the Plan shall be subject to the terms and conditions of the Plan notwithstanding the fact that the Option Certificates issued in respect thereof do not expressly contain such terms and conditions but instead incorporate them by reference to the Plan. The Option Certificates will be issued for convenience only and in the case of a dispute with regard to any matter in respect thereof, the provisions of the Plan and the records of the Company shall prevail over the terms and conditions in the Option Certificate, save and except as noted below. Each Option will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Certificate for such Option. Should the terms and conditions contained in such schedules be inconsistent with the provisions of the Plan, such terms and conditions will supersede the provisions of the Plan.

### 2.4 **Hold Period**

Pursuant to the policies of the Exchange, where a hold period is applicable, the Option Certificate will include a legend stipulating that the Option is and the Shares upon the exercise of the Option are subject to a four-month hold period commencing on the date of distribution of the Option.

## **SECTION 3 PURPOSE AND PARTICIPATION**

### 3.1 **Purpose of Plan**

The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Executives, Employees and Consultants to contribute toward the long term goals of the Company, and to encourage such individuals to acquire Shares of the Company as long term investments.

### 3.2 **Participation in Plan**

The Committee shall, from time to time and in its sole discretion, determine those Executives, Employees and Consultants to whom Options are to be granted.

### 3.3 **Limits on Option Grants**

The Company shall only grant Options under this Plan in accordance with Section 10 hereof and, for greater certainty, may not grant any Options under this Plan unless an exemption under NI 45-106 is available. For so long as the Company is not a reporting issuer or is otherwise a reporting issuer but listed on the CSE, Section 2.24 of NI 45-106 shall not apply to the Plan and all Options granted thereunder to any Employees or Consultants who are engaged in Investor Relations Activities for the Company, any associated Consultant, any executive officer of the

Company, any director of the Company or any permitted assign of those Persons if, after the grant:

- (a) the number of securities, calculated on a fully diluted basis, reserved for issuance under options granted to
  - (i) Related Persons, exceeds 10% of the outstanding securities of the Company, or
  - (ii) a Related Person, exceeds 5% of the outstanding securities of the Company, or
- (b) the number of securities, calculated on a fully diluted basis, issued within 12 months to
  - (i) Related Persons, exceeds 10% of the outstanding securities of the Company, or
  - (ii) a Related Person and the associates of the Related Person, exceeds 5% of the outstanding securities of the Company;

unless the Company obtains security holder approval in accordance with the Regulatory Rules, including the requirements under NI 45-106.

### 3.4 **Limits on Option Grants for Investor Relations Activities**

The maximum number of Options which may be granted within an 12 month period to Employees or Consultants engaged in Investor Relations Activities must not exceed 1% of the Outstanding Issue.

### 3.5 **Notification of Grant**

Following the granting of an Option, the Administrator shall, within a reasonable period of time, notify the Option Holder in writing of the grant and shall enclose with such notice the Option Certificate representing the Option so granted. In no case will the Company be required to deliver an Option Certificate to an Option Holder until such time as the Company has obtained all necessary Regulatory Approvals for the grant of the Option.

### 3.6 **Copy of Plan**

Each Option Holder, concurrently with the notice of the grant of the Option, shall be provided with a copy of the Plan. A copy of any amendment to the Plan shall be promptly provided by the Administrator to each Option Holder.

### 3.7 **Limitation on Service**

The Plan does not give any Option Holder that is an Executive the right to serve or continue to serve as an Executive of the Company or any Subsidiary, nor does it give any Option Holder that

is an Employee or Consultant the right to be or to continue to be employed or engaged by the Company or any Subsidiary.

3.8 **No Obligation to Exercise**

Option Holders shall be under no obligation to exercise Options.

3.9 **Agreement**

The Company and every Option Holder granted an Option hereunder shall be bound by and subject to the terms and conditions of this Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Company to be bound by the terms and conditions of this Plan. In the event that the Option Holder receives his, her or its Options pursuant to an oral or written agreement with the Company or a Subsidiary, whether such agreement is an employment agreement, consulting agreement or any other kind of agreement of any kind whatsoever, the Option Holder acknowledges that in the event of any inconsistency between the terms relating to the grant of such Options in that agreement and the terms attaching to the Options as provided for in this Plan, the terms provided for in this Plan shall prevail and the other agreement shall be deemed to have been amended accordingly.

3.10 **Notice**

Any notice, delivery or other correspondence of any kind whatsoever to be provided by the Company to an Option Holder will be deemed to have been provided if provided to the last home address, fax number or email address of the Option Holder in the records of the Company and the Company shall be under no obligation to confirm receipt or delivery.

3.11 **Representation**

As a condition precedent to the issuance of an Option, the Company must be able to represent to the Exchange as of the Grant Date that the Option Holder is a *bona fide* Executive, Employee or Consultant of the Company or any Subsidiary.

**SECTION 4  
NUMBER OF SHARES UNDER PLAN**

4.1 **Committee to Approve Issuance of Shares**

The Committee shall approve by resolution the issuance of all Shares to be issued to Option Holders upon the exercise of Options, such authorization to be deemed effective as of the Grant Date of such Options regardless of when it is actually done. The Committee shall be entitled to approve the issuance of Shares in advance of the Grant Date, retroactively after the Grant Date, or by a general approval of this Plan.

#### 4.2 **Number of Shares**

Subject to adjustment as provided for herein, the number of Shares which will be available for purchase pursuant to Options granted pursuant to this Plan, plus any other outstanding incentive stock options of the Company granted pursuant to a previous stock option plan or agreement, will not exceed 15% of the Outstanding Issue. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to this Plan.

#### 4.3 **Fractional Shares**

No fractional shares shall be issued upon the exercise of any Option and, if as a result of any adjustment, an Option Holder would become entitled to a fractional share, such Option Holder shall have the right to purchase only the next lowest whole number of Shares and no payment or other adjustment will be made for the fractional interest.

### **SECTION 5 TERMS AND CONDITIONS OF OPTIONS**

#### 5.1 **Exercise Period of Option**

Subject to sections 5.4, 6.2, 6.3, 6.4 and 11.4, the Grant Date and the Expiry Date of an Option shall be the dates fixed by the Committee at the time the Option is granted and shall be set out in the Option Certificate issued in respect of such Option.

#### 5.2 **Number of Shares Under Option**

The number of Shares which may be purchased pursuant to an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option.

#### 5.3 **Exercise Price of Option**

The Exercise Price at which an Option Holder may purchase a Share upon the exercise of an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option. Notwithstanding the foregoing, the Exercise Price shall not be less than the Market Value of the Shares as of the Grant Date. The Market Value of the Shares for a particular Grant Date shall be determined as follows:

- (a) if the Company's Shares are listed on the CSE, and the Committee determines the CSE to be the Company's primary Exchange, Market Value will be the greater of the closing trading price of the Shares on (i) the trading day prior to the Grant Date and (ii) the Grant Date;
- (b) subject to subparagraph (a) above, for each organized trading facility on which the Shares are listed, Market Value will be the closing trading price of the Shares on

the day immediately preceding the Grant Date, and may be less than this price if it is within the discounts permitted by the applicable Regulatory Authorities;

- (c) if the Company's Shares are listed on more than one organized trading facility, the Market Value shall be the Market Value as determined in accordance with subparagraphs (a) or (b) above for the primary organized trading facility on which the Shares are listed, as determined by the Committee, subject to any adjustments as may be required to secure all necessary Regulatory Approvals;
- (d) subject to subparagraph (a), if the Company's Shares are listed on one or more organized trading facilities but have not traded during the ten trading days immediately preceding the Grant Date, then the Market Value will be, subject to any adjustments as may be required to secure all necessary Regulatory Approvals, such value as is determined by the Committee; and
- (e) if the Company's Shares are not listed on any organized trading facility, then the Market Value will be, subject to any adjustments as may be required to secure all necessary Regulatory Approvals, such value as is determined by the Committee to be the fair value of the Shares, taking into consideration all factors that the Committee deems appropriate, including, without limitation, recent sale and offer prices of the Shares in private transactions negotiated at arms' length. Notwithstanding anything else contained herein, in no case will the Market Value be less than the minimum prescribed by each of the organized trading facilities that would apply to the Company on the Grant Date in question.

#### 5.4 **Termination of Option**

Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period shall terminate and become null, void and of no effect as of the Expiry Time on the Expiry Date. The Expiry Date of an Option shall be the earlier of the date so fixed by the Committee at the time the Option is granted as set out in the Option Certificate and the date established, if applicable, in paragraphs (a) or (b) below or sections 6.2, 6.3, 6.4 or 11.4 of this Plan:

- (a) *Ceasing to Hold Office* - In the event that the Option Holder holds his or her Option as an Executive and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise determined by the Committee and expressly provided for in the Option Certificate, the 30th day following the date the Option Holder ceases to hold such position unless the Option Holder ceases to hold such position as a result of:
  - (i) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Company;
  - (ii) a special resolution having been passed by the shareholders of the Company removing the Option Holder as a director of the Company or any Subsidiary;  
or

(iii) an order made by any Regulatory Authority having jurisdiction to so order, in which case the Expiry Date shall be the date the Option Holder ceases to hold such position; OR

(b) *Ceasing to be Employed or Engaged* - In the event that the Option Holder holds his or her Option as an Employee or Consultant and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise determined by the Committee and expressly provided for in the Option Certificate, the 30th day following the date the Option Holder ceases to hold such position, unless the Option Holder ceases to hold such position as a result of:

(i) termination for cause;

(ii) resigning his or her position; or

(iii) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position.

In the event that the Option Holder ceases to hold the position of Executive, Employee or Consultant for which the Option was originally granted, but comes to hold a different position as an Executive, Employee or Consultant prior to the expiry of the Option, the Committee may, in its sole discretion, choose to permit the Option to stay in place for that Option Holder with such Option then to be treated as being held by that Option Holder in his or her new position and such will not be considered to be an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan. Notwithstanding anything else contained herein, in no case will an Option be exercisable later than the Expiry Date of the Option.

## 5.5 **Vesting of Option and Acceleration**

The Vesting schedule for an Option, if any, shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option. The Committee may elect, at any time, to accelerate the Vesting schedule of one or more Options including, without limitation, on a Triggering Event, and such acceleration will not be considered an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan.

## 5.6 **Additional Terms**

Subject to all applicable Regulatory Rules and all necessary Regulatory Approvals, the Committee may attach additional terms and conditions to the grant of a particular Option, such terms and conditions to be set out in a schedule attached to the Option Certificate. The Option Certificates will be issued for convenience only, and in the case of a dispute with regard to any matter in respect thereof, the provisions of this Plan and the records of the Company shall prevail over the terms and conditions in the Option Certificate, save and except as noted below. Each Option will also be

subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Certificate for such Option. Should the terms and conditions contained in such schedules be inconsistent with the provisions of the Plan, such terms and conditions will supersede the provisions of the Plan.

## SECTION 6 TRANSFERABILITY OF OPTIONS

### 6.1 **Non-transferable**

Except as provided otherwise in this Section 6, Options are non-assignable and non-transferable.

### 6.2 **Death of Option Holder**

In the event of the Option Holder's death, any Options held by such Option Holder shall pass to the Personal Representative of the Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the date of death and the applicable Expiry Date.

### 6.3 **Disability of Option Holder**

If the employment or engagement of an Option Holder as an Employee or Consultant or the position of an Option Holder as a director or officer of the Company or a Subsidiary is terminated by the Company by reason of such Option Holder's Disability, any Options held by such Option Holder shall be exercisable by such Option Holder or by the Personal Representative on or before the date which is the earlier of one year following the termination of employment, engagement or appointment as a director or officer and the applicable Expiry Date.

### 6.4 **Disability and Death of Option Holder**

If an Option Holder has ceased to be employed, engaged or appointed as a director or officer of the Company or a Subsidiary by reason of such Option Holder's Disability and such Option Holder dies within one year after the termination of such engagement, any Options held by such Option Holder that could have been exercised immediately prior to his or her death shall pass to the Personal Representative of such Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the death of such Option Holder and the applicable Expiry Date.

## 6.5 **Vesting**

Unless the Committee determines otherwise, Options held by or exercisable by a Personal Representative shall, during the period prior to their termination, continue to Vest in accordance with any Vesting schedule to which such Options are subject.

## 6.6 **Deemed Non-Interruption of Engagement**

Employment or engagement by the Company shall be deemed to continue intact during any military or sick leave or other *bona fide* leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Option Holder's right to re-employment or re-engagement by the Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Option Holder's re-employment or re-engagement is not so guaranteed, then his or her employment or engagement shall be deemed to have terminated on the ninety-first day of such leave.

# SECTION 7 EXERCISE OF OPTION

## 7.1 **Exercise of Option**

An Option may be exercised only by the Option Holder or the Personal Representative of any Option Holder. An Option Holder or the Personal Representative of any Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period up to the Expiry Time on the Expiry Date by delivering to the Administrator the required Exercise Notice, or by written notice in the case of uncertificated Shares, the applicable Option Certificate and a certified cheque or bank draft or wire transfer payable to the Company or its legal counsel in an amount equal to the aggregate Exercise Price of the Shares then being purchased pursuant to the exercise of the Option. Notwithstanding anything else contained herein, Options may not be exercised during a Black-Out unless the Committee determines otherwise.

## 7.2 **Black Out Period**

If an Option expires, terminates or is cancelled (other than an expiry, termination or cancellation pursuant to section 5.4(a) or section 5.4(b) above) within or immediately after a Black-Out, the Holder may elect for the term of such Option to be extended to the date which is ten (10) business days after the last day of the Black-Out; provided, that, the expiration date as extended by this section 7.2 will not in any event be beyond the later of: (i) December 31 of the calendar year in which the Option was otherwise due to expire; and (ii) the 15th day of the third month following the month in which the Option was otherwise due to expire.

## 7.3 **Issue of Share Certificates**

As soon as reasonably practicable following the receipt of the notice of exercise as described in section 7.1 and payment in full for the Optioned Shares being acquired, the Administrator will direct its transfer agent to issue to the Option Holder the appropriate number of Shares in either certificate form or at the election of the Option Holder, on an uncertificated basis pursuant to the

instructions given by the Option Holder to the Administrator. If the number of Shares so purchased is less than the number of Shares subject to the Option Certificate surrendered, the Administrator shall also provide a new Option Certificate for the balance of Shares available under the Option to the Option Holder concurrent with delivery of the Shares.

#### 7.4 **No Rights as Shareholder**

Until the date of the issuance of the certificate for the Shares purchased pursuant to the exercise of an Option, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option, unless the Committee determines otherwise. In the event of any dispute over the date of the issuance of the Shares, the decision of the Committee shall be final, conclusive and binding.

#### 7.5 **Tax Withholding and Procedures**

Notwithstanding anything else contained in this Plan, the Company may, from time to time, implement such procedures and conditions as it determines appropriate with respect to the withholding and remittance of taxes imposed under applicable law, or the funding of related amounts for which liability may arise under such applicable law. Without limiting the generality of the foregoing, an Option Holder who wishes to exercise an Option must, in addition to following the procedures set out in section 7.1 and elsewhere in this Plan, and as a condition of exercise:

- (a) deliver a certified cheque, wire transfer or bank draft payable to the Company for the amount determined by the Company to be the appropriate amount on account of such taxes or related amounts; or
- (b) otherwise ensure, in a manner acceptable to the Company (if at all) in its sole and unfettered discretion, that the amount will be securely funded;
- (c) and must in all other respects follow any related procedures and conditions imposed by the Company.

### **SECTION 8 ADMINISTRATION**

#### 8.1 **Board or Committee**

The Plan shall be administered by the Administrator with oversight by the Committee.

#### 8.2 **Powers of Committee**

The Committee shall have the authority to do the following:

- (a) oversee the administration of the Plan in accordance with its terms;
- (b) appoint or replace the Administrator from time to time;

- (c) determine all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the Market Value;
- (d) correct any defect, supply any information or reconcile any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan;
- (e) prescribe, amend, and rescind rules and regulations relating to the administration of the Plan;
- (f) determine the duration and purposes of leaves of absence from employment or engagement by the Company which may be granted to Option Holders without constituting a termination of employment or engagement for purposes of the Plan;
- (g) do the following with respect to the granting of Options:
  - (i) determine the Executives, Employees or Consultants to whom Options shall be granted, based on the eligibility criteria set out in this Plan;
  - (ii) determine the terms of the Option to be granted to an Option Holder including, without limitation, the Grant Date, Expiry Date, Exercise Price and Vesting schedule (which need not be identical with the terms of any other Option);
  - (iii) subject to any necessary Regulatory Approvals and section 9.2, amend the terms of any Options;
  - (iv) determine when Options shall be granted; and
  - (v) determine the number of Shares subject to each Option;
- (h) accelerate the Vesting schedule of any Option previously granted; and
- (i) make all other determinations necessary or advisable, in its sole discretion, for the administration of the Plan.

### 8.3 **Administration by Committee**

All determinations made by the Committee in good faith shall be final, conclusive and binding upon all persons. The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan.

### 8.4 **Interpretation**

The interpretation by the Committee of any of the provisions of the Plan and any determination by it pursuant thereto shall be final, conclusive and binding and shall not be subject to dispute by any Option Holder. No member of the Committee or any person acting pursuant to authority delegated by it hereunder shall be personally liable for any action or determination in connection with the

Plan made or taken in good faith and each member of the Committee and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

## **SECTION 9 APPROVALS AND AMENDMENT**

### **9.1 Shareholder Approval of Plan**

If required by a Regulatory Authority or by the Committee, this Plan may be made subject to the approval of the shareholders of the Company as prescribed by the Regulatory Authority. If shareholder approval is required, any Options granted under this Plan prior to such time will not be exercisable or binding on the Company unless and until such shareholder approval is obtained.

### **9.2 Amendment of Option or Plan**

Subject to any required Regulatory Approvals, the Committee may from time to time amend any existing Option or the Plan or the terms and conditions of any Option thereafter to be granted provided that where such amendment relates to an existing Option and it would:

- (a) materially decrease the rights or benefits accruing to an Option Holder; or
- (b) materially increase the obligations of an Option Holder; then, unless otherwise excepted out by a provision of this Plan, the Committee must also obtain the written consent of the Option Holder in question to such amendment. If at the time the Exercise Price of an Option is reduced the Option Holder is an Insider of the Company, the Insider must not exercise the Option at the reduced Exercise Price until the reduction in Exercise Price has been approved by the disinterested shareholders of the Company, if required by the Exchange.

## **SECTION 10 CONDITIONS PRECEDENT TO ISSUANCE OF OPTIONS AND SHARES**

### **10.1 Compliance with Laws**

An Option shall not be granted or exercised, and Shares shall not be issued pursuant to the exercise of any Option, unless the grant and exercise of such Option and the issuance and delivery of such Shares comply with all applicable Regulatory Rules, and such Options and Shares will be subject to all applicable trading restrictions in effect pursuant to such Regulatory Rules and the Company shall be entitled to legend the Option Certificates and the certificates for the Shares or the written notice in the case of uncertificated Shares representing such Shares accordingly.

### **10.2 Regulatory Approvals**

In administering this Plan, the Committee will seek any Regulatory Approvals which may be required. The Committee will not permit any Options to be granted without first obtaining the

necessary Regulatory Approvals unless such Options are granted conditional upon such Regulatory Approvals being obtained. The Committee will make all filings required with the Regulatory Authorities in respect of the Plan and each grant of Options hereunder. No Option granted will be exercisable or binding on the Company unless and until all necessary Regulatory Approvals have been obtained. The Committee shall be entitled to amend this Plan and the Options granted hereunder in order to secure any necessary Regulatory Approvals and such amendments will not require the consent of the Option Holders under section 9.2 of this Plan.

### 10.3 **Inability to Obtain Regulatory Approvals**

The Company's inability to obtain Regulatory Approval from any applicable Regulatory Authority, which Regulatory Approval is deemed by the Committee to be necessary to complete the grant of Options hereunder, the exercise of those Options or the lawful issuance and sale of any Shares pursuant to such Options, shall relieve the Company of any liability with respect to the failure to complete such transaction.

## SECTION 11 ADJUSTMENTS AND TERMINATION

### 11.1 **Termination of Plan**

Subject to any necessary Regulatory Approvals, the Committee may terminate or suspend the Plan. Unless earlier terminated as provided in this Section 11, the Plan shall terminate on, and no more Options shall be granted under the Plan after, the tenth anniversary of the date of the Exchange's acceptance of the Plan.

### 11.2 **No Grant During Suspension of Plan**

No Option may be granted during any suspension, or after termination, of the Plan. Suspension or termination of the Plan shall not, without the consent of the Option Holder, alter or impair any rights or obligations under any Option previously granted.

### 11.3 **Alteration in Capital Structure**

If there is a material alteration in the capital structure of the Company and the Shares are consolidated, subdivided, converted, exchanged, reclassified or in any way substituted for, the Committee shall make such adjustments to this Plan and to the Options then outstanding under this Plan as the Committee determines to be appropriate and equitable under the circumstances, so that the proportionate interest of each Option Holder shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustments may include, without limitation:

- (a) a change in the number or kind of shares of the Company covered by such Options;  
and
- (b) a change in the Exercise Price payable per Share provided, however, that the aggregate Exercise Price applicable to the unexercised portion of existing Options shall not be altered, it being intended that any adjustments made with respect to

such Options shall apply only to the Exercise Price per Share and the number of Shares subject thereto.

For purposes of this section 11.3, and without limitation, neither:

- (c) the issuance of additional securities of the Company in exchange for adequate consideration (including services); nor
- (d) the conversion of outstanding securities of the Company into Shares shall be deemed to be material alterations of the capital structure of the Company. Any adjustment made to any Options pursuant to this section 11.3 shall not be considered an amendment requiring the Option Holder's consent for the purposes of section 9.2 of this Plan.

#### 11.4 **Triggering Events**

Subject to the Company complying with section 11.5 and any necessary Regulatory Approvals and notwithstanding any other provisions of this Plan or any Option Certificate, the Committee may, without the consent of the Option Holder or Holders in question:

- (a) cause all or a portion of any of the Options granted under the Plan to terminate upon the occurrence of a Triggering Event; or
- (b) cause all or a portion of any of the Options granted under the Plan to be exchanged for incentive stock options of another corporation upon the occurrence of a Triggering Event in such ratio and at such Exercise Price as the Committee deems appropriate, acting reasonably.

Such termination or exchange shall not be considered an amendment requiring the Option Holder's consent for the purpose of section 9.2 of the Plan.

#### 11.5 **Notice of Termination by Triggering Event**

In the event that the Committee wishes to cause all or a portion of any of the Options granted under this Plan to terminate on the occurrence of a Triggering Event, it must give written notice to the Option Holders in question not less than 10 days prior to the consummation of a Triggering Event so as to permit the Option Holder the opportunity to exercise the Vested portion of the Options prior to such termination. Upon the giving of such notice and subject to any necessary Regulatory Approvals, all Options or portions thereof granted under the Plan which the Company proposes to terminate shall become immediately exercisable notwithstanding any contingent Vesting provision to which such Options may have otherwise been subject. Furthermore, if any of the Options granted under this Plan are cancelled prior to their Expiry Date, the Company shall not grant new Options to the same Persons or Entities until thirty (30) days have lapsed from the date of cancellation.

11.6 **Determinations to be Made By Committee**

Adjustments and determinations under this Section 11 shall be made by the Committee, whose decisions as to what adjustments or determination shall be made, and the extent thereof, shall be final, binding, and conclusive.

## SCHEDULE A

[Include legends prescribed by Regulatory Authorities, if required.]

### KINGS ENTERTAINMENT GROUP INC.

#### STOCK OPTION PLAN - OPTION CERTIFICATE

This Option Certificate is issued pursuant to the provisions of the Stock Option Plan (the “**Plan**”) of Kings Entertainment Group Inc. (the “**Company**”) and evidences that ● [Name of Option Holder] is the holder (the “**Option Holder**”) of an option (the “**Option**”) to purchase up to ● common shares (the “**Shares**”) in the capital stock of the Company at a purchase price of Cdn.\$ ● per Share (the “**Exercise Price**”). This Option may be exercised at any time and from time to time from and including the following Grant Date through to and including up to 4:00 p.m. local time in Vancouver, British Columbia (the “**Expiry Time**”) on the following Expiry Date:

- (a) the Grant Date of this Option is ●; and
- (b) subject to sections 5.4, 6.2, 6.3, 6.4 and 11.4 of the Plan, the Expiry Date of this Option is ●, 20●.

To exercise this Option, the Option Holder must deliver to the Administrator of the Plan, prior to the Expiry Time on the Expiry Date, an Exercise Notice, in the form provided in the Plan, or written notice in the case of uncertificated Shares, which is incorporated by reference herein, together with the original of this Option Certificate and a certified cheque or bank draft payable to the Company or its legal counsel in an amount equal to the aggregate of the Exercise Price of the Shares in respect of which this Option is being exercised.

This Option Certificate and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan. This Option Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Company shall prevail. This Option is also subject to the terms and conditions contained in the schedules, if any, attached hereto.

**[Include legends on the certificate or the written notice in the case of uncertificated shares prescribed by Regulatory Authorities, if required.]**

If the Option Holder is a resident or citizen of the United States of America at the time of the exercise of the Option, the certificate(s) representing the Shares will be endorsed with the following or a similar legend:

“The securities represented hereby have not been registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or the securities laws of any state of the United States. The holder hereof, by purchasing such securities, agrees for the benefit of the Company that such securities may be offered, sold or otherwise transferred only (a) to the Company; (b) outside the United States in accordance with Rule 904 of Regulation S under the U.S. Securities Act; (c) in accordance with the exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in compliance with any applicable state securities laws; or (d) in a transaction that does not require registration under the U.S. Securities Act and any applicable state securities laws, and, in the case of paragraph (c) or (d), the seller furnishes to the Company an opinion of counsel of recognized standing in form and substance satisfactory to the Company to such effect.

The presence of this legend may impair the ability of the holder hereof to effect “good delivery” of the securities represented hereby on a Canadian stock exchange.”

**KINGS ENTERTAINMENT GROUP INC.**  
**by its authorized signatory:**

---

The Option Holder acknowledges receipt of a copy of the Plan and represents to the Company that the Option Holder is familiar with the terms and conditions of the Plan, and hereby accepts this Option subject to all of the terms and conditions of the Plan. The Option Holder agrees to execute, deliver, file and otherwise assist the Company in filing any report, undertaking or document with respect to the awarding of the Option and exercise of the Option, as may be required by the Regulatory Authorities. The Option Holder further acknowledges that if the Plan has not been approved by the shareholders of the Company on the Grant Date, this Option is not exercisable until such approval has been obtained.

Signature of Option Holder:

---

Signature

---

Date signed:

---

Print Name

---

Address

---

## OPTION CERTIFICATE – SCHEDULE

**[Complete the following additional terms and any other special terms, if applicable, or remove the inapplicable terms or this schedule entirely.]**

The additional terms and conditions attached to the Option represented by this Option Certificate are as follows:

1. The Options will not be exercisable unless and until they have vested and then only to the extent that they have vested. The Options will vest in accordance with the following:
  - (a) ● Shares (●%) will vest and be exercisable on or after the Grant Date;
  - (b) ● additional Shares (●%) will vest and be exercisable on or after ● [date];
  - (c) ● additional Shares (●%) will vest and be exercisable on or after ● [date];
  - (d) ● additional Shares (●%) will vest and be exercisable on or after ● [date];
  
2. Upon the Option Holder ceasing to hold a position with the Company, other than as a result of the events set out in paragraphs 5.4(a) or 5.4(b) of the Plan, the Expiry Date of the Option shall be ● **[Insert date desired that is longer or shorter than the standard 30 days as set out in the Plan]** following the date the Option Holder ceases to hold such position.

**SCHEDULE B**

**KINGS ENTERTAINMENT GROUP INC.**

**STOCK OPTION PLAN**

**NOTICE OF EXERCISE OF OPTION**

TO: The Administrator, Stock Option Plan  
●  
● [ Address]  
(or such other address as the Company may advise)

The undersigned hereby irrevocably gives notice, pursuant to the Stock Option Plan (the “**Plan**”) of Kings Entertainment Group Inc. (the “**Company**”), of the exercise of the Option to acquire and hereby subscribes for (**cross out inapplicable item**):

- (a) all of the Shares; or
- (b) of the Shares;

which are the subject of the Option Certificate attached hereto (**attach your original Option Certificate**). The undersigned tenders herewith a certified cheque or bank draft (**circle one**) payable to the Company or to ● in an amount equal to the aggregate Exercise Price of the aforesaid Shares and directs the Company to issue a certificate OR a written notice in the case of uncertificated Shares evidencing said Shares in the name of the undersigned to be issued to the undersigned [in the case of issuance of a share certificate, at the following address (**provide full complete address**)]:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The undersigned acknowledges the Option is not validly exercised unless this Notice is completed in strict compliance with this form and delivered to the required address with the required payment prior to 4:00 p.m. local time in Vancouver, BC on the Expiry Date of the Option.

DATED the day \_\_\_\_ of \_\_\_\_\_, 20\_\_ .

\_\_\_\_\_  
**Signature of Option Holder**

**AMENDMENT OF STOCK OPTION PLAN  
OF  
KINGS ENTERTAINMENT GROUP INC. (the “Corporation”)**

The Corporation's stock option plan, which was approved by the directors of the Corporation effective as of July 29, 2021 (the “**Plan**”) is hereby further amended effective as of September 23, 2022 as follows:

1. Section 4.2 of the Plan is deleted in its entirety and replaced with the following:

Subject to adjustment as provided for herein, the number of Shares which will be available for purchase pursuant to Options granted pursuant to this Plan, plus any other outstanding incentive stock options of the Company granted pursuant to a previous stock option plan or agreement, will not exceed 20% of the Outstanding Issue. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to this Plan.

2. The Plan shall be read and construed in conjunction with this Amendment. In case of conflict or any inconsistency, the terms of this Amendment shall supersede and modify the terms of the Plan. All of the other terms and conditions contained in the Plan shall remain in full force and effect, unamended.

**SCHEDULE "B"**  
**DRAFT LISTING STATEMENT**

See attached.

CSE FORM 2A

**LISTING STATEMENT**

**INTERACTIVE ENTERTAINMENT GROUP INC.**

Reverse Takeover by Sports Venture Holdings Inc. of Kings Entertainment Group Inc.

**THIS DRAFT LISTING STATEMENT AND THE DOCUMENTS INCORPORATED HEREIN CONTAIN PRELIMINARY INFORMATION REGARDING CERTAIN CONTEMPLATED TRANSACTIONS AND EVENTS WHICH ARE SUBJECT TO CHANGE AND MODIFICATION. AS A RESULT, ACTUAL RESULTS, EVENTS AND TRANSACTIONS MAY DIFFER MATERIALLY. THE ENTIRE DRAFT LISTING STATEMENT SHOULD BE CONSIDERED AS “FORWARD-LOOKING STATEMENTS” AND “FORWARD-LOOKING INFORMATION” WITHIN THE MEANING OF APPLICABLE SECURITIES LAWS (FORWARD-LOOKING INFORMATION AND FORWARD-LOOKING STATEMENTS BEING COLLECTIVELY HEREINAFTER REFERRED TO AS “FORWARD-LOOKING STATEMENTS”). BY THEIR NATURE, FORWARD-LOOKING STATEMENTS ARE BASED ON ASSUMPTIONS AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THE FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A VARIETY OF RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER FROM THOSE EXPRESSED OR IMPLIED BY THE FORWARD-LOOKING STATEMENTS, INCLUDING, WITHOUT LIMITATION THOSE RISKS OUTLINED IN THIS DRAFT LISTING STATEMENT. INFORMATION CONTAINED IN THIS LISTING STATEMENT MAY NOT BE COMPLETE AND MAY HAVE TO BE AMENDED. INVESTORS SHOULD NOT RELY ON THIS LISTING STATEMENT UNTIL IT IS FINAL.**

●, 2022

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**Exhibits**

Exhibit “A”- Financial Statements and Management’s Discussion and Analysis of Kings.

Exhibit “B”- Financial Statements and Management’s Discussion and Analysis of SVH.

Exhibit “C”- Pro Forma Financial Statements the Resulting Issuer.

(a) Glossary

The following terms have the meanings set out below.

<b>Acquisition</b>	means the transaction pursuant to which Kings acquired all of the issued and outstanding shares in the capital of each of the LottoKings Group in exchange for Common Shares in accordance with the Share Purchase Agreement.
<b>Amalgamation</b>	means the amalgamation of Kings Subco with SVH to form a wholly-owned subsidiary of the Resulting Issuer, being Amalco, whereby all of the issued and outstanding shares of SVH were exchanged for the Payment Shares in accordance with the Transaction Agreement and which constituted a reverse takeover.
<b>AGCO</b>	means the Alcohol and Gaming Commission of Ontario.
<b>Amalco</b>	means ●, the company formed pursuant to the Amalgamation.
<b>Azteca</b>	means Azteca Messenger Services S.A. de C.V., incorporated pursuant to the laws of Mexico. Prior to the completion of the Acquisition, Legacy Eight was the sole registered and beneficial shareholder of Azteca.
<b>Azteca Shares</b>	means an unlimited number of common shares without par value.
<b>BCBCA</b>	means the <i>Business Corporations Act</i> (British Columbia), as amended, together with its regulations.
<b>Board of Directors</b>	means the board of directors of the Issuer.
<b>BQC</b>	means BQC Consulting GmbH, an indirect wholly owned subsidiary of SVH incorporated in Switzerland and the holder of the Kahnawake Gaming Licence and the operator of the BET99.com and BET99.net websites.
<b>Brands</b>	means Legacy Eight's multiple brands and websites as described under "General Business of the Resulting Issuer – Kings".
<b>Broker Warrant</b>	means a warrant of SVH as described under "General Development of the Business-Business of SVH".
<b>Budin Employment Agreement</b>	means the employment agreement between Kings and Steven Budin as described under "Employment, Consulting and Management Agreements".
<b>Canco</b>	means 1000007698 Ontario Ltd., a wholly-owned subsidiary of SVH incorporated under the OBCA and the holder of the Ontario License and the operator of the BET99.ca website.
<b>CEO Base Salary</b>	means the base salary payable to Steve Budin as described under "Employment, Consulting and Management Agreements".
<b>CEO Bonus</b>	means the bonus payable to Steve Budin in certain circumstances as described under "Employment, Consulting and Management Agreements".

<b>Closing</b>	means the completion of the Transaction.
<b>Closing Date</b>	means the day upon which the Closing occurs.
<b>Code</b>	means the Criminal Code of Canada.
<b>Common Share</b>	means a common share in the capital of the Issuer or the Resulting Issuer, as the context requires.
<b>Curacao Gaming License</b>	means the license held by Legacy Eight Curacao, issued under a master internet gaming license issued by the Curacao Gaming Control Board pursuant to the Curacao National Ordinance on Offshore Games of Hazard (Landsverordening buitengaatsse hazardspelen, PB 1993, no. 63).
<b>Dench</b>	means Dench eGaming Solutions AD, a company incorporated in Bulgaria.
<b>Debt Offset Agreement</b>	means the debt acknowledgement and offset agreement effective as of April 7, 2017 between Legacy Eight Curacao, Phoenix, Azteca, WestOcean S.A., Legacy Eight Malta Ltd., Legacy Eight Group Ltd., and Ledonford Limited and R. S. Real World Services Limited, as described under “General Business of the Resulting Issuer – Kings”.
<b>Escrow Agent</b>	means TSX Trust Company.
<b>Exchange or the CSE</b>	means the Canadian Securities Exchange.
<b>Exchange Ratio</b>	means 31.0724 Payment Shares to be issued in exchange for each SVH Share as part of the Amalgamation.
<b>Exchange Requirements</b>	means the by-laws, policies, circulars, rules, guidelines, orders, notices, rulings, forms, decisions and regulations of the Exchange as from time to time enacted, any instructions, decisions and directions of the Exchange (including those of any committee of the Exchange as appointed from time to time), and all applicable provisions of the securities laws of any other jurisdiction.
<b>Final Exchange Bulletin</b>	means the bulletin which is issued by the Exchange following closing of the Transaction and the submission of all required documentation that evidences the Exchange’s acceptance of the Transaction and the listing date of the Resulting Issuer on the Exchange.
<b>HH AG</b>	means Hockey Holding AG, a direct subsidiary of SVH incorporated in Switzerland and the sole shareholder of BQC.
<b>In-The-Money SVH Options</b>	means the 667,586 SVH Options with exercise prices of \$3.05.
<b>IP</b>	means intellectual property.
<b>Issuer or Kings</b>	means Kings Entertainment Group Inc., a corporation governed by the BCBCA, prior to the completion of the Transaction.

<b>Kahnawake Gaming Licence</b>	means License Number 00855 issued by the Kahnawake Gaming Commission to BQC.
<b>KGC</b>	means the Kahnawake Gaming Commission.
<b>Kings Listing Statement</b>	means the Listing Statement of Kings dated January 19, 2022 as filed by Kings on SEDAR.
<b>Kings Subco</b>	means 1000212177 Ontario Inc.
<b>Legacy Eight</b>	means Legacy Eight Ltd., incorporated pursuant to the laws of the Bahamas.
<b>Legacy Eight Curacao</b>	means Legacy Eight Curacao NV, incorporated pursuant to the laws of Curacao. Prior to the completion of the Acquisition, Legacy Eight was the sole registered and beneficial shareholder of Legacy Eight Curacao.
<b>Legacy Eight Curacao Shares</b>	means an unlimited number of common shares of Legacy Eight without par value.
<b>Listing Statement</b>	means this Listing Statement.
<b>Liquidity Event</b>	means the occurrence of any event which results in the SVH Shares, (or the common shares of the applicable resulting issuer) being listed on a recognized Canadian or United States stock exchange within one year of the issuance of securities pursuant to certain private placements by SVH.
<b>Loan Agreement</b>	means the loan agreement as described under “General Development of the Business-Business of SVH- Transaction Agreement”.
<b>LottoKings Group</b>	means each of Legacy Eight Curacao, Azteca, and Phoenix, which were acquired by Kings pursuant to the Acquisition.
<b>MD&amp;A</b>	means management’s discussion and analysis of financial condition and operating results.
<b>Name Change</b>	means a change of the Issuer’s name from “King Entertainment Group Inc.” to “Interactive Entertainment Group Inc.”.
<b>NI 52-110</b>	means National Instrument 52-110- <i>Audit Committees</i> .
<b>OBCA</b>	means the <i>Business Corporations Act</i> (Ontario), as amended, together with its regulations.
<b>Ontario License</b>	means the license granted by the AGCO to Canco to be a registered internet gaming operator in Ontario.
<b>Option Agreements</b>	means agreements pursuant to which stock options have been granted under the Issuer’s Option Plan.
<b>Option Plan</b>	means the stock option plan of the Issuer.

<b>Payment Shares</b>	means the Common Shares issued by the Resulting Issuer to the SVH Shareholders in exchange for all of the SVH Shares as part of the Amalgamation.
<b>Person</b>	means a company or an individual.
<b>Phoenix</b>	means Phoenix Digital Services Ltd., incorporated under the laws of England and Wales. Prior to the completion of the Acquisition, Legacy Eight was the sole beneficial shareholder of Phoenix.
<b>Phoenix Shares</b>	means an unlimited number of common shares of Phoenix without par value.
<b>Private Placement</b>	means the proposed private placement offering of equity securities of SVH or KEG as described under “Transaction Agreement”.
<b>Resulting Issuer</b>	means the Issuer following the Closing, to be known as Interactive Entertainment Group Inc.
<b>Shareholders</b>	means Persons holding Common Shares.
<b>Share Purchase Agreement</b>	means the share purchase agreement dated February 24, 2021, as amended on November 22, 2021 with Legacy Eight, the primary shareholder of each of Legacy Eight Curacao, Azteca, and Phoenix, pursuant to which Kings agreed to acquire all of the issued and outstanding shares in the capital of Legacy Eight Curacao, Azteca, and Phoenix in exchange for Common Shares.
<b>Share Consolidation</b>	means the share consolidation of all of the issued and outstanding common shares of Kings on the basis of 1 of a post-Share Consolidation common share for every [20] pre-Share Consolidation common share held, immediately prior to Closing.
<b>SVH</b>	means Sports Venture Holdings Inc., a corporation governed by the OBCA.
<b>SVH Options</b>	means stock options to purchase SVH Shares.
<b>SVH Shares</b>	means the common shares in the capital of SVH.
<b>SVH Shareholders</b>	means, collectively, the shareholders of SVH prior to the completion of the Transaction.
<b>SVH Warrants</b>	means warrants to purchase SVH Shares.
<b>Transaction</b>	means, collectively, the transactions disclosed herein, including the Amalgamation, the Share Consolidation and the Name Change.
<b>Transaction Agreement</b>	means the transaction agreement dated May 24, 2022 between the Issuer and Kings with respect to the Amalgamation.
<b>Websites</b>	means the websites operated by Legacy Eight and used for the purposes of the LottoKings Group’s business.

<b>WestOcean Arrangement</b>	means the payment processing and marketing arrangement between Legacy Eight and WestOcean S.A. as described under “General Business of the Resulting Issuer – Kings”.
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**All references to “USD” or United States dollars in this Listing Statement refer to United States dollars. As of the date hereof, one Canadian dollar is worth approximately USD\$[0.78] and one United States dollar is worth approximately CAD\$[1.28].**

(b) Caution Relating to Forward-Looking Information

This Listing Statement contains “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws (forward-looking information and forward-looking statements being collectively hereinafter referred to as “forward-looking statements”). Such forward-looking statements are based on expectations, estimates and projections as at the date of this Listing Statement or the dates of the documents incorporated herein, as applicable. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements may include, but are not limited to, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of SVH, Kings or the Resulting Issuer.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of SVH, Kings or the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among other things, the timing, actual operating cash flows, operating costs, free cash flows, total cash, transaction costs, and administrative costs of SVH, Kings or the Resulting Issuer differing materially from those anticipated; risks related to partnerships or other joint operations; regulatory uncertainty regarding the lottery, casino and sportsbook industry; regulatory changes or delays in obtaining regulatory approvals or financing; availability or integration of personnel, materials and equipment; inability to recruit or retain management and key personnel; performance of facilities, equipment and processes relative to specifications and expectations; market prices; adverse changes to market, political and general economic conditions or laws applicable to SVH, Kings or the Resulting Issuer; the magnitude and duration of the impact of the COVID-19 pandemic on general economic conditions, capital markets, unemployment, consumer spending and the liquidity, financial condition, supply chain, operations and personnel of SVH, Kings and the Resulting Issuer; factors discussed under the heading "Risk Factors"; and other risks, including those risks set out in the continuous disclosure documents of Kings, which are available on SEDAR ([www.sedar.com](http://www.sedar.com)) under the issuer profile of Kings. The foregoing list is not exhaustive of the factors that may affect any forward-looking statements of the Resulting Issuer. Forward-looking statements are statements about the future and are inherently uncertain.

In addition, this Listing Statement contains forward-looking statements that are based on a number of material factors and assumptions, including, without limitation, assumptions concerning obtaining the Ontario License from the AGCO, the ability of the Resulting Issuer to continue to grow its business, the growth of the sportsbook industry in general, and that there will be no material adverse changes to the applicable regulatory regimes in the jurisdictions where the Resulting Issuer intends to conduct its business. Such assumptions have been made based on information available at the time when such statements were made. As such, forward-looking statements should not be relied upon as representing the Resulting Issuer’s views as of any date subsequent to the date of this Listing Statement. Actual results, performance or achievement could differ materially from those expressed herein. While the Resulting Issuer anticipates that subsequent events and developments may cause its views to change, the Resulting Issuer does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. These forward-looking statements should not be relied upon as representing the Resulting Issuer’s views as of any date subsequent to the date of this Listing Statement.

Although the Resulting Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The factors identified above are not intended to represent a complete list of the factors that could affect the Resulting Issuer. Additional factors are noted in this Listing Statement under “Risk Factors”. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. For all of these reasons, readers should not place undue reliance on forward-looking statements.

(c) Notice Regarding Information

Information appearing in this Listing Statement is accurate only as of the date of this Listing Statement, unless otherwise indicated and except for information contained in the documents incorporated herein by reference, which is given as at the respective dates stated therein. The Resulting Issuer’s business, financial conditions, results of operations and prospects may have changed since that date. The Resulting Issuer does not undertake to update the information contained herein, except as required by applicable securities laws. Financial amounts are expressed in Canadian dollars (CAD\$) unless otherwise noted.

Unless otherwise indicated, information contained in this Listing Statement concerning the Resulting Issuer’s industry and the markets in which it operates, including its general expectations and market position, market opportunities and market share, market data, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates. Although the Resulting Issuer believe these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

**Unless otherwise indicated, all information contained in this Listing Statement does not account for any completion of the Private Placement.**

Unless otherwise indicated, any estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from the Resulting Issuer’s internal research, and include assumptions made by the Resulting Issuer it believes to be reasonable based on its knowledge of its industry and markets. The Resulting Issuer’s internal research and assumptions have not been verified by any independent source, and the Resulting Issuer has not independently verified any third-party information. While the Resulting Issuer believes the market position, market opportunity and market share information included in this Listing Statement is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates regarding the Resulting Issuer’s future performance and the future performance of the industry and markets in which the Resulting Issuer operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the headings “Forward-Looking Statements” and “The Resulting Issuer - Risk Factors”. The information contained in this Listing Statement concerning SVH (and its subsidiaries), including with respect to its directors, officers and affiliates, and its operations, is based solely upon information provided to by SVH or upon publicly available information (without independent verification).

No person is authorized to give any information or make any representation not contained or incorporated by reference in this Listing Statement and, if given or made, such information or representation should not be relied upon as having been authorized. This Listing Statement does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. Neither delivery of this Listing Statement nor any distribution of the securities referred to in this Listing Statement will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Listing Statement.

## **2. Corporate Structure**

### **2.1 Corporate Name and Address**

The name of the Issuer is “Kings Entertainment Group Inc.” and its head and registered office is Suite 1570-505 Burrard Street, Vancouver, British Columbia, V7X 1M5.

The name of SVH is “Sports Venture Holdings Inc.” and its head and registered office is 77 King Street West, TD North Tower, Suite 700, Toronto Ontario, M5K 1G8.

In connection with the Transaction and pursuant to the Name Change, the name of the Resulting Issuer is “Interactive Entertainment Group Inc.” and its head and registered office is 77 King Street West, TD North Tower, Suite 700, Toronto, Ontario, M5K 1G8.

### **2.2 Incorporation Statute and Amendments.**

#### **Kings**

Kings Entertainment was incorporated on February 27, 2020, under the BCBCA under the name “1242455 B.C. Ltd.”. It changed its name to “Kings Entertainment Group Inc.” on July 28, 2021.

#### **SVH**

SVH was incorporated under the name BDJ Holdings, Inc. on April 22, 2020 under the OBCA. By articles of amendment dated May 8, 2020, the name of the company was amended to “Sports Venture Holdings Inc.”. SVH subsequently amalgamated with Kings Subco to form Amalco on ●.

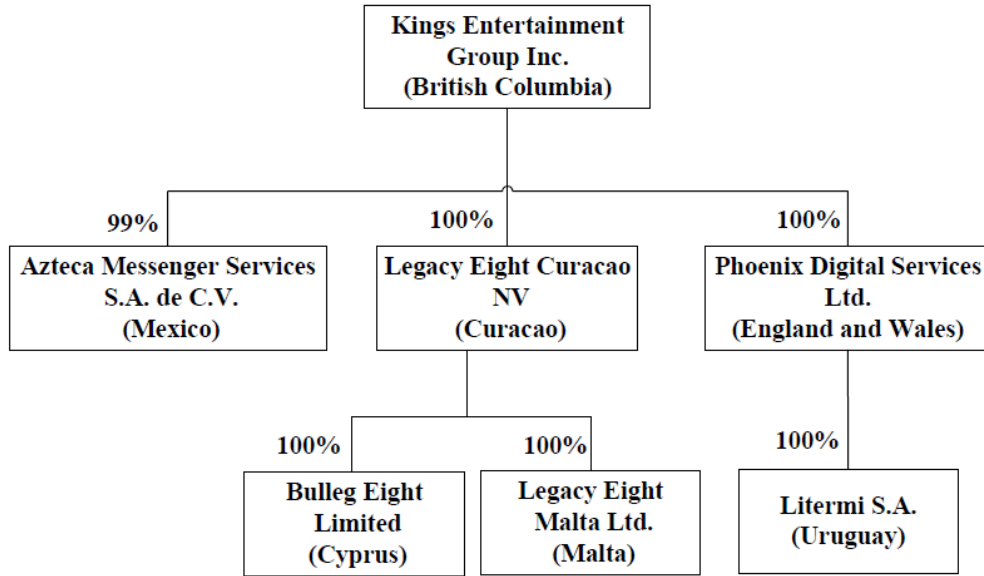
#### **Resulting Issuer**

In connection with the Transaction and pursuant to the Name Change, Kings Entertainment changed its name to “Interactive Entertainment Group Inc.” on ●.

### **2.3 Intercorporate Relationships**

#### **Kings**

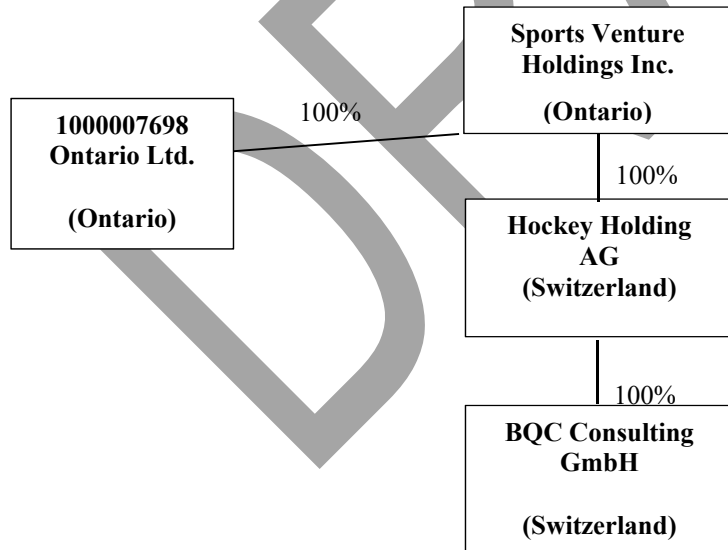
Prior to the completion of the Transaction, the corporate structure of Kings is as follows:



As of the date hereof, none of Kings’ subsidiaries have any restricted shares outstanding.

**SVH**

Prior to the completion of the Transaction, the corporate structure of SVH is as follows:



As of the date hereof, none of SVH’s subsidiaries have any restricted shares outstanding.

**Resulting Issuer**

Pursuant to the Amalgamation, Kings Subco amalgamated with SVH to form Amalco. Upon completion of the Amalgamation, the Issuer will become the Resulting Issuer and have a direct wholly-owned subsidiary, being the resulting entity from the Amalgamation ("Amalco"), along with the other wholly-owned subsidiaries (as shown in the corporate structure diagram in Section 2.3 – Intercorporate Relationships above).

#### **2.4 Intercorporate Relationships Following the Transactions**

See *Intercorporate Relationships – Resulting Issuer* above.

#### **2.5 Issuers Incorporated Outside of Canada**

Not applicable.

### **3. General Development of the Business**

#### **3.1 General Development of the Issuer's Business Over its Three Most Recently Completed Financial Years.**

Unless otherwise indicated, all information under this Section 3.1 is presented on a pre-Consolidation basis.

##### **Kings**

The Issuer was incorporated on February 27, 2020 under the BCBCA for purpose of undergoing a transaction to become a reporting issuer and to list on a Canadian stock exchange. The Common Shares of the Issuer commenced trading on the Exchange on January 24, 2022 and on the OTCQB market on April 25, 2022.

##### *Financings*

On February 27, 2020, Kings completed a non-brokered private placement, issuing 100,000 Common Shares at an issue price of \$0.005 for aggregate gross proceeds of \$500. On March 12, 2020, Kings completed a non-brokered private placement, issuing 100,000 Common Shares at an issue price of \$0.005 for aggregate gross proceeds of \$500. On September 22, 2020, Kings completed a non-brokered private placement, issuing 100,000 Common Shares at an issue price of \$0.005 for aggregate gross proceeds of \$500. On February 3, 2021, Kings completed a non-brokered private placement, issuing 14,525,000 Common Shares at an issue price of \$0.005 for aggregate gross proceeds of \$72,625. On February 22, 2021, Kings completed a non-brokered private placement, issuing 5,475,000 Common Shares at an issue price of \$0.02 for aggregate gross proceeds of \$109,500.

On April 15, 2021, Kings completed a special warrant financing, issuing 374,500 special warrants at an issue price of \$0.05 per special warrant for aggregate gross proceeds of \$18,725. The special warrants were converted into Common Shares in accordance with their terms on August 16, 2021.

Kings completed a subscription receipt financing in two tranches as follows: on May 7, 2021, Kings issued 13,289,000 subscription receipts at an issue price of \$0.50 per subscription receipt for aggregate gross proceeds of \$6,644,500; and on November 4, 2021, Kings issued 4,500,000 subscription receipts at an issue price of \$0.50 per subscription receipt for aggregate gross proceeds of \$2,250,000. Each subscription receipt entitled the holder to receive, without additional consideration or taking further action, one Common Share upon satisfaction of certain escrow release conditions, including, but not limited to, (i) Kings obtaining final receipt for a prospectus qualifying the distribution in Canada of the Common Shares issuable in connection with this offering, and (ii) conditional acceptance for the listing of the Common Shares on the CSE or such other national securities exchange as approved by Kings and the agent under this offering.

This subscription receipt financing was conducted pursuant to an agency agreement; pursuant to this agency agreement, Kings paid the agents a cash commission of \$533,940 and granted the agents an aggregate of 1,067,880 warrants. Each warrant is exercisable into one Common Share at an exercise price of \$0.50 at any time up to 24 months following the

satisfaction of the escrow release conditions. In accordance with the agency agreement, Kings also reimbursed the Agents \$107,889.45, representing the expenses of the Agents related to the subscription receipt financing. In addition, upon satisfaction of the escrow release conditions, Kings Entertainment paid the lead agent under this financing a work fee of \$25,000 plus GST. The escrowed funds from the subscription receipt financing were deposited with a subscription receipt agent, releasable to Kings upon the satisfaction of the escrow release conditions.

### *LottoKings Group*

#### Legacy Eight Curacao

Legacy Eight Curacao was incorporated on February 26, 2016, under the laws of Curacao. Legacy Eight Curacao holds a valid gaming license under the laws of Curacao and has been offering its services since that time through various branded websites including [www.wintrillions.com](http://www.wintrillions.com), [www.trillionaire.com](http://www.trillionaire.com) and [www.lottokings.com](http://www.lottokings.com). Since 2016, Legacy Eight Curacao has consistently expanded and improved its product offering in order to broaden its user base and respond to shifts in market tastes. In February 2018 Legacy Eight Curacao began operating through an insurance model. This allowed Legacy Eight Curacao to obtain insurance in the event of player wins, and allowed it to expand its model to other official lottery draws. In the past two years Legacy Eight Curacao has expanded its product offering by offering casino-style games through its Websites. In October 2019, Legacy Eight Curacao began offering casino style games to Red Tiger Gaming, one of the leading online purveyors of such products. In September 2020 Legacy Eight Curacao further expanded its product offering by offering live-dealer casino games to its customers. In September 2020, Legacy Eight Curacao also began offering sportsbook services to its users through a white-label agreement with one of the world's leading sports betting services providers. Such sportsbook services are currently being provided on a small scale as Legacy Eight Curacao considers further expansion in this area.

In January 2021, Legacy Eight Curacao launched upgraded versions of the [www.wintrillions.com](http://www.wintrillions.com) and [www.trillionario.com](http://www.trillionario.com) websites. These upgrades substantially overhauled the look and feel and functionality of the Websites with the aim of increasing user conversion rates for first-time visitors and engagement for existing users. Legacy Eight Curacao is in the process of making similar upgrades to the [www.lottokings.com](http://www.lottokings.com) website. Legacy Eight Curacao also continues to evolve its marketing strategy and seek new marketing channels and opportunities. Notably, in January 2021, Legacy Eight Curacao engaged in a marketing campaign with Thalia, one of Mexico's best-known singers, with 17.5 million Instagram followers. In February 2021, Legacy Eight Curacao launched its "Boosted Jackpot" program, which allows users to boost the potential value of the jackpots of certain lotteries they enter, further increasing the attractiveness of Legacy Eight Curacao's product offering. Legacy Eight Curacao continues to assess potential additions to its product offering, as well as upgrade the products and services it offers with the aim of improving the customer experience for its users and differentiating itself from its competitors.

#### Phoenix and Azteca

Phoenix Digital Services Ltd. was incorporated on December 4, 2017, under the laws of England and Wales. Azteca Messenger Services S.A. was incorporated on March 15, 2013, under the laws of Mexico. Since their incorporation both companies have been primarily engaged in providing consulting and other support services to support the operations of Legacy Eight Curacao.

#### *Other Recent Kings Transactions*

Kings entered into an agreement on April 15, 2021 to form a marketing partnership with Balesia, a telecommunications tower real estate owner located in Latin America, to offer its customers access to the Kings' WinTrillions global lottery and iGaming platform.

On May 24, 2022, the Kings and SVH entered into the Transaction Agreement, the terms of which are more fully described under the heading "*General Business of the Resulting Issuer- Business of SVH- Transaction Agreement*".

#### **SVH**

SVH was incorporated under the OBCA on April 22, 2020 as “BDJ Holdings Inc.”, and subsequently changed its name to “Sports Venture Holdings Inc.” on May 8, 2020. SVH is a holding company of subsidiaries that operate the Bet99 brand. SVH’s Swiss subsidiary, BQC, operates BET99.com and BET99.net. Bet99.net, a 100% pure free-play website, is marketed throughout Canada. SVH’s other subsidiary, Canco, operates and markets BET99.ca to residents of Ontario through the Ontario License. Through the BET99 platform, the Resulting Issuer aims to become one of the market leaders in the Canadian online gaming industry by providing its customers with a comprehensive selection of gaming activities and offering a secure, trustworthy and recognized entertainment experience.

Shortly after its incorporation in April 2020, SVH issued 1,780,000 SVH Shares at an issue price of \$0.0001 per share pursuant to several consulting agreement between SVH and several individuals providing services to SVH.

On June 6, 2020, SVH acquired all of the outstanding common shares of HH AG pursuant to a Share and Loan Purchase Agreement between SVH, Douglas Honegger (“**Honegger**”) and Treasure Island Management Ltd. (“**TIML**”) dated June 6, 2020. Under the terms of the agreement, SVH acquired all outstanding common shares of HH AG from Honegger and a promissory note from TIML, which note evidenced a debt owing by BQC (a wholly owned subsidiary of HH AG) to TIML in the principal amount of \$600,000, in exchange for the issuance of 6,666,666 SVH Shares and 3,333,333 SVH Shares at a deemed issue price of \$0.06 per share to Honegger and TIML, respectively.

On July 17, 2020, SVH completed a private placement of 1,323,336 SVH Shares at an issue price of \$1.50 per share for aggregate gross proceeds of \$1,985,004.

In July 2020, BQC launched in the BET99.com and BET99.net websites and began marketing BET99.net throughout Canada.

On October 15, 2020, SVH agreed to issue 250,000 SVH Shares (and which were subsequently issued) at an issue price of \$1.50 per share on behalf of BQC to Georges St-Pierre Enterprises Inc. pursuant to a promotional services agreement.

On December 1, 2020, December 23, 2020, January 25, 2021 and March 26, 2021, pursuant to an Agency Agreement dated December 1, 2020 (the “**First Agency Agreement**”) between SVH, Canaccord Genuity Corp. and Gravitass Securities Inc. (together, the “**First Agents**”), SVH issued 1,263,498, 439,100, 229,507 and 36,065 units, respectively, at an issue price of \$3.05 per unit for aggregate gross proceeds of \$6,002,919. Each unit was comprised of one SVH Share and one-half SVH warrant (the “**SVH Warrants**”). The SVH Warrants are governed by a warrant indenture dated December 1, 2020 (the “**Warrant Indenture**”) by and between the Corporation and TSX Trust Company in its capacity as warrant agent. Each SVH Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$4.57 for a period of 24 months from the occurrence of a Liquidity Event, subject to adjustment in certain circumstances. In addition, pursuant to the First Agency Agreement, SVH issued to the Agents 54,098 SVH Shares as a corporate finance fee and issued 216,393 broker warrants (the “**Broker Warrants**”). Each Broker Warrant entitles the First Agents to subscribe for a Unit at an exercise price of \$3.05 for a period of ending 24 months from the occurrence of a Liquidity Event.

On July 29, 2021, pursuant to an Agency Agreement dated July 29, 2021 (the “**Second Agency Agreement**”) between SVH and Canaccord Genuity Corp., SVH issued 1,100,000 SVH Shares at an issue price of \$10.00 per shares for aggregate gross proceeds of \$11,000,000.

As a result of not completing a Liquidity Event within the prescribed timeframe, SVH subsequently issued penalty units consisting of 130,140 Common Shares and 65,070 SVH Warrants on December 1, 2021, 45,529 SVH Shares and 22,765 SVH Warrants on December 23, 2021, 22,950 SVH Shares and 11,475 SVH Warrants on January 22, 2022 and 3,607 SVH Shares and 1,804 SVH Warrants on March 29, 2022.

On March 15, 2022, Jared Beber, formerly SVH’s Chief Financial Officer, replaced Doug Honegger as Chief Executive Officer of SVH following Mr. Honegger’s resignation from that position.

On May 24, 2022, Kings and SVH entered into the Transaction Agreement, the terms of which are more fully described under the heading “*General Business of the Resulting Issuer- Business of SVH- Transaction Agreement*”.

On August 31, 2022, SVH completed a cashless exercise of 1,115,844 stock options, of which 722,509 options were exercisable at a price of \$3.05 per share and 393,335 options were exercisable at \$0.51. Pursuant to the cashless exercise, in consideration for the cancellation of 1,115,844 options, the option holders were issued 875,416 SVH Shares for no additional consideration, which were then acquired for Payment Shares at the Exchange Ratio.

On September 1, 2022, Canco was granted the Ontario License by the AGCO.

### **3.2 Significant Acquisitions**

#### **Amalgamation**

The Issuer and SVH completed the Amalgamation whereby Kings Subco amalgamated with SVH to form Amalco and became a wholly-owned subsidiary of the Resulting Issuer. Pursuant to the Amalgamation, the Resulting Issuer acquired and held all of the SVH Shares in exchange for the Payment Shares. All of the Payment Shares issued to SVH Shareholders were issued pursuant to exemptions from the registration and prospectus requirements of applicable securities laws. The Payment Shares were subject to resale as required under the applicable securities legislation and pursuant to the Transaction Agreement. In addition, all of the SVH Warrants and In-The-Money SVH Options were exchanged for equivalent securities of the Resulting Issuer. Upon completion of the Amalgamation, Amalco became a wholly-owned subsidiary of the Resulting Issuer.

Please see Exhibit “B” to this Listing Statement for financial statements of SVH as well as pro forma financial statements of the Resulting Issuer contained as Exhibit “C” hereto.

#### **Private Placement, Share Consolidation and Name Change**

On ●, 2022 SVH completed the Private Placement of ●. Immediately prior to the closing of the Transaction, Kings effected the Share Consolidation and consolidated the Common Shares on the basis of ● new Common Share for every ● old Common Shares. On ●, 2022, Kings completed the Name Change.

#### **Effect of the Transaction**

As a result of the Transaction, SVH amalgamated with Kings Subco to form Amalco, the Resulting Issuer owns all the issued securities of Amalco as a wholly-owned subsidiary, the SVH Shareholders received the Payment Shares; and the business of the Resulting Issuer will be the combined businesses of Kings and SVH. See “Narrative Description of Business”. The former SVH Shareholders hold approximately 85.82% of the Common Shares of the Resulting Issuer, while the former shareholders of Kings hold approximately 14.18% of the Common Shares of the Resulting Issuer on a basic basis.

#### **Related Party Considerations**

The Transaction was negotiated by the parties dealing at arm’s length with each other and therefore was an arm’s length transaction.

### **3.3 Trends, Commitments, Events or Uncertainties**

There are significant risks associated with the business of the Resulting Issuer, as described above and in *Section 17 – Risk Factors*. Readers are strongly encouraged to carefully read all of the risk factors contained in *Section 17 – Risk Factors*. In addition, please see the forward-looking statements that are outlined commencing on page 6 of this Listing Statement.

## 4. Narrative Description of the Business

### 4.1 General Business of the Resulting Issuer

The business of the Resulting Issuer will be the combined businesses of Kings and SVH with the predecessor SVH business accounting for approximately ●% of the combined business of the Resulting Issuer on a [revenue] basis.

#### Kings

##### *Principal Products and Services*

Legacy Eight is a business to consumer service provider that allows users to participate in lotteries and casino-style online games throughout the world all from the comfort of their own homes with a simple login and access. Legacy Eight offers an easy transition from lottery to casino gambling that attracts players to easily participate in both game types. Players are of age or majority, and are monitored for problem gambling issues according to requirements under the Curacao Gaming License. Legacy Eight operates through multiple established brands and websites, which include [www.wintrillions.com](http://www.wintrillions.com), [www.trillionaire.com](http://www.trillionaire.com) and [www.lottokings.com](http://www.lottokings.com) (the “Brands”).

The Brand sites are a destination for users to participate in lottery jackpots operated by fully regulated and legal lotteries across the world. Users may directly participate in lotteries or purchase shares in a pool of lottery plays by joining lottery teams or syndicates. Users may also utilize lottery subscriptions to participate in every draw of a specific lottery without the stress or worry of ever missing another draw.

In addition to the lottery services, Legacy Eight offers a connected experience that enables users to play and switch with ease between scratch cards and casino games. Legacy Eight’s software technology provides casino games within a user’s own web browser, without the need for any download. Users may easily access and enjoy a variety of different casino-style games. The games have several variations with minimum and maximum betting ranges, with winnings automatically credited to a user’s account.

Users may access the Websites and create an account through functionality provided through the Websites. The domains for Websites are owned by Legacy Eight Curacao or other members of the LottoKings Group. Users fund their accounts, make deposits and withdraw their winning through functionality provided through the Websites. Legacy Eight contracts with a number of payment processing service providers to facilitate deposits by clients and withdrawals of funds. Legacy Eight has agreements in place with multiple payment processing service providers, including a payment processing and marketing arrangement (the “WestOcean Arrangement”) with WestOcean S.A., an entity formerly under common control with Legacy Eight Curacao. Given the common control relationship, WestOcean S.A. did not charge consideration for its payment processing and marketing services during the fiscal year ended December 31, 2020. No services have been provided pursuant to the WestOcean Arrangement since August 2020 and since such time Phoenix and Litermi, a wholly-owned subsidiary of Phoenix, have provided the services previously provided by WestOcean S.A. Phoenix and Litermi have provided such services, and intend to continue to provide such services, for no consideration. Legacy Eight does not have any written agreements in place with either Phoenix or Litermi with respect to the provision of these services.

For the year 2021, one payment service provider accounted for over 50% of the transactions processed by Legacy Eight. For the year of 2020, this same payment services provider accounted for over 40% of the transactions processed by Legacy Eight. No other payment service provider has accounted for more than 30% of Legacy Eight’s transaction volume since January 1, 2020.

##### *Intercompany Accounts and Offsets*

Since 2017, Uruguayan banking regulations in respect of businesses related to (or receiving funds from entities related to) gaming have hindered WestOcean S.A.’s ability to receive and disburse funds. As a result, over this period, the LottoKings Group, WestOcean S.A. and a number of entities under common control with such companies relied on a

series of intercompany payments to ensure that payments due to WestOcean S.A. and due from WestOcean S.A. in connection with the WestOcean Arrangement were made in an efficient and timely manner. Over the same period, a number of smaller intercompany payments were also made between members of the LottoKings Group and other entities under common control with the LottoKings Group. These payments were made where one entity within the common control group could satisfy the payable of another group member more efficiently due to: (i) the paying entity having easier access to the requisite amount of funds than the entity owing the payable; (ii) the paying entity having easier access to funds in the requisite currency than the entity owing the payable; and (iii) the receiving entity being able to more cost effectively and rapidly receive funds from the paying entity than the entity owing the payable, including as a result of the location and governing jurisdiction of the paying entity.

On December 2, 2021, in anticipation of the closing of the Share Purchase Agreement and the consequence that the LottoKings Group will no longer be under common control with a number of entities to which it owes funds or from which it is owed funds, Legacy Eight Curacao, Phoenix, Azteca, WestOcean S.A., Legacy Eight Malta Ltd., Legacy Eight Group Ltd., Ledonford Limited and R. S. Real World Services Limited (all of which are currently under common control) entered into a debt acknowledgment and offset agreement (the “**Debt Offset Agreement**”) that provides for the parties’ right, effective as of April 7, 2017, to document their ability to offset their intercompany balances under the terms and conditions set forth in the Debt Offset Agreement. Pursuant to offsets carried out in accordance with the Debt Offset Agreement, substantially all intercompany balances within this group of companies, including amounts due from and to WestOcean S.A., have been offset against each other and satisfied.

The Resulting Issuer does not anticipate relying on intercompany transfers and payables to satisfy payments owing by or to members of the LottoKings Group, given that such entities currently operate in gaming friendly jurisdictions with banking systems that support their activities. To the extent that intercompany transfers or payments made on behalf of entities under the Resulting Issuer’s common control are required to ensure smooth operation of the Resulting Issuer’s business, such transfers will be properly documented and appropriately reflected in the Resulting Issuer’s financial statements and continuous disclosure filings. Please see “Risk Factors” for further details.

#### *Production and Sales*

Legacy Eight’s strategy includes promoting the Brand sites through a variety of international advertisers and through strategic business relationships with online gaming affiliates all in compliance with the Curacao Gaming License. While Legacy Eight has previously experimented with other forms of marketing, such as influencer marketing, currently Legacy Eight’s marketing efforts are primarily focused on affiliate marketing. Legacy Eight primarily targets websites that include content related to gaming or lotteries for its affiliate relationships, as the user base of these sites presents the largest overlap with Legacy Eight’s user base. Legacy Eight’s affiliate model pays affiliates a share of revenue obtained by Legacy Eight from clients referred by that affiliate. No payment is made to affiliates for clients that do not result in sales for Legacy Eight.

#### *Marketing and Brand Strategies*

Legacy Eight Curacao operates multiple business to consumer sites under brands including [www.wintrillions.com](http://www.wintrillions.com), [www.lottokings.com](http://www.lottokings.com), and [www.trillionario.com](http://www.trillionario.com). Some of these websites, which are owned directly by Legacy Eight Curacao, such as [www.wintrillions.com](http://www.wintrillions.com) and [www.trillionario.com](http://www.trillionario.com) have been operating for close to a decade and have built up considerable brand loyalty, especially in Latin America, which represents a large portion of Legacy Eight Curacao’s business. Legacy Eight Curacao’s current marketing strategy is focused on affiliate marketing, through a series of contract with third-party affiliate providers that drive traffic to the websites.

There are plans to expand Legacy Eight’s marketing efforts, including by creating a series of ‘satellite sites’ in Latin American jurisdictions which will assist with Legacy Eight’s SEO efforts, and engaging in a paid marketing campaign on Facebook and Instagram promoting Legacy Eight’s “Lotto Hub” app.

#### *Competitive Conditions*

The industries in which the Resulting Issuer will operate are highly competitive, constantly evolving and subject to regulatory and rapid technological change. Online gambling is an established industry and competition exists in all aspects of its business. The Resulting Issuer will compete for customers against other online, and in-person gaming and interactive entertainment developers and operators on the basis of many factors, including, without limitation, the quality of the customer experience, brand awareness, reputation, security, integrity and access to other distribution channels. Although the Resulting Issuer has an established brand and customer base that it believe allows it to compete favorably, competitors could develop more compelling content and offerings, which could adversely affect the Resulting Issuer's ability to attract and retain customers.

Certain other businesses offer similar services, particularly in Europe, which has several large online lottery service providers such as Lottoland and the Lotter. Barriers to entry for any potential competitors include: (i) the cost and time of researching and constructing a legally compliant business model; (ii) coding and building a secure web platform; (iii) sourcing and integrating all associated vendor-provided integrations; (iv) the development of ticket procurement technology and a vendor network required for lottery tickets; and (v) the development of an established reputation and a proven track record of successful operations and stability.

### Regulatory Framework

#### *Legacy Eight Curacao*

Legacy Eight Curacao holds a valid Curacao Gaming License, which allows it to provide online gaming products and services, including its gaming platform, from its home jurisdiction. The Curacao Gaming License restricts the markets from which Legacy Eight Curacao's Websites may be accessed for real money play and Legacy Eight Curacao does not provide access to the Websites in those jurisdictions, as well as certain other jurisdictions where local legislation does not permit the offering of such services. For example, Legacy Eight Curacao does not allow players that are resident in a number of countries, including Canada and the United States, to purchase any gaming, betting or lottery services or products through its Websites. Legacy Eight Curacao also works with legal counsel to ensure compliance with the local laws of the jurisdictions in which the Websites can be accessed. Legacy Eight Curacao has an ongoing engagement with legal counsel to advise on applicable gaming and betting laws in the jurisdictions in which it operates from time to time and Legacy Eight Curacao is kept regularly informed by the master license holder under which the Curacao Gaming License has been issued as to changes to the license terms, if any. Legacy Eight Curacao regularly updates the jurisdictions in which its products and services are offered as a result of such advice. The lotteries in which Legacy Eight Curacao permits its users to participate through its online platform are operated in full legal compliance with the laws of their home jurisdiction, and in many cases operated by a government entity.

#### *Azteca*

Azteca does not provide gaming, betting or lottery products or services and does not require any gaming licenses or registration in order to engage in the business operations it currently engages in.

#### *Phoenix*

Phoenix does not provide gaming, betting or lottery products or services and does not require any gaming licenses or registration in order to engage in the business operations it currently engages in.

### **Business of SVH**

SVH is a holding company of subsidiaries that operate the Bet99 brand. SVH's Swiss subsidiary, BQC, operates BET99.com and BET99.net. SVH's other subsidiary, Canco, operates and markets BET99.ca to residents of Ontario.

Through the BET99 platform, the Resulting Issuer aims to become one of the market leaders in the Canadian online gaming industry by providing its customers with a comprehensive selection of gaming activities and offering a secure, trustworthy and recognized entertainment experience.

### ***Principal Products and Services***

BET99.com offers 113,000 monthly sports betting markets and over 2,700 slot/live and jackpot casino games, in both French and English, has a customer database of over 42,000 registered Canadian players outside of Ontario and had approximately 10,000 active users per month between June 1, 2021 and May 31, 2022 through its online sportsbook and casino website [www.bet99.com](http://www.bet99.com).

BET99.ca offers 113,000 monthly sports betting markets, and over 600 slot/live and jackpot casino games, in both French and English, has a customer base of over 21,000 registered Canadian players in Ontario and had an average of 2,800 active users per month between May 1, 2021 and April 30, 2022 through its online sportsbook and casino website [www.bet99.ca](http://www.bet99.ca).

BET99.net, a 100% pure free-play website, is marketed throughout Canada.

Management of the Resulting Issuer believes that the BET99 brand has strong brand recognition which has been a key element in attracting new players and maintaining existing ones. It is anticipated that the Resulting Issuer will be able to leverage this strong brand recognition of BET99 to grow Canco's customer base in Ontario and capitalize on the evolving regulatory landscape of online gaming in Canada.

Both the BET99.com and BET99.ca websites, desktop and mobile, run on the award winning Dench eGaming Platform. In 2021 both BQC and Canco acquired the source code from Dench with the intention of gradually migrating all systems internally to become totally autonomous.

The Dench eGaming software platform on which both BET99.com and BET99.ca operate is a dynamic online platform. It is a modern web-based application which is accessible from all mobile devices and developed for major operating systems, including Windows, Mac, Android, iOS and Linux. The application is browser-based but can easily be wrapped into a native mobile or desktop application. The Dench eGaming software platform is ISO 27001 certified, the international standard for information security management.

### ***Principal Markets***

BQC actively markets its online offerings in all of Canada except Ontario. BET99.net is a 100% pure free-play website. BET99.com only accepts players residing in Canada but does not accept registrations and deposits from Ontario-based players. BQC operates in Canada in accordance with the Kahnawake Gaming License.

Canco actively markets and operates BET99.ca solely in the Province of Ontario, where it is licensed to operate pursuant to the Ontario License.

### ***Restricted Markets***

Both BQC and Canco use advanced geo-location technology from industry leader XPoint to ensure players located in Ontario as well as players located outside of Canada cannot register on BET99.com and BET99.net. Canco uses similar advanced geo-location technology from industry leader XPoint, which restricts anyone outside of Ontario from registering on BET99.ca.

As well, various other KYC (Know Your Customer) procedures (as described below under "*Anti-Fraud Management and Money Laundering Procedures*") are followed for all new accounts to ensure that only players from authorized locations can access the web application, for example providing copies of documents which verify the identification of the end-user and their address.

### ***Anti-Fraud Management and Money Laundering Procedures***

In order to prevent money laundering activities through its operations, BQC and Canco have each adopted an Anti-Money Laundering Policy (the “AML”). The AML is updated on a continuous basis. As part of implementing and managing the AML, the Resulting Issuer has appointed a Money Laundering Reporting Officer who, among other things, is responsible for applying the AML and appropriately train staff with respect to its application.

Knowing your customers is an important element in preventing money laundering. SVH’s client acceptance procedures consist of a number of components, including the following:

- Gathering of knowledge about the client to allow the company to confirm his/her identity; and
- Maintaining that information on file for the client’s existence.

#### *Account Registration*

Upon opening an account, clients are requested to enter the following details:

- Name
- Address
- Date of birth (Must be of legal age)
- Email address
- Mobile phone number
- Selected username and password
- Upload a copy of a valid government ID
- Upload a picture of the applicant

An activation link is thereafter sent to the client’s email address, which activates the client’s account. This ensures that the email address provided belongs to the client’s account.

#### *Deposit Process*

Both BQC and Canco offer several deposit methods including but not limited to:

- Interac
- Credit Cards
- iDebit
- Instadebit

In addition, BQC accepts deposits via Flexepin, Ecopayz and of various crypto-currencies.

Interac transactions are processed by Gigadat, a Canadian based third party payment provider and established leader in its field. Credit Cards transactions are processed by Safecharge a NUVEI company the uncontested leader in the processing of gambling and sports betting transactions.

#### *Withdrawal Process*

Every single withdrawal request is manually checked by SVH’s payment team. Here individual accounts are pulled and checked for flags automatically attributed by the Dench eGaming platform for potential issues. Only when cleared are the withdrawals move to the approval queue for final approval by a supervisor. If the payment team identify suspicious activity during the initial checks, the withdrawal transaction is put on hold and the transaction transferred to the AML officer.

#### *Anti-Money Laundering Procedures*

The Resulting Issuer monitors deposits and withdrawals activity on an ongoing basis to verify unusual behavior. Although such behavior cannot be simply defined, it includes the following:

- Large values of deposits within 48 hours of opening an account;
- Large deposits, little activity, then withdraw request via different payment methods;
- Deposit values which are inconsistent with the demographics for that client's age and location;
- Concentration of activity in multi-player games, particularly when playing against the same individuals;
- Discrepancy in IP address used to access the account versus the registered address or card issuing country; and
- Withdrawal request to personal details which do not match those on the account/registration details.

Pursuant to the AML policy, any account which meets any of the above listed behavior or which analysts consider unusual behavior will be subject to the additional personal information procedure. Any failure to provide the information will result in the same actions on the client's account.

### ***Operations***

#### *Licences*

BQC is the holder of the Kahnawake Gaming License issued by the KGC. The KGC was created by the *Kahnawake Gaming Law* passed by the Mohawk Council of Kahnawake, the governing body of the Mohawk Territory of Kahnawake in Quebec. BQC's only physical presence in Canada is computer servers that host the websites for BET99.com and BET99.net and are located within the Mohawk Territory of Kahnawake. Although the license is not required for BQC to operate (see below under the heading "Regulatory Regime"), the Kahnawake Gaming License enables BQC to enter third party agreements, open European based bank accounts, and most importantly bolster player trust and enhance credibility of the brand.

Canco is the holder of the Ontario License. Ontario is the first province in Canada to set up its own internet gaming (iGaming) platform. Ontario's iGaming market is regulated by the AGCO. iGaming Ontario (an AGCO subsidiary) is responsible for conducting and managing the Ontario iGaming market provided through private operators. The Ontario License enables Canco to offer its gaming and casino services to the Ontario market.

#### *Distribution Methods*

BQC and Canco products and services are distributed through the Internet to both PC type devices (laptop, desktop) and mobile devices (smart phone, tablets).

#### *Material Operational Agreement*

BQC's and Canco's core gaming software and platform are built on the Dench Core Platform developed by Dench eGaming Solutions AD, and the companies' player relationship management and marketing platforms are built on Dench's Giselle V2 customer relationship management (CRM) and automation software. By agreement dated July 26, 2021 between Dench as licensor and BQC as licensee, BQC obtained a full copy of Dench's source code to the gaming platform as well as to Dench's player relationship management and marketing platform, together with a perpetual, irrevocable, worldwide, non-exclusive, royalty-free license to use and reproduce the software, and to develop derivative works from the software, for purposes of offering the Bet99 gaming products and services.

BQC has assembled its own software development team to continue to build upon and enhance the source code comprising its gaming as well as player relationship management and marketing platforms. All derivative works and enhancements to the platforms by BQC are owned by BQC. In addition, Dench continues to provide software development services to BQC and Canco as needed pursuant to this agreement.

### *Intellectual Property*

Bet99 protects its intellectual property in the area of its core business through a combination of trade-marks and contractual provisions. BQC is the owner of the following trade-mark applications in Canada, all of which were made on September 21, 2020 with the exception of “Betting on Women is NEVER a Gamble”, which was made on November 2, 2021:

Betting on Women is NEVER a Gamble	Application No. 2144553
BET99 SPORTSBOOK & Design	Application No. 2052983
BET99 SURVIVOR FOOTBALL	Application No. 2052984
BET99 SPORTSBOOK	Application No. 2052985
BET99	Application No. 2052986
BET99 & Design	Application No. 2052987
BET99 CASINO	Application No. 2052988

### *Specialized Skill and Knowledge*

Each of BQC’s and Canco’s operations require specialized skills and knowledge particularly in the areas of online gambling information technology, customer relationship management, marketing, payment processing, anti-fraud, accounting and finance. While the current labour market in the industry is highly competitive, both companies have been able to attract exceptional talent and management believes it will maintain the ability to attract and maintain appropriately qualified employees

Both BQC and Canco have outsourced a significant portion of their operations to Dench, which have the personnel who possess the required specialized skills and knowledge to carry out the requisite operations.

### *Business Cycles*

BQC and Canco, like all online gaming businesses, experience seasonal trends. Internet traffic is higher in the winter months in the northern hemisphere with longer nights and colder days, whereas activity decreases in the summer months due to lower Internet traffic driven by shorter nights and warmer weather.

### *Economic Dependence*

BQC’s and Canco’s businesses are currently substantially dependent upon the software and gaming platform acquired from Dench and the performance of the licensor thereunder. In addition, all of the online casino games as well as the sports-betting markets that are offered under the BET99 brand are provided by third party vendors. SVH is currently developing its own version of the Dench platform which will allow SVH to be fully autonomous of Dench by the fourth quarter of 2022.

### *Contractors/Employees*

Both BQC’s and Canco’s management teams possesses broad skills and experience relevant to the sports betting and on-line gambling industry to develop the strategy and execution of its business plan. The operational skills of the companies’ management and consultants include knowledge and ability to manage and further develop its operational goals in a nascent, legally evolving sector, with a majority of its management and consultants having successfully operated in this highly regulated sector in Canada and the United States.

Relevant experience includes managing operations for some of the largest European gaming operators, executive leadership roles in both land based and iGaming, and extensive leadership positions in Sportsbook, Casino, CRM, Customer Engagement, and VIP roles.

By leveraging the strengths and experiences of the companies' management team involving individuals who possess a wealth of combined knowledge and experience necessary for marketing products and services in a nascent market, the companies intend to, over time, establish themselves as leaders in the sports betting and online gambling space. The companies will continue to build out its team with specialists on an as-needed basis.

As at June 1, 2022, BQC had approximately 50 contractors. It is currently anticipated that approximately 20 of these contractors will become employees of Canco by October 2022 as Canco begins to expand its operations under the Ontario License.

#### *Social Policies*

The Bet99 reputation is built on outstanding service and an established relationship of trust with its customers and end-users. As a result, both BQC and Canco are strongly committed to achieving the goals of the regulations under which it operates.

Both companies endeavour to provide responsible adults with the best online gaming entertainment experience, while providing its customers tools to enjoy gambling responsibly. For most people, gambling is an enjoyable and harmless leisure pursuit; however for a small number of people gambling can become a behavioural problem. Both companies offer their customers the ability to configure their depositing and wagering limits and will not allow a player to exceed these limits. Both companies continuously train their staff on how to provide a safe gaming experience, which includes methods and techniques to help staff recognize and take appropriate actions if compulsive or underage activity is identified.

#### ***Competition and Market Participants***

##### *Sports Betting Market*

The Resulting Issuer, through BQC and Canco, will operate in the online sports betting industry which is highly competitive, constantly evolving and subject to regulatory and rapid technological change. Canco will operate largely in the highly competitive and newly legalized Ontario gaming market. As a result of recent legalization, competitors are fighting for market share and spending large sums of money on advertisements to build brand recognition and onboard new users. Such competitors may spend more money and time on developing and testing products and services, undertake more extensive marketing campaigns, adopt more aggressive pricing or promotional policies or otherwise develop more commercially successful products or services than Canco, which could negatively impact its business. There is no assurance that Canco will be able to maintain or grow its position in the marketplace.

As a result of the foregoing and other factors, the Resulting Issuer will have to continually introduce and successfully market new and innovative technologies, product and services offerings and product and service enhancements to remain competitive and effectively stimulate customer demand, acceptance and engagement. The process of developing new product and service offerings and systems is inherently complex and uncertain, and new product and service offerings may not be well received by customers, even if well-reviewed and of high quality. Furthermore, the Resulting Issuer may not recover the often-substantial up-front costs of developing and marketing new technologies and product and service offerings or recover the opportunity cost of diverting management and financial resources away from other technologies and product or service offerings. Additionally, if the Resulting Issuer cannot efficiently adapt their processes and infrastructure to meet the needs of its product and service offering innovations, its businesses could be negatively impacted.

##### *Gaming, Lottery and Casino Market*

The Resulting Issuer will also operate in the gaming, lottery and casino industries which are highly competitive, constantly evolving and subject to regulatory and rapid technological change. Online gambling is an established industry and competition exists in all aspects of its business. The Resulting Issuer will compete for customers against other online, and in-person gaming and interactive entertainment developers and operators on the basis of many factors, including, without limitation, the quality of the customer experience, brand awareness, reputation, security, integrity and access to other distribution channels. Although the Resulting Issuer has an established brand and customer base that allows it to compete favorably, competitors could develop more compelling content and offerings, which could adversely affect the Resulting Issuer's ability to attract and retain customers.

Certain other businesses offer similar services, particularly in Europe, which has several large online lottery service providers such as Lottoland and the Lotter. Barriers to entry for any potential competitors include: (i) the cost and time of researching and constructing a legally compliant business model; (ii) coding and building a secure web platform; (iii) sourcing and integrating all associated vendor-provided integrations; (iv) the development of ticket procurement technology and a vendor network required for lottery tickets; and (v) the development of an established reputation and a proven track record of successful operations and stability.

#### *Total Addressable Market Size*

Using other jurisdictions that have legalized online sports betting and online gaming, lottery and casino, as a proxy, we can extrapolate the estimated total Canadian market size. For example, using approximately ten years' worth of data from the state of New Jersey and assuming no growth on a go forward basis, the Canadian online sports betting and online gaming, lottery and casino total addressable market is estimated to be between US\$6.0 billion and US\$9.0 billion per year (Source: New Jersey Division of Gaming Enforcement <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/sports-wagering/>).

#### **Regulatory Regime**

The gaming industry is highly regulated. Gaming is generally authorized in limited circumstances in certain jurisdictions under licences which may generate revenue from licence fees and taxation. Some jurisdictions prohibit gaming in all or certain forms. Canco, which is wholly owned by SVH, and which wholly owns and operates the domain [www.BET99.ca](http://www.BET99.ca) and is presently under review for an interactive gaming license with AGCO, intends to operate in Ontario and does not market its gaming offerings in any other jurisdiction. BQC, a Swiss company which is wholly owned by SVH, wholly owns and operates the domain [www.BET99.com](http://www.BET99.com), that operates in all other provinces in Canada outside of Ontario and does not market its gaming offerings in any other jurisdiction.

Currently, the significant international jurisdiction that licenses BQC to do business is the Mohawk Territory of Kahnawake. Kahnawake is a key interactive gaming jurisdiction with a comprehensive interactive gaming policy and regulatory framework. As a result, Kahnawake hosts and licenses many of the industry's largest operators.

BQC holds a Client Provider Authorization interactive gaming license in Kahnawake. The Kahnawake Gaming Commission ("KGC") is the regulatory body that is responsible for the governance of all gaming activities in Kahnawake by issuing online gaming licences for the operation of online casino games, games of chance, online sports betting and general games that utilize a random number generator. Pursuant to the KGC's gaming regulations, any person who operates, promotes, sells, supplies or manages interactive gaming in or from Kahnawake must obtain the appropriate licence from the KGC; however, there are no Kahnawake-resident requirements to qualify for a licence from the KGC.

Applicants must provide information, including, but not limited to:

- Personal financial background on directors and shareholders holding 10% or more in the applicant;
- Interest in other commercial activities;
- Criminal record for directors and shareholders holding 10% or more in the applicant;

- Information concerning all pecuniary and/or equity interests; and
- Any other information that the KGC requires, for every director and key official of the applicant and for every shareholder with 10% or more ownership of, or controlling interest, in the applicant. The KGC may, at its sole discretion, require that all beneficial owners of shares in the applicant's corporation provide such information.

Remote gambling operators are not required to pay a gambling tax to the Kahnawake authorities; only a fixed annual license fee is required.

An interactive gaming license is to be renewed every five years from the date of issue of the license. The KGC requires that the licensee commence the renewal process at least 60 days from the date of expiry of the license. The renewal application should be accompanied by a fee of \$5,000 USD. Subject to the licensee following the proper renewal process and there being no material outstanding non-compliance issues with the KGC's regulations, on the date of expiry of the license, a new license is issued and an annual renewal fee of \$20,000 USD is payable. The renewal is subject to the licensee continuing to abide by the KGC's regulations.

### ***Canada***

Gaming activities are regulated in Canada under the Code and provincial regulation. Part IV of the Code addresses "Disorderly Houses, Gaming and Betting". Various sections within Part IV of the Code make the provision of all gambling activities illegal throughout Canada, and also includes a small number of exemptions, the most important of which is section 207. Section 207 of the Code permits a provincial government to "conduct and manage a lottery scheme" within its jurisdiction or in conjunction with other provincial governments. Through Section 207, provincial governments are permitted to provide all types of gambling services (both land-based and online) to its residents.

On the basis of the exemption set out above, provincial governments in Canada have established lottery corporations to provide gambling services to their residents pursuant to special-purpose provincial gaming legislation. Such lottery corporations often subcontract the operation of all of the gambling facilities to registered service suppliers in the private sector. However, the provincial lottery corporations still had limits to what forms of gambling they could offer. Until recently, single-sport betting was not permissible, and as such, a minimum "3-bet" parlay offering was required. This deterred many gamblers from wagering on provincial gaming websites and directed them instead to foreign operators, where these same restrictions may have been of no application. However, on June 22, 2021, the Canadian Parliament passed Bill C-218 which decriminalized single-sport betting, and allowed the provincial lottery corporations to offer such type of betting.

In Canada, the British Columbia Lottery Corporation, Ontario Lottery Gaming Corporation, Loto-Québec and the Atlantic Lottery Corporation have created authorized Internet gaming sites to provide online gambling services to their residents. In addition, as described below, the Ontario Government has recently enacted provincial regulations regulating internet gaming in Ontario allowing private operators the right to obtain a license with the AGCO to offer online gaming to residents of Ontario.

### ***Ontario***

As of April 4, 2022, only those operators that have obtained an interactive gaming license from the AGCO can legally operate within this province. It is worth noting that as per the AGCO, any applicant-operator that had submitted an application for an interactive gaming license prior to April 4, 2022, such as Canco, may continue to operate in Ontario pending completion of their application process; neither AGCO licensees nor AGCO applicants are not allowed to offer their products elsewhere in Canada.

Companies such as Canco enter into an operator agreement with iGaming Ontario, a subsidiary of the AGCO, to provide online gambling to residents of Ontario.

For a company to obtain an AGCO license, it must first apply for registration with the AGCO. The AGCO requires that an applicant for registration provide full details of the applicant's corporate structure, including details concerning any shareholder that holds more than 5% of any type of security (not just voting shares or equity) in a corporation along with an initial application fee of \$100,000 CAD; in addition, the AGCO charges the operator 20% of the gross gaming revenue. Disclosure must go up to the level of individual shareholders in all cases although exceptions are made if a company is broadly publicly traded. Every individual shareholder, director and officer of every corporation for which disclosure is made must submit to a full personal disclosure and security clearance. At the AGCO, this process is conducted by the Ontario Provincial Police who are seconded to the AGCO for this purpose, and they are assisted by the Royal Canadian Mounted Police in Canada; a discretionary sum may be requested by the AGCO to cover the costs of these investigations and reviews. Any individuals located outside of Canada must submit security clearances run by the security service in their country (e.g. in the U.S., reports from Homeland Security and the FBI are usually required). Individuals are typically required to submit their income tax returns for previous years as well as information about any types of investigations, charges, or disputes in which they have been involved throughout their lifetime. The AGCO also has the discretion to broaden their investigation to "persons of interest" who are not legally related in any manner to the applicant.

The focus in Ontario requires registrants to comply with a specific set of rules or processes, as laid out in the regulations. The level of control over the flow of funds in all gaming operations is overseen and tightly controlled by the AGCO as are other mission critical components such as the software used in the games and in particular the random number generators.

Canco has undertaken not to accept registrations or deposits for the online gaming operations of [www.Bet99.ca](http://www.Bet99.ca) from individuals residing outside of Ontario.

#### ***Other Provinces and Territories in Canada***

The law elsewhere in Canada as it relates to online gambling is somewhat uncertain. While there does not exist actual language that specifically governs the legality of online gaming websites, Canadian authorities have loosely interpreted the relevant language found in the Code to apply to them, and in this regard, the law is quite clear in that only provincial governments can legally manage and operate gaming houses, whether land-based or online; this extends to poker, casino and sportsbooks alike.

Operators, other than those licensed by the AGCO, accept Canadian facing business by relying on the "Foreign Operators Principle", which provides that as long there is no substantial links between the operator and Canada, save for the customer database, (referred to as the "nexus" by Canadian courts), Canadian authorities do not have jurisdiction over them, and therefore, the Code has no application, as discussed further below.

The internet has the unparalleled ability to transcend borders and jurisdictions around the world, something that is not contemplated by the current gaming provisions of the Code. There is no extra-jurisdictional element in the current gaming provisions, thus the Canadian online gaming market remains open to operators that provide access to online sites from around the world. Given this, there is a legal argument that the Code has no jurisdiction to govern the activities of companies that are physically located outside of Canada and that elect to operate under the concept of the Foreign Operator Principle.

In order for the Code to apply to Foreign Operators accepting Canadian customers, they must have a substantial component of their operations linked to or based in Canada to form the requisite degree of connection to attract criminal liability (ie. a "real and substantial link") as laid out in Canadian jurisprudence.

The Code, as it relates to gaming, is restricted in its application to activities that take place within Canada, and operations that emanate from outside of the country are not regulated by it. This is what enables gaming operators that are not located within Canada to take comfort in accepting players from the Canadian market as the totality of their operations are located outside of Canada; because such activities are deemed to take place outside of Canada, they cannot be said to be in breach of any of the anti-gaming provisions of the Code.

It is based on the foregoing analysis that BQC operates the domain [www.Bet99.com](http://www.Bet99.com). Furthermore, as there are no connections between BQC and Canco save for their sole shareholder, SVH, Canco cannot be found to be in violation of either AGCO regulations or of the Code.

### Transaction Agreement

On April 16, 2022, SVH and the Issuer entered into a non-binding letter of intent to enter into a definitive agreement with respect to the Transaction and SVH and the Issuer subsequently entered into the Transaction Agreement on May 24, 2022. The Transaction was an arm’s length transaction which resulted in the former SVH Shareholders holding approximately 85.82% of the Common Shares of the Resulting Issuer, while former shareholders of Kings own approximately 14.18% of the Common Shares of the Resulting Issuer on a basic basis. Directors, officers and other significant shareholders of each of Kings and SVH have entered into irrevocable voting and support agreements to vote in favor of the Transaction representing approximately 30% of the outstanding Common Shares and 53% of the SVH Shares. Pursuant to terms of the Transaction Agreement, Kings issued the Payment Shares at the Exchange Ratio in exchange for each SVH Share at a deemed issuance price of \$0.21 per share, as well as completed the Name Change and the Share Consolidation.

Concurrently with the execution of the Transaction Agreement, Kings and SVH established a senior secured credit facility pursuant to a loan agreement (the “**Loan Agreement**”) pursuant to which SVH may draw down, from time to time until the closing of the Transaction, up to \$5 million of cash held by Kings, on a non-interest basis to be used for working capital purposes by SVH, subject to the terms and conditions mutually agreed upon between Kings and SVH. To date, SVH has drawn \$1,000,000.

The Transaction Agreement contained customary representations, warranties and covenants for transactions of this nature, including the holding of shareholder meetings, conduct of the business of Kings Entertainment and SVH, and non-solicitation provisions providing for break fee of \$5 million. The completion of the Transaction was subject to the satisfaction of certain conditions, including: the receipt of the Ontario License; the approval of SVH Shareholders of the Amalgamation; the approval of Kings shareholders of the Transaction; the satisfaction of all conditions (unless waived in writing by the applicable party), under the Transaction Agreement and any applicable transactional agreements, required to be completed or satisfied on or before closing of the Transaction; and the receipt of all necessary regulatory and third-party consents, approvals and authorizations as may be required in respect of the Transaction and the Amalgamation, including from the CSE.

In addition, the Transaction Agreement contemplated a proposed private placement offering of equity securities of SVH or KEG (the “**Private Placement**”) with expected proceeds to the Resulting Issuer of not less than \$5 million or such other amount as may be agreed, all on terms as may be agreed upon by SVH and KEG.

### Business Objectives and Milestones

The future expansion of the Resulting Issuer is expected to include the following business objectives in the forthcoming 12 month period, and milestones to achieve those objectives, for the growth of the business.

	Objectives	Timeline	Expected Cost
1	Technical Autonomy	Completed by January 1, 2023	\$500,000
2	Complete Enhanced CRM	Completed in Q1 2023	\$350,000
3	Launch Rewards program	Launch in Q2 2023	\$250,000
4	Integrate ADA’s AI bot capabilities	Completed in Q4 2022	\$100,000

5	Launch Native App	Completed in Q2 2023	\$500,000
6	Back & Front-end improvements	Ongoing	\$350,000
7	Additional Market Readiness	Ongoing	\$600,000

**Business Objective #1 – Technical Autonomy**

The Resulting Issuer has acquired the source code of Dench, thus enabling SVH to eliminate platform license fees and take full control of the product roadmap and future development. It is currently anticipated that the Resulting Issuer will achieve full technical autonomy by January 1, 2023. Technical autonomy will facilitate greater efficiencies and optimal control to serve the various business functions. The Resulting Issuer will continue to invest in its product and technical team to achieve prominence in a rapidly evolving industry.

**Business Objective #2 – Complete Enhanced CRM**

The Resulting Issuer will build on top of the existing proprietary CRM system to significantly enhance existing capabilities. The added features will enable the Resulting Issuer to go beyond engagement statistics to truly understand what is motivating the player behaviour. By having greater control over predicting conversion, future value, risk of churn, and reactivation, the Resulting Issuer will have better insight on where efforts should be focused. Seamless cross-channel automation will support scaling efforts and empower team members with more actionable insights.

**Business Objective #3– Launch Rewards Program**

Attracting new customers while keeping existing customers active are two of the Resulting Issuer’s critical goals. One of the several initiatives Resulting Issuer will put forward toward achieving those goals is the launch of an innovative rewards program intended to accelerate the loyalty life cycle. The mechanics of this program will be fully automated and completely integrated within the tech stack. Each level will offer its members specific benefits including exclusive offer and gifts. The top three tiers will receive white glove concierge service through a dedicated VIP Host.

**Business Objective #4– Integrate ADA’s AI Bot Enhanced Capabilities**

The Resulting Issuer was one of the early adopters of ADA’s AI Bot to serve on the first line of customer service which rapidly improved customer’s satisfaction. The Resulting Issuer will deploy technical resources to continue to build on existing AI capabilities. The focus is on increasing customer satisfaction by providing tier 1 service through cost effective methods.

**Business Objective #5– Launch Native App**

The Resulting Issuer will launch mobile apps on both the iOS and Android operating systems. The app will provide users to access functionality comparable to the Resulting Issuer’s desktop sites and Progressive Web Base Applications in a native mobile format. This native app will provide additional features like geofencing, inter-app functionality and push notifications. Multiple versions of the app may be launched, corresponding to different brands owned by the Resulting Issuer. These apps will result in a more seamless user experience for the Resulting Issuer’s mobile users and allow the Resulting Issuer to convert additional users to its platform through its presence on various app stores.

**Business Objective #6– Back & Front-end Improvements**

The Resulting Issuer will make upgrades to its “back end” systems – the internal systems underlying the Resulting Issuer’s various Websites. This will improve the user experience for visitors of the Websites by increasing their responsiveness and allowing Resulting Issuer staff to address user concerns more effectively. It will also allow the Resulting Issuer to scale its operations more effectively by allowing its systems to on-board and support higher numbers

of users. Additionally, the upgrades will increase the ease through which the Resulting Issuer may comply with the requirements of various gaming licenses from jurisdictions other than Ontario.

**Business Objective #7– Additional Market Readiness**

The Resulting Issuer deployed cross departmental efforts through the AGCO internet gaming application. Many processes were implemented, existing procedures tweaked, and large amounts of document produced, all in order to satisfy the regulators. Every action at each stage of the process were well documented by the Resulting Issuer’s teams with the foresight of repurposing the majority for the other provincial regulators if those provinces decide to follow suit.

The above objectives and milestones may change at any time depending on market conditions. See “Risk Factors”.

The Resulting Issuer has the following funds available upon completion of the Transaction and the Private Placement for the next twelve-month period:

Description of Funds	Amount
Estimated working capital of Kings as of August 31, 2022	\$4,760,157 <sup>(1)</sup>
Estimated working capital of SVH as of August 31, 2022	\$(80,898)
Estimated Net Proceeds of the Private Placement	\$5,000,000
Less: Expenses of the transaction (legal, accounting, printing and mailing and listing fees)	\$(2,000,000)
<b>Total available funds</b>	<b>\$7,679,259</b>

Notes:

(1) Based on the Bank of Canada exchange rate on August 31, 2022, being USD\$1.00 = C\$1.3111

The Resulting Issuer will use the funds available to it upon the completion of the Transaction to achieve its milestones and further its business objectives. Specifically, the Resulting Issuer will use the funds available to it upon the completion of the Transaction as follows:

Use of Funds	Amount
Technical Autonomy	\$500,000
Complete Enhanced CRM	\$350,000
Launch Rewards program	\$250,000
Integrate ADA’s AI bot capabilities	\$100,000
Launch Native App	\$500,000
Back & Front-end improvements	\$350,000
Additional Market Readiness	\$600,000
General and Administrative Expenses (compensation, advertising, partnerships, professional services, travel and office expenses)	\$4,000,000

Use of Funds	Amount
Unallocated	\$1,029,259
<b>TOTAL</b>	<b>\$7,679,259</b>

#### 4.2 *Asset backed Securities Outstanding*

This section is not applicable to the Resulting Issuer.

#### 4.3 *Mineral Projects*

This section is not applicable to the Resulting Issuer.

#### 4.4 *Oil and Gas Operations*

This section is not applicable to the Resulting Issuer.

### 5. **Selected Consolidated Financial Information**

#### 5.1 *Annual Information*

The following table sets out selected historical financial information for Kings for the fiscal years ended December 31, 2021 and December 31, 2020 and should be read in conjunction with the King Financial Statements attached hereto as Exhibit “A” and available on the SEDAR profile for Kings at [www.sedar.com](http://www.sedar.com). Amounts are stated in United States dollars.

Statement of Financial Position and Statement of Loss and Comprehensive Loss Data (Expressed in United States Dollars)	Year Ended December 31, 2021 (US\$)	Year Ended December 31, 2020 (US\$)
Total Revenue	5,840,687	6,158,396
Income (Loss) from Continuing Operations (Total)	(15,442)	1,076,294
Net Income (Loss) (Total)	(9,016,636)	385,761
Total Assets	9,386,895	1,602,307
Total Long-Term Financial Liabilities	2,912,912	1,201,181
Total Shareholder’s Equity	6,473,983	401,126

The following table sets forth selected historical financial information for SVH for the fiscal years ended December 31, 2021 and December 31, 2020 and should be read in conjunction with SVH’s Financial Statements attached hereto as Exhibit “A”. Amounts are stated in Canadian dollars.

<b>Statement of Financial Position and Statement of Loss and Comprehensive Loss Data</b>	<b>Year Ended December 31, 2021 (CDN\$)</b>	<b>Year Ended December 31, 2020 (CDN\$)</b>
Total Revenue	25,551,328	574,664
(Loss) from Continuing Operations (Total)	18,553,327	(88,404)
(Loss) from Continuing Operations (Per Share)	1.11	(0.006)
(Loss) from Continuing Operations (Per Share – Fully Diluted)	0.90	(0.005)
Net (Loss) and Comprehensive (Loss) (Total)	(8,675,035)	(2,819,022)
Net (Loss) and Comprehensive (Loss) (Per Share)	(0.52)	(0.19)
Net (Loss) and Comprehensive (Loss) (Per Share – Fully Diluted)	(0.42)	(0.15)
Total Assets	20,124,082	5,896,684
Total Long Term Financial Liabilities	10,237,195	837,419
Total Shareholders' Equity (Deficiency)	9,886,887	5,059,265

The following table sets forth selected financial information for the Resulting Issuer as of December 31, 2021 assuming the completion of the Transaction and should be read in conjunction with the Resulting Issuer Pro-Forma Financial Statements attached hereto as Exhibit “C”. Amounts stated are in Canadian dollars.

<b>Pro Forma Balance Sheet Data</b>	<b>Year ended December 31, 2021 (CDN\$)</b>
Total Revenue	13,930,402
Income (Loss) from Continuing Operations (Total)	10,104,298
Income (Loss) from Continuing Operations (Per Share)	0.14
Income (Loss) from Continuing Operations (Per Share –Fully Diluted)	0.12
Net Income (Loss) (Total)	(14,030,838)
Net Income (Loss) (Per Share)	(0.20)

## 5.2 Quarterly Information

Please see below for the following quarterly information for Kings and SVH for the periods as indicated:

### Kings

<i>(US\$, except per share amounts)</i>	<b>Q1 ending March 31, 2022</b>	<b>Q2 ending June 30, 2022</b>
Total Revenue	1,220,596	779,873
Income (Loss) from Continuing Operations (Total)	(3,545,340)	(1,137,258)
Income (Loss) from Continuing Operations (Per Share)	(0.05)	(0.02)

<i>(US\$, except per share amounts)</i>	Q1 ending March 31, 2022	Q2 ending June 30, 2022
Income (Loss) from Continuing Operations (Per Share –Fully Diluted)	(0.05)	(0.02)
Net Income (Loss) (Total)	(3,428,765)	(609,897)
Net Income (Loss) (Per Share)	(0.06)	
Net Income (Loss) (Per Share – Fully Diluted)	(0.06)	
Total Assets	7,642,627	6,093,618
Total Long-Term Financial Liabilities	1,639,873	2,156,241
Total Shareholder's Equity	6,002,754	3,937,377

The above table should be read in conjunction with the Kings financial statements for the interim period listed above. Copies of the unaudited interim financial statements for the period listed above for Kings are available on the SEDAR profile for Kings at [www.sedar.com](http://www.sedar.com) and the unaudited interim financial statements for the interim period ended June 30, 2022 have also been attached hereto as Exhibit "A".

## SVH

<i>(C\$, except per share amounts)</i>	Q1 ending March 31, 2022	Q2 ending June 30, 2022
Net Gaming Revenue	12,384,883	11,687,755
Income (Loss) From Continuing Operations	(2,433,812)	(1,013,046)
Income per share- (basic)	(0.15)	(0.06)
Income per share- (diluted)	(0.12)	(0.05)
Net Loss and Comprehensive Loss	(2,886,518)	(3,412,445)
(Loss) per share – (basic)	(0.17)	(0.20)
(Loss) per share - (diluted)	(0.14)	(0.16)

The above table should be read in conjunction with the SVH interim financial statements for the interim period ended June 30, 2022. Copies of the unaudited interim financial statements for the interim period ended June 30, 2022 have been attached hereto as Exhibit "B".

### 5.3 *Dividends*

Neither Kings nor SVH have paid any dividends on their shares since incorporation.

Other than statutory rules provided by the OBCA, there are no restrictions in the Resulting Issuer's articles or elsewhere which would prevent the Resulting Issuer from paying dividends following the completion of the Transaction.

It is anticipated that all available funds will be invested to finance the growth of the Resulting Issuer's business and accordingly it is not contemplated that any dividends will be paid on the Resulting Issuer's shares in the immediate or foreseeable future. The directors of the Resulting Issuer will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time.

### 5.4 *Foreign GAAP*

The financial statements included in this Listing Statement have been prepared in accordance with International Financial Reporting Standards.

## 6. Management's Discussion and Analysis

Kings' Management's Discussion and Analysis for the financial years ended December 31, 2021 and December 31, 2020 and the interim period June 30, 2022, can be found in Exhibit "A" to this Listing Statement. This Management's Discussion and Analysis should be read in conjunction with the Kings financial statements and the notes thereto for the corresponding time periods.

SVH's Management's Discussion and Analysis for the financial years ended December 31, 2021 and December 31, 2020 and the interim period ended June 30, 2022 can be found in Exhibit "B" to this Listing Statement. This Management's Discussion and Analysis should be read in conjunction with the SVH financial statements and the notes thereto for the corresponding time periods.

## 7. Market for Securities

The Issuer's Common Shares have been listed and posted for trading on the Exchange since January 24, 2022 under the trading symbol "JKPT" and on the OTCQB since April 25, 2022 under the trading symbol "JKPTF". After the closing of the Transaction, the Resulting Issuer's common shares will be listed and posted for trading on the Exchange under the symbol "JKPTF" and on the OTCQB under the trading symbol "JKPTF". The Common Shares were halted on the Exchange on May 25, 2022 as a result of the announcement of the Transaction.

The SVH Shares have never been listed and posted for trading on any stock exchange.

## 8. Consolidated Capitalization

The following table sets forth the share capital of the Issuer, on a consolidated basis, before and after giving effect to the Transaction and should be read with the financial statements for the Issuer and pro forma financial statements for the Resulting Issuer included as Exhibits "A" and "C", respectively, hereto:

Security	Amount Authorized or to be Authorized	Amount Outstanding Prior to Giving Effect to the Transaction Following the Completion of the Share Consolidation	Amount Outstanding After Giving Effect to the Transaction Following the Completion Consolidation
Common Shares	Unlimited	3,423,175	31,775,249 <sup>(1)</sup>

Notes:

- (1) In addition, 505,600 Common Shares (after giving effect to the Share Consolidation) are issuable in connection with previously issued stock options granted under the Option Plan (see "Section 9 – Options to Purchase Securities") and, 53,394 Common Shares (after giving effect to the Share Consolidation) are issuable in connection with previously issued warrants to purchase Common Shares (see "Section 14.2 - Convertible or Exchangeable Securities"). In addition, pursuant to the Transaction, 1,037,175 Common Shares (after giving effect to the Share Consolidation) are issuable in connection with In-The-Money SVH Options and 2,064,202 Common Shares (after giving effect to the Share Consolidation) are issuable in connection with SVH Warrants.

## 9. Options to Purchase Securities

### *Description of Option Plan*

The Resulting Issuer has inherited the Option Plan previously implemented and used by Kings. Please see the disclosure under the heading "Options to Purchase Securities Terms of the Plan" on page 39 of the Kings Listing Statement, which is incorporated by reference, for further details with respect to the Option Plan. The Option Plan has not been approved by shareholders.

The following table sets out the stock options to purchase Common Shares of the Resulting Issuer under the Option Plan as of the date of this Listing Statement.

<b>Groups of Persons who Hold Resulting Issuer Stock Options</b>	<b>Number of Optionholders</b>	<b>Number of Stock Options<sup>(1)</sup></b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
All executive officers and past executive officers of the Resulting Issuer	1	874,045	1.96	January 1, 2026
	4	91,250	10.00	January 24, 2027
	1	5,000	5.55	5 years from the closing date of the Transaction
All directors and past directors who are not also executive officers of the Resulting Issuer	1	31,072	1.96	January 1, 2026
	4	26,250	10.00	January 24, 2027
All executive officers of the subsidiaries and past executive officers of subsidiaries of the Resulting Issuer (excluding individuals referred to above)	n/a	n/a	n/a	n/a
All directors of the subsidiaries and past directors who are not also executive officers of the subsidiaries of the Resulting Issuer (excluding individuals referred to above)	3	125,000	10.00	January 24, 2027
All other employees and past employees of the Resulting Issuer	n/a	n/a	n/a	n/a
All other employees and past employees of subsidiaries of the Resulting Issuer	n/a	n/a	n/a	n/a
All other consultants of the Resulting Issuer	10	132,058	1.96	January 1, 2026
	10	258,100	10.00	January 24, 2027
All other persons	n/a	n/a	n/a	n/a
<b>Total:</b>	<b>34</b>	<b>1,542,775</b>		

Note:

(1) Presented on a post-Share Consolidation basis.

Following the closing of the Transaction, the Option Plan as described above will remain in effect. If the Resulting Issuer adopts a new stock option plan following the completion of the Transaction, the same may be subject to shareholder and Exchange approval.

## **10. Description of the Securities**

### **10.1 General**

The Resulting Issuer is authorized to issue an unlimited number of Common Shares without par value. As of the date of this Listing Statement and following the Closing of the Transaction, on a post-Share Consolidation basis, 31,775,249 Common Shares are issued and outstanding as fully paid and non-assessable, 505,600 Common Shares are reserved for issuance upon exercise of stock options as described in Section 9 – “Option to Purchase Securities”, 53,394 Common

Shares are reserved for issuance pursuant to previously issued warrants to purchase Common Shares, 1,037,175 Common Shares are reserved for issuance pursuant to previously issued In-The-Money SVH Options and 2,064,202 Common Shares are reserved for issuance pursuant to previously issued warrants to purchase SVH Shares. The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per Common Share at meetings of the shareholders of the Resulting Issuer and, upon dissolution, to share equally in such assets of the Resulting Issuer as are distributable to the holders of Common Shares. All Common Shares are not subject to any pre-emptive rights, conversion or exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities and any other material restrictions or provisions requiring a holder of Common Shares to contribute additional capital.

**10.2 Debt Securities**

Not applicable.

**10.3 Other Securities**

Not applicable.

**10.4 Modification of Terms**

Not applicable.

**10.5 Other Attributes**

The rights attaching to the securities of SVH, Kings and the Resulting Issuer are not materially limited or qualified by the rights of any other class of securities. No other class of securities ranks ahead of or equally with the securities of SVH, Kings or the Resulting Issuer. The securities of SVH, Kings and the Resulting Issuer may not be partially redeemed or repurchased.

**10.6 Prior Sales**

Kings issued Common Shares or securities exercisable into Common Shares in the 12 months prior to the date of this Listing Statement as follows:

<b>Date of Issuance</b>	<b>Number and Type of Securities<sup>(1)</sup></b>	<b>Issue or Exercise Price Per Security</b>	<b>Aggregate Issue or Exercise Price</b>
November 4, 2021	4,500,000 subscription receipts <sup>(2)</sup>	\$0.50	\$2,250,000
November 4, 2021	259,200 warrants <sup>(3)</sup>	\$0.50	\$129,600
December 30, 2021	30,000,000 Common Shares	\$0.50	\$15,000,000

<b>Date of Issuance</b>	<b>Number and Type of Securities<sup>(1)</sup></b>	<b>Issue or Exercise Price Per Security</b>	<b>Aggregate Issue or Exercise Price</b>
January 24, 2022	10,012,000 options <sup>(4)</sup>	\$0.50	\$5,006,000
On or before closing of the Transaction	100,000 Options <sup>(5)</sup>	\$0.2775	\$27,750
On or before closing of the Transaction	21,620,053 Common Shares	\$0.21	\$4,540,211

Notes:

- (1) Presented on a pre-Share Consolidation basis.
- (2) Each Subscription Receipt was converted into one Common Share in accordance with their terms on January 24, 2022.
- (3) Each warrant is exercisable into one Common Share at any time until December 31, 2023.
- (4) Each option is exercisable into one Common Share at any time until January 24, 2027.
- (5) Each option is exercisable into one Common Share at any time until the date that is five years following closing of the Transaction.

SVH issued SVH Shares or securities exercisable into SVH Shares in the 12 months prior to the date of this Listing Statement as follows:

<b>Date of Issuance</b>	<b>Number and Type of Securities Issued<sup>(1)</sup></b>	<b>Issuance or Exercise Price Per Security</b>	<b>Aggregate Issue or Exercise Price</b>
July 29, 2021	1,100,000 SVH Shares	\$10	\$11,000,000
August 26, 2021	20,000 SVH Options	\$10	N/A
October 1, 2021	25,000 SVH Options	\$10	N/A
November 1, 2021	10,000 SVH Options	\$10	N/A
November 24, 2021	150,000 SVH Options	\$10	N/A
December 1, 2021	130,140 SVH Shares <sup>(2)</sup>	N/A	N/A

<b>Date of Issuance</b>	<b>Number and Type of Securities Issued<sup>(1)</sup></b>	<b>Issuance or Exercise Price Per Security</b>	<b>Aggregate Issue or Exercise Price</b>
December 1, 2021	65,070 SVH Warrants <sup>(2)</sup>	N/A	N/A
December 23, 2021	45,529 SVH Shares <sup>(2)</sup>	N/A	N/A
December 23, 2021	22,764 SVH Warrants <sup>(2)</sup>	N/A	N/A
January 12, 2022	250,000 SVH Options	\$10	N/A
January 22, 2022	22,950 SVH Shares <sup>(2)</sup>	N/A	N/A
January 22, 2022	11,475 SVH Warrants <sup>(2)</sup>	N/A	N/A
March 29, 2022	3,607 SVH Shares <sup>(2)</sup>	N/A	N/A
March 29, 2022	1,804 SVH Warrants <sup>(2)</sup>	N/A	N/A

Note:

(1) Presented on a pre-Share Consolidation basis.

(2) Such SVH Shares and SVH Warrants were issued as a result of SVH not completing a Liquidity Event within the prescribed timeframe.

### **10.7 Stock Exchange Price**

The Issuer's Common Shares have been listed and posted for trading on the Exchange since January 24, 2022. The following table sets out trading information for the Common Shares for the periods indicated on a monthly basis. All dollar amounts stated in Canadian dollars.

<b>Period<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
September 1, 2022 – September 16, 2022	n/a	n/a	n/a
August 2022	n/a	n/a	n/a
July 2022	n/a	n/a	n/a
June 2022	n/a	n/a	n/a
May 2022	\$0.31	\$0.175	437,772
April 2022	\$0.35	\$0.25	1,318,891
March 2022	\$0.39	\$0.235	1,645,149
February 2022	\$0.41	\$0.225	850,713
January 24 - 31 2022	\$0.48	\$0.305	829,878

Note:

(1) Presented on a pre-Share Consolidation basis.

(2) The Common Shares were halted on the Exchange on May 25, 2022 pending the announcement of the Transaction.

## 11. Escrowed Securities

The following tables sets forth details of the Common Shares that, to the knowledge of the Issuer, are held in escrow as of the date of this Listing Statement.

### *CSE Escrow - Acquisition*

Designation of class held in escrow	Number of securities held in escrow <sup>(1)</sup>	Percentage of class following the completion of the Transaction
Common Shares	2,625,000	●%
Options to purchase Common Shares	937,500	●%

Note:

(1) Presented on a pre-Share Consolidation basis.

The Common Shares held in escrow as outlined above are held in escrow pursuant to an escrow agreement entered into on closing of the Acquisition among the Issuer, Olympia Trust Company and certain shareholders. 3,500,000 Common Shares and 1,250,000 options were initially held in escrow as required by CSE policy upon completion of the initial listing of the Common Shares on the CSE, and subject to the release schedule set out in the form of escrow required by Policy 2 – Qualifications for Listing of the CSE. Ten (10%) percent of the Escrow Securities were released on January 24, 2022, being the date the Common Shares were first posted and listed for trading on the CSE and an additional 15% are released every 6 months thereafter until all Common Shares have been released (36 months following the date of listing on the CSE).

### *Voluntary Lock Up - Acquisition*

Designation of class held in escrow	Number of securities held in escrow <sup>(1)</sup>	Percentage of class following the completion of the Transaction
Common Shares	16,588,936	●%

Note:

(1) Presented on a pre-Share Consolidation basis.

The Common Shares held in escrow as outlined above, are subject to lock-up agreements with the Issuer. Subject to the terms of such agreements, 50,300,000 Common Shares were subject to lock-up agreements and (a) 7,545,000 Common Shares were released from lock up on January 24, 2022, being the date the Common Shares were first posted and listed for trading on the CSE and (b) 3,270,758 Common Shares are released from lock-up in stages every 30 days from January 24, 2022.

### *CSE Escrow – Transaction*

The Resulting Issuer will be an exempt issuer pursuant to Section 3.2 of National Policy 46-201 – Escrow for Initial Public Offerings (“NP 46-201”) due to the fact that, following the Transaction, the Resulting Issuer will have a market capitalization of over C\$100 million. As a result, no Resulting Issuer Shares will be escrowed pursuant to NP 46-201.

### *Voluntary Lock Up – Transaction*

In addition, 28,352,073 post-Share Consolidation Common Shares (being all Payment Shares in addition to certain KEG shares issued in connection with the Transaction to certain advisors and consultants of KEG) are subject to lock-up restrictions with the Resulting Issuer pursuant to the terms of the Transaction Agreement. Subject to the terms of such agreement, 1/24 of the Resulting Issuer Common Shares subject to the legend restriction shall be released on closing followed by 23 subsequent releases of 1/24 every month thereafter and Resulting Issuer Shares subject to the legend and the date inserted into the legend shall reflect such release schedule.

## 12. Principal Shareholders

To the knowledge of management of the Issuer and SVH, the following persons beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attaching to all the outstanding Common Shares upon the completion of the Transaction.

Name and Municipality of Residence	Number of Common Shares Held <sup>(1)</sup>	Percentage of Common Shares Held Following Completion of the Transaction <sup>(2)</sup>	Percentage of Common Shares Held on a Fully Diluted Basis <sup>(3)</sup>
Cori Kapp, Toronto, Ontario	3,499,615	●%	●%
Douglas Honegger, Montreal, Quebec	4,362,736	●%	●%
Treasure Island Management Ltd.	4,615,539	●%	●%

Notes:

- (1) Presented on a post-Share Consolidation basis.
- (2) Calculated on an undiluted basis assuming 31,775,249 Common Shares are issued and outstanding upon completion of Transaction.
- (3) Calculated on a fully diluted basis assuming 35,435,619 Common Shares are issued and outstanding following completion of the Transaction.

## 13. Directors and Officers

### 13.1 Directors and Executive Officers

The following table sets out the name, city of residence, position with the Resulting Issuer, and the number and percentage of Common Shares which will be beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of the Resulting Issuer's directors and executive officers following completion of the Transaction. Such persons were elected to hold the positions indicated below immediately following the completion of the Transaction except that Robin Godfrey has served as a director of the Issuer since July 27, 2021.

Name, Age and City of Residence	Positions and Offices to be Held with the Resulting Issuer	Common Shares Beneficially Owned, Controlled or Directed upon Completion of the Transaction <sup>(1)</sup>	
		Number	Percentage
Jared Beber, 30, Toronto, ON	Chief Executive Officer, Corporate Secretary and Director	1,165,215	●%
Simon Legge, 32, Toronto, ON	Chief Financial Officer	25,000 <sup>(2)</sup>	●%
Kevin Kirby 53, Toronto, ON	Director	69,913	●%

Name, Age and City of Residence	Positions and Offices to be Held with the Resulting Issuer	Common Shares Beneficially Owned, Controlled or Directed upon Completion of the Transaction <sup>(1)</sup>	
		Number	Percentage
David Danziger 65, Toronto, ON	Director	178,977	●%
Robin Godfrey, 48, Toronto, ON	Director	Nil	N/A
Cory Levi 40, Montreal, QC	Director	27,965	●%
Hélène F. Fortin, 66, Montreal, QC	Director	[●]	[●]

Notes:

- (1) Presented on a post-Share Consolidation basis. Calculated on an undiluted basis assuming 31,775,249 Common Shares are issued and outstanding upon completion of Transaction.
- (2) 25,000 Common Shares are held by 1000175563 Ontario Ltd., of which Simon Legge is the sole shareholder and the President.

### 13.2 *Period of Service of Directors*

All directors cease to hold office immediately before the election or appointment of directors at the next annual general meeting of the Resulting Issuer. Such persons were elected to hold the positions indicated below immediately following the completion of the Transaction except that Robin Godfrey has served as a director of the Issuer since July 27, 2021.

### 13.3 *Directors and Executive Officers Resulting Issuer Share Ownership*

The directors and executive officers of the Resulting Issuer, as a group, will own, on a post-Share Consolidation basis, ● Common Shares upon completion of the Transaction, being, on an undiluted basis, approximately ●% of the issued and outstanding Common Shares.

### 13.4 *Committees*

Initially, the only committee of the Board of Directors of the Resulting Issuer will be the Audit Committee. The Audit Committee will consist of David Danziger, Hélène F. Fortin, and Kevin Kirby.

The Resulting Issuer's Board will adopt a written charter setting forth the responsibilities, powers and operations of the Audit Committee consistent with NI 52-110. The principal duties and responsibilities of the Resulting Issuer's Audit Committee will be to assist the Resulting Issuer's Board in discharging the oversight of the integrity of the Resulting Issuer's consolidated financial statements and accounting and financial processes and the audits of our consolidated financial statements, the Resulting Issuer's compliance with legal and regulatory requirements, the Resulting Issuer's external auditors' qualifications and independence, the work and performance of the Resulting Issuer's financial management and its external auditors and the Resulting Issuer's system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance, and risk management established by management and the Resulting Issuer's Board.

It is anticipated that the Audit Committee will have access to all books, records, facilities, and personnel and may request any information about the Resulting Issuer as it may deem appropriate. It will also have the authority to retain and compensate special legal, accounting, financial and other consultants, or advisors to advise the Audit Committee. The Audit Committee is also expected to review and approve all related-party transactions and prepare reports for the Resulting Issuer's Board on such related-party transactions as well as be responsible for the pre-approval of all non-audit services to be provided by our auditors.

Please note that the Resulting Issuer is a “venture issuer” as defined in NI 52-110 and is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110

### ***Principal Occupation of Directors and Executive Officers***

The following biographies provide information in respect of the directors and executive officers of the Resulting Issuer, including particulars of their occupations including their principal occupations within the five preceding years:

*Jared Beber, Age 30, Chief Executive Officer, Corporate Secretary and Director.* Mr. Beber was the CEO, and previously served as the CFO, of SVH. Prior thereto, he was the head of M&A in North America at Jonas Software I Division of Constellation Software (TSX: CSU) which globally operates 90+ independently managed software companies. Mr. Beber was an integral part of the global corporate development team at Jonas Software which closed numerous acquisitions during his tenure. Mr. Beber is also a Certified Chartered Professional Accountant with previous experience in assurance and taxation at Ernst & Young LLP, a full service audit and accounting firm. Mr. Beber has entered into a non-competition and non-disclosure agreement with the Resulting Issuer and devotes all of his time to the business of the Resulting Issuer.

*Simon Legge, Age 32, Chief Financial Officer.* Simon Legge served as the CFO of Aeropost.com, an e-commerce and logistics company targeting users in Central America and the Caribbean, since October of 2021. From April 2021 to January 2022, Simon served as the head of M&A at Bragg Gaming where he led the underwriting of two \$30 Million acquisitions leading to the establishment of the company’s US footprint. From September 2017 to April 2021 Simon served as a Senior Analyst for Third Eye Capital, a private debt and equity fund based in Toronto with over \$3 Billion of AUM that specializes in distressed and turnaround investing. From September 2015 to September 2017 Simon worked at Gluskin Sheff + Associates in various roles where he was responsible for evaluating public equity investments and merger arbitrage strategies. In addition, Simon has held various other financial markets roles including serving as an investment analyst and high-yield bond and derivatives trader from September 2013 to September 2015 at Aston Hill Financial (since acquired). Simon graduated from Western University with a Bachelor of Science in Financial Modelling. Mr. Legge has not entered into a non-competition or non-disclosure agreement with the Resulting Issuer. Mr. Legge devotes 70% of his time to the business of the Resulting Issuer to effectively fulfill his duties as Chief Financial Officer of the Resulting Issuer.

*Kevin Kirby, Age 53, Director.* Mr. Kirby is the CEO and President of Freedom International Brokerage Company, a global brokerage businesses. Kevin joined Freedom in 1994 and became President & CEO in 2015. **[Mr. Kirby has not entered into a non-competition or non-disclosure agreement with the Resulting Issuer. Mr. Kirby devotes approximately 5% of his time to the business of the Resulting Issuer to effectively fulfill his duties as director of the Resulting Issuer.]**

*David Danziger, Age 65, Director.* Mr. Danziger is a chartered professional accountant and a partner at MNP LLP, Chartered Accountants, a full service audit and accounting firm. The focus of Mr. Danziger’s work at MNP LLP is public companies. Mr. Danziger is experienced in management consulting and business advisory services and has served and continues to serve on a number of public company boards including CPC’s. Mr. Danziger graduated with a B.Comm from the University of Toronto in 1978 and was designated a Chartered Accountant in 1983. **[Mr. Danziger has not entered into a non-competition or non-disclosure agreement with the Resulting Issuer. Mr. Danziger devotes approximately 5% of his time to the business of the Resulting Issuer to effectively fulfill his duties as director of the Resulting Issuer.]**

*Robin Godfrey, Age 48, Director.* An entrepreneur born in Toronto, Robin Godfrey is former Chair of the Issuer and the President of Brown Lab Industries Inc. Mr. Godfrey oversees two portfolio companies: Qwatro USA (specialty chemicals) and UrbanDog Holdings (pet services). In addition, Mr. Godfrey is active in Brown Lab’s real estate activities including the management of commercial and industrial properties in Ajax, Etobicoke and Toronto. Mr. Godfrey is also a registered lobbyist in the Province of Ontario and sits as a director on the Board of Bragg Gaming Group. Previous work experience includes Senior Vice President of the Toronto Blue Jays Baseball Club, President of

the Toronto Phantoms Arena Football Team and Associate at TD Securities. Mr. Godfrey holds a BA from the University of Western Ontario, and a J.D./MBA from Pepperdine University in California. Mr. Godfrey has not entered into a non-competition or non-disclosure agreement with the Resulting Issuer. Mr. Godfrey devotes 5% of his time to the business of the Resulting Issuer to effectively fulfill his duties as director of the Resulting Issuer.

*Cory Levi, Age 40, Director.* Cory Levi is the founder of CORLEV Legal Inc. a law firm. His areas of practice are regulatory compliance, corporate structuring, contracts and start-up venture. Prior thereto, he was a partner at a boutique law firm in Montreal, working primarily in the gaming and corporate law departments. He is a member of the International Masters of Gaming Law and has been ranked by Chambers and Partners as one of Canada's leading gaming attorneys. Mr. Levi has civil and common law degrees from the University of Ottawa along with a BA from Concordia University. **[Mr. Levi has not entered into a non-competition or non-disclosure agreement with the Resulting Issuer. Mr. Levi devotes approximately 5% of his time to the business of the Resulting Issuer to effectively fulfill his duties as director of the Resulting Issuer.]**

*Hélène F. Fortin, Age [●], Director.* Hélène has served on boards of directors of large public and private corporations since 2003 which has provided her with exposure to best governance practices from a wide range of organizations. She has previously served on several boards including Loto Quebec, Concordia University and CBC Radio Canada, and currently serves as chair of the audit committees for UBS Bank (Canada) and VoiceAge Corporation; as a member of the Audit and Oversight Committee for the Senate of Canada and for the department of Justice Canada audit committee; as well as director for the Prince Albert II of Monaco (Canada) Foundation for the environment and biodiversity.

From 1982 to 2019, Hélène was actively involved with the Canadian Institute of Chartered Accountants (CPA Canada) including sitting on the Interprovincial Board of Evaluators and the Auditing and Assurance Standards Board during which time the 36 international standards of auditing were adopted in Canada. Hélène also participated in a series of acquisitions from 1985 to 1990 that punctuated the growth of Quebecor Inc (TSX QBR.B) and is actively involved with asset management and financing/funding strategies in her role as trustee and advisor for large pension plans, estates, and foundations.

Hélène F. Fortin FCPA auditor, FCA, ICD.D-IAS.A completed a Bachelor of Commerce – Finance and Accounting Magna Cum Laude from Concordia University and a post graduate Diploma in Public Accountancy from McGill University with honours.

At the date of this Listing Statement, the Resulting Issuer has 32 full-time employees and 72 consultants.

### **13.5 Corporate Cease Trade Orders or Bankruptcies**

No director, officer or promoter of the Resulting Issuer or, to the knowledge of Kings, a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (c) 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; or

- (d) 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.

**13.6 Penalties or Sanctions**

No director, officer or promoter of the Resulting Issuer, or, to the knowledge of Kings, a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has:

- (a) 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; or
- (b) 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.

**13.7 Intentionally Deleted**

**13.8 Bankruptcies**

No director, officer or promoter of the Resulting Issuer, or, to the knowledge of Kings, a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, 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, receiver manager or trustee appointed to hold the assets of the director or officer.

**13.9 Conflicts of Interest**

Conflicts of interest may arise as a result of the directors and officers of the Resulting Issuer also holding positions as directors or officers of other companies. Some of the individuals who are directors and officers of the Resulting Issuer have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Resulting Issuer will be in direct competition with the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies provided under the OBCA. Directors who are in a position of conflict will abstain from voting on any matters relating to the conflicting company.

**13.10 Additional Information Concerning Management**

Please see the biographies of management members under the heading “Directors and Officers”, above.

**14. Capitalization**

**14.1 Resulting Issuer Capitalization**

**Issued Capital**

<b>Number of Securities (non-diluted)<sup>(1)</sup></b>	<b>Number of Securities (fully-diluted)<sup>(1)</sup></b>	<b>% of Issued (non-diluted)</b>	<b>% of Issued (fully diluted)</b>
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Public Float

Total outstanding (A)	31,775,249	35,435,619	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	15,083,876	16,157,152	47.47%	45.60%%
Total Public Float (A-B)	16,691,373	19,278,467	52.53%	54.40%

Freely-Tradeable Float

Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	28,367,712	28,471,462	89.28%	80.35%
Total Tradeable Float (A-C)	3,407,537	6,964,157	10.72%	19.65%

Note:

(1) Presented on a post-Share Consolidation basis.

Public Securityholders (Registered)

For the purposes of this chart, “public securityholders” are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

## Common Shares

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities<sup>(1)</sup></u>
1 – 99 securities	61	3,925
100 – 499 securities	8	1,494
500 – 999 securities	8	4,870
1,000 – 1,999 securities	13	19,302
2,000 – 2,999 securities	13	30,279
3,000 – 3,999 securities	12	42,270
4,000 – 4,999 securities	6	26,853
5,000 or more securities	133	3,050,840
	<u>254</u>	<u>3,179,833</u>

Note:

(1) Presented on a post-Share Consolidation basis.

## Public Securityholders (Beneficial)

**Instruction:** Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

## Common Shares

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities<sup>(1)</sup></u>
1 – 99 securities	77	4,425
100 – 499 securities	33	6,792
500 – 999 securities	19	12,529
1,000 – 1,999 securities	48	65,138
2,000 – 2,999 securities	34	79,804
3,000 – 3,999 securities	49	138,305
4,000 – 4,999 securities	23	106,717

5,000 or more securities	300	1,524,945
Unable to confirm	N/A	14,752,718
	N/A	31,775,249

Note:

(1) Presented on a post-Share Consolidation basis.

#### Non-Public Securityholders (Registered)

For the purposes of this chart, “non-public securityholders” are persons enumerated in section (B) of the issued capital chart above.

#### **Common Shares**

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities<sup>(1)</sup></u>
1 – 99 securities	N/A	N/A
100 – 499 securities	N/A	N/A
500 – 999 securities	N/A	N/A
1,000 – 1,999 securities	N/A	N/A
2,000 – 2,999 securities	N/A	N/A
3,000 – 3,999 securities	N/A	N/A
4,000 – 4,999 securities	N/A	N/A
5,000 or more securities	9	15,083,876
	9	15,083,876

Note:

(1) Presented on a post-Share Consolidation basis.

#### **14.2 Convertible or Exchangeable Securities**

Provide the following details for any securities convertible or exchangeable into any class of listed securities.

<b>Description of Security (include conversion / exercise terms, including conversion / exercise price)</b>	<b>Number of convertible / exchangeable securities outstanding<sup>(1)</sup></b>	<b>Number of listed securities issuable upon conversion / exercise<sup>(1)</sup></b>
Warrants to purchase Common Shares <sup>(2)</sup>	336,193	336,193
Stock options <sup>(3)</sup>	1,037,175	1,037,175
Warrants to purchase Common Shares <sup>(4)</sup>	1,728,009	1,728,009

Stock options <sup>(5)</sup>	505,600	505,600
Warrants to purchase Common Shares <sup>(6)</sup>	53,394	53,394

Notes:

- (1) Presented on a post-Consolidation basis.
- (2) 224,128 of which are exercisable \$1.96 per Common Share and 112,064 exercisable at \$2.94 per Common Share, in each case for a period of 24 months following the completion of a Liquidity Event.
- (3) Exercisable at \$1.96 per Common until January 1, 2026.
- (4) Exercisable at \$2.94 per Common Share for a period of 24 months following the completion of a Liquidity Event.
- (5) 500,600 of which are exercisable for one Common Share at \$10.00 until January 24, 2027 and 5,000 of which will be exercisable for one Common Share at \$0.2775 for a period of five years following closing of the Transaction.
- (6) Exercisable for one Common Share at \$10.00 at any time until January 24, 2024.

### 14.3 Other Securities Reserved for Issuance

Not applicable.

## 15. Executive Compensation

### Kings

The following compensation was made to management and directors of Kings during the years ended December 31, 2021 and December 31, 2020, excluding compensation securities.

Name and principal position	Year Ended	Salary, Consulting Fees, or Commission (\$)(1)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total compensation (\$)
Steven Budin (Chief Executive Officer and Director)	2021	US\$300,000	n/a	n/a	n/a	n/a	US\$300,000
	2020	US\$150,015	n/a	n/a	n/a	n/a	US\$150,015
Damian Godwin (Chief Operating Officer)	2021	US\$137,604	n/a	n/a	n/a	n/a	US\$137,604
	2020	US\$128,290	n/a	n/a	n/a	n/a	US\$128,290
Kelvin Lee (Chief Financial Officer, Corporate Secretary, and Director)	2021	n/a	n/a	n/a	n/a	n/a	n/a
	2020	n/a	n/a	n/a	n/a	n/a	n/a
James Dominique (Chief Marketing Officer)	2021	US\$110,086	n/a	n/a	n/a	n/a	US\$110,086
	2020	US\$126,537	n/a	n/a	n/a	n/a	US\$126,537
Robin Godfrey (Director)	2021	n/a	n/a	n/a	n/a	n/a	n/a
	2020	n/a	n/a	n/a	n/a	n/a	n/a
Joseph Krutel (Director)	2021	n/a	n/a	n/a	n/a	n/a	n/a

Name and principal position	Year Ended	Salary, Consulting Fees, or Commission \$(1)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total compensation (\$)
	2020	n/a	n/a	n/a	n/a	n/a	n/a
Laryssa Hetmanczuk (Director)	2021	n/a	n/a	n/a	n/a	n/a	n/a
	2020	n/a	n/a	n/a	n/a	n/a	n/a
Anthony Zelen (Director)	2021	n/a	n/a	n/a	n/a	n/a	n/a
	2020	n/a	n/a	n/a	n/a	n/a	n/a

### Compensation Securities

The following table provides information regarding the compensation securities granted or issued to each NEO and director of Kings during the year ended December 31, 2021.

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class <sup>(2)(3)</sup>	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant <sup>(4)</sup>	Closing price of security or underlying security at year end <sup>(4)</sup>	Expiry Date
Steven Budin (Chief Executive Officer and Director)	Stock Options <sup>(1)</sup>	1,250,000 (●%)	January 24, 2022	0.50	N/A	N/A	January 24, 2027
Damian Godwin (Chief Operating Officer)	Stock Options <sup>(1)</sup>	250,000 (●%)	January 24, 2022	0.50	N/A	N/A	January 24, 2027
Kelvin Lee (Chief Financial Officer, Corporate Secretary, and Director)	Stock Options <sup>(1)</sup>	75,000 (●%)	January 24, 2022	0.50	N/A	N/A	January 24, 2027
James Dominique (Chief Marketing)	Stock Options <sup>(1)</sup>	250,000 (●%)	January 24, 2022	0.50	N/A	N/A	January 24, 2027

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class <sup>(2)(3)</sup>	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$) <sup>(4)</sup>	Closing price of security or underlying security at year end (\$) <sup>(4)</sup>	Expiry Date
Officer)							
Robin Godfrey (Director)	Stock Options <sup>(1)</sup>	125,000 (●%)	January 24, 2022	0.50	N/A	N/A	January 24, 2027
Joseph Krutel (Director)	Stock Options <sup>(1)</sup>	75,000 (●%)	January 24, 2022	0.50	N/A	N/A	January 24, 2027
Laryssa Hetmanczuk (Director)	Stock Options <sup>(1)</sup>	75,000 (●%)	January 24, 2022	0.50	N/A	N/A	January 24, 2027
Anthony Zelen (Director)	Stock Options <sup>(1)</sup>	250,000 (●%)	January 24, 2022	0.50	N/A	N/A	January 24, 2027

Notes:

- (1) Granted pursuant to the provisions of the Issuer's Stock Option Plan as further described herein in the section entitled "Stock Option Plan."
- (2) Presented on a pre-Share Consolidation basis.
- (3) These stock options vested immediately.
- (4) The Common Shares began trading on the CSE on January 24, 2022.

#### *Compensation Securities Exercised*

No compensation securities were exercised by NEOs or directors during the year ended December 31, 2021.

#### *Employment, Consulting and Management Agreements*

##### *Kings*

Except as disclosed below, Kings is not party to any other employment, consulting or management agreement with a Named Executive Officer or a person performing services of a similar capacity and there are no arrangements for compensation with respect to the termination of Named Executive Officers in the event of a change of control.

Kings entered into an employment agreement with Steven Budin, King's CEO (the "**Budin Employment Agreement**"). Pursuant to the terms of the Budin Employment Agreement, Kings pays Mr. Budin an annual base salary of USD\$300,000.00 (the "**CEO Base Salary**"). Mr. Budin may earn an annual bonus of 100% of the CEO Base Salary based on the achievement of corporate objectives and Mr. Budin's individual performance (the "**CEO Bonus**"). Mr. Budin may terminate the Budin Employment Agreement at any time by providing 60 days' written notice to Kings. Kings may terminate the Budin Employment Agreement without cause by providing Mr. Budin with pay in lieu of notice equivalent to USD\$400,000, the CEO Bonus pro-rated for a 12 month term, and an additional USD\$200,000 to be paid no later than 12 months after the termination.

#### *Oversight and Description of Director and Named Executive Officer Compensation*

### *Named Executive Officers*

Kings does not have a compensation committee or a formal compensation policy. Kings relies solely on the directors to determine the compensation of the Named Executive Officers on an annual basis. In determining compensation, the directors consider industry standards and Kings' financial situation, but Kings does not have any formal objectives or criteria. The performance of each executive officer is informally monitored by the directors, 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 Option Plan.

When considering the appropriate executive compensation to be paid to our officers, the Board have regard to a number of factors including: (i) recruiting and retaining executives critical to the success of Kings and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and Kings' shareholders; (iv) rewarding performance, both on an individual basis and with respect to operations generally; and (v) available financial resources. Compensation for the Named Executive Officers is composed primarily of three components: base fees, performance bonuses and stock based compensation.

### *Salary*

Amounts paid to executive officers as base salary, including merit salary increases, are determined in accordance with an individual's performance and salaries in the marketplace for comparable positions. However, certain Named Executive Officers provide their services in similar capacities to other reporting issuers, in addition to Kings. There is no mandatory framework that determines which of these factors may be more or less important and the emphasis placed on any of these factors may vary among the executive officers. The determination of base salaries relies principally on negotiations between the respective Named Executive Officer and the Issuer and is therefore heavily discretionary.

### *Bonus*

King's cash bonus awards are designed to reward an executive for the direct contribution that he or she has made to the Issuer. Named Executive Officers are entitled to receive discretionary bonuses from time to time as determined or approved by the Board of Directors or the Chief Executive Officer, as applicable. The Issuer does not currently prescribe a set of formal objective measures to determine discretionary bonus entitlements. Rather the Issuer uses informal goals which may include an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Issuer. Precise goals or milestones are not pre-set by the Board of Directors.

### *Stock Option Grants*

Options are granted pursuant to the Option Plan as described above and in accordance with the rules of the CSE. The Option Plan is administered by the Board of Directors, which has authority to amend the Option Plan and the terms of the outstanding options, subject to applicable regulatory and shareholder approvals and provided that no amendment may materially impair the rights of existing option holders in respect of options outstanding prior to the amendment.

### *Directors*

The following information details compensation paid in the recently completed financial year. Directors may receive cash bonuses from time to time, which the Issuer awards to directors for serving in their capacity as a member of the Board of Directors. In addition, directors are entitled to participate in the Option Plan, which is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term. Individual grants are determined by an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Issuer. Director compensation was determined by the Board of Directors as a whole and subject to input from the Issuer's executive officers and its professional advisors.

### SVH

The following compensation was made to management of SVH during the years ended December 31, 2021 and December 31, 2020, excluding compensation securities. The directors of SVH received no compensation except for SVH Options during those time periods.

Name and principal position	Year	Salary, Consulting Fees, or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total compensation (\$)
Jared Beber (Chief Executive Officer and Director, Former Chief Financial Officer)	2021	330,000	Nil	Nil	Nil	Nil	330,000
	2020	105,000	Nil	Nil	Nil	Nil	105,000
Douglas Honegger (Former Chief Executive Officer)	2021	450,000	Nil	Nil	Nil	Nil	450,000
	2020	105,000	Nil	Nil	Nil	Nil	105,000

### Resulting Issuer

It is currently anticipated that management of the Resulting Issuer will receive the following compensation following completion of the Transaction:

Name and principal position	Year	Salary, Consulting Fees, or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total compensation (\$)
Jared Beber, Chief Executive Officer, Corporate Secretary and Director	2022	500,000	N/A	N/A	N/A	N/A	500,000
Simon Legge, Chief Financial Officer	2022	350,000	N/A	N/A	N/A	N/A	350,000

Note:

(1) The salaries listed above are on a per annum basis.

The anticipated compensation set out above is based on current conditions in the online gaming and betting industry and on the associated approximate allocation of time for each Named Executive Officer and director and is subject to adjustments based on changing market conditions and corresponding changes to required time commitments. The

Resulting Issuer intends to continue the Issuer's process for determining executive compensation on a relatively informal basis, in view of the size and early stage of the Resulting Issuer and its operations. It is not currently anticipated that the directors of the Resulting Issuer will receive any compensation except for stock options granted under the Option Plan. In addition, it is not anticipated that pension plan benefits of any sort will be awarded to either the directors or officers of the Reporting Issuer.

## **16. Indebtedness of Directors and Executive Officers**

No director, officer, employee, former director, former officer or former employee of Kings or SVH is or has within 30 days before the date of this Listing Statement been indebted to Kings, SVH or any of their respective subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or similar agreement provided by the Kings, SVH or any of their respective subsidiaries.

## **17. Risk Factors**

### **17.1**

**The following are certain factors relating to the business of the Resulting Issuer, which factors investors should carefully consider when making an investment decision concerning the securities of the Resulting Issuer.**

**These risks and uncertainties are not the only ones facing the Resulting Issuer. Additional risks and uncertainties not presently known to the Resulting Issuer, or that the Resulting Issuer currently deems immaterial, may also impair the operations of the Resulting Issuer. If any such risks actually occur, the financial condition, liquidity and results of operations of the Resulting Issuer could be materially adversely affected and the ability of the Resulting Issuer to implement its plans could be adversely affected.**

**An investment in the Resulting Issuer is highly speculative due to the nature of the Resulting Issuer's business and is subject to certain material risks. Investors should not invest in securities of the Resulting Issuer unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the business of the Resulting Issuer.**

#### ***Reliance on Ontario Licence***

The Resulting Issuer will need to abide by all of the conditions outlined in the Ontario Licence to operate as a registered internet gaming operator in Ontario with the AGCO. As the Ontario Licence is the means by which the Resulting Issuer operates in the Ontario marketplace through the Bet99.ca website, the failure to maintain the Licence will have a significant adverse impact on the Resulting Issuer's operations, future financial results and potential to raise additional financing.

#### ***Online Gaming Industry is Highly Regulated***

The Resulting Issuer, its subsidiaries, and their respective officers, directors, major shareholders, key employees and business partners will be subject to the laws and regulations relating to online gaming of the jurisdictions in which the Resulting Issuer may conduct business. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on the Resulting Issuer's operations and financial results. In particular, some jurisdictions have introduced regulations that restrict or prohibit online gaming or marketing or advertising relating to online gaming, while others have taken the position that online gaming should be licenced and regulated and have adopted, or are considering adopting, legislation to enable that to happen. In addition, the Resulting Issuer will be subject to the general laws and regulations that apply to all online, digital and e-commerce businesses, such as those related to privacy and personal information, data security, tax, and consumer protection. The laws and regulations vary in each jurisdiction and future legislative and regulatory action, court decisions, and/or other governmental action, which could be affected by, among other things,

political pressures, attitudes and climates, may have a material impact on the Resulting Issuer's operations and financial outcomes.

### ***Third Party Licenses***

The Resulting Issuer will use software licensed from third parties. See "*Economic Dependence*". The loss of rights to use this software could increase operating expenses and could adversely affect the Resulting Issuer's ability to operate. The termination of any license, or the failure of licensors to adequately maintain or update their products, could delay the Resulting Issuer's ability to provide its products, as the Resulting Issuer may need to seek to implement alternative technology offered by other sources. This may require unplanned investments by the Resulting Issuer. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain third-party technology licenses relating to one or more products or relating to current or future technologies to enhance the Resulting Issuer's product offerings. There is a risk that the Resulting Issuer will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

### ***Loss of Licenses***

The Resulting Issuer will be subject to certain rules and regulations which will require the Resulting Issuer to obtain licenses and authorizations in order to operate its business. The Resulting Issuer may be unable to obtain or maintain all necessary registrations, licenses, permits, approvals or exemption permits, and could incur fines or experience delays related to the licensing process, which could adversely affect its operations. The Resulting Issuer's delay or failure to obtain or maintain certain licenses, permits, approvals or exemption permits in any jurisdiction may prevent it from distributing its product offerings, increasing its customer base and/or generating revenues. Additionally, gaming regulatory bodies in certain jurisdictions where gaming laws and regulations apply to the Resulting Issuer may refuse to issue or renew applicable licenses or restrict or condition the same, based on the historic activities of the Resulting Issuer or its current or former directors, officers, employees, major shareholders or business partners, which could adversely affect its operations or financial condition. The Resulting Issuer's licenses, authorizations and exemptions may be revoked for a variety of reasons, including the failure by the Resulting Issuer's directors, officers or senior management or significant shareholders or other investors to adequately comply with the suitability, information reporting or other requirements of licensing and regulatory authorities. Such revocation or non-renewal may materially adversely affect the Resulting Issuer's operations, financial performance, and prospects. The revocation of any such license, authorization or exemption permit could also result in reputational damage to the Resulting Issuer, may cause the Resulting Issuer's other licenses to be subject to review and could materially adversely affect the Resulting Issuer's operations, financial performance and prospects. Finally, future legislative and regulatory action, and court decisions or other governmental action, may have a material impact on the Resulting Issuer's operations and financial results. There can be no assurance that legally enforceable prohibiting legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to the Resulting Issuer's business.

### ***New Industry***

The Resulting Issuer operates its business in a relatively new industry and market. In addition to being subject to general business risks, the Resulting Issuer must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the sports betting or online casino industry and market could have a material adverse effect on the Resulting Issuer's business, financial conditions and results of operations.

A failure in the demand for the Resulting Issuer's services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of the Resulting Issuer.

### ***Information Systems and Cybersecurity Risks***

The Resulting Issuer 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 Resulting Issuer 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, cyberfraud, security breach, and destruction or interruption of its IT systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential fiduciary or proprietary information, in a loss or theft of our financial resources, critical data and information or could result in a loss of control of our technological infrastructure or financial resources. The Resulting Issuer maintains security policies and procedures that include employee protocols with respect to electronic communications and electronic devices, encryption protection of all computers and portable electronic devices and conducts annual cyber-security assessments. The Resulting Issuer applies technical and process controls in line with industry-accepted standards and best practices to protect its information, assets and systems. However, due to the variety and 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 Resulting Issuer’s business, financial condition, and results of operations as well as on the Resulting Issuer’s reputation.

### ***Key Personnel***

The senior officers and management team of the Resulting Issuer along with certain consultants will be critical to its success. The success of the Resulting Issuer is dependent to a certain degree upon the skills, discretion and good faith of certain key members of management. It is expected that these individuals will contribute significantly to the growth and success of the Resulting Issuer. In the event of the departure of a member of the management team, including executive officers, the Resulting Issuer believes that it will be successful in attracting and retaining qualified successors but there can be no assurance of such success. Recruiting qualified personnel as the Resulting Issuer grows is critical to its success. As the Resulting Issuer’s business activity grows, it will require additional key financial, administrative and technical personnel as well as additional operations staff. If the Resulting Issuer is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on future cash flows, earnings, results of operations and the financial condition of the Resulting Issuer.

### ***Additional Financing***

The Resulting Issuer will require additional financing in order to make further investments or take advantage of future opportunities and to grow its business. The ability of the Resulting Issuer to arrange such financing, or to obtain financing on favourable terms, in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of the Resulting Issuer. There can be no assurance that the Resulting Issuer will be successful in its efforts to arrange additional financing on terms satisfactory to the Resulting Issuer. If additional financing is raised by the issuance of Common Shares or other forms of convertible securities from treasury, control of the Resulting Issuer may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Resulting Issuer may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business. If the Resulting Issuer is unable to generate such revenues or obtain such additional financing, shareholders’ investment in the Resulting Issuer may be lost. In such event, the probability of resale of the securities of the Resulting Issuer would be diminished.

### ***Limited Operating History***

The limited operating history of the Resulting Issuer makes it difficult to evaluate the current business model and future prospects. In light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development with limited operating history, there is a significant risk that the Resulting Issuer will not be able

to implement or execute its future operational plans, or demonstrate that its business plan is sound; and if the Resulting Issuer cannot execute any one of the foregoing or similar matters relating to its operations, the business may fail.

### ***Risks Related to Local Regulatory Requirements***

Regulatory regimes imposed upon gaming providers varies by jurisdiction. Typically, however, most regulatory regimes include the following elements:

- the opportunity to apply for one or more gaming licenses for one or more categories of products, whether as part of a general round of license issuance or as and when the applicant chooses to apply;
- a requirement for gaming license applicants to make detailed and extensive disclosures as to their beneficial ownership, their source of funds, the probity and integrity of certain persons associated with the applicant, the applicant's management competence and structure and business plans, the applicant's proposed geographical territories of operation and the applicant's ability to operate a gaming business in a socially responsible manner in compliance with regulation;
- interviews and assessments by the relevant gaming authority intended to inform a regulatory determination of the suitability of applicants for gaming licenses;
- ongoing reporting and disclosure obligations, both on a periodic and ad hoc basis in response to material issues affecting the business;
- the testing and certification of software and systems, generally designed to confirm such things as the fairness of the gaming products offered by the business, their genuine randomness and ability accurately to generate settlement instructions and recover from outages;
- the need to account for applicable gaming duties and other taxes and levies, such as fees or contributions to bodies that organize the sports on which bets are offered, as well as contributions to the prevention and treatment of problem gaming; and
- social responsibility obligations.

While the Resulting Issuer obtains and relies upon external local legal advice and structures its operations with what it considers to be an appropriate degree of prudence in markets where there is no regulatory and licensing framework it cannot guarantee that such external advice and such measures obviate all risk arising from the Resulting Issuer's involvement in such markets. If any changes in local law and regulation, judicial interpretation of local law and regulation, the attitude of local authorities to international e commerce, political attitudes in individual territories or any defaults, errors or omissions of the Resulting Issuer's local business partners and persons associated with them, were to occur, then the Resulting Issuer's business could be materially harmed. Furthermore, in some jurisdictions the application of the rule of law, as well the conventions and expectations of due process in regulatory and administrative behavior, may vary dramatically from North American standards.

### ***Evolving Laws and Regulations Regarding the Internet, Privacy, Consumer Protection and Other Matters***

In addition to regulations governing online gaming, the Resulting Issuer will be subject to a variety of laws and

regulations that involve the internet, ecommerce, privacy, and protection of data and personal information, rights of publicity, acceptable content, intellectual property, advertising, marketing, data and information security, electronic contracts and electronic communications, competition, protection of minors, consumer protection, unfair commercial practices, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance, and online payment and payment processing services. The Resulting Issuer may introduce new products, expand its activities in certain jurisdictions, or take other actions that may subject it to additional laws, regulations or other government scrutiny. For example, the Resulting Issuer will handle, collect, store, retrieve, transmit and use confidential, personal information relating to its customers and personnel for various business purposes, including marketing and financial purposes, and credit card information for processing payments. The Resulting Issuer may share this personal or confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of its business, combating fraud or for marketing purposes.

These laws, regulations and legislation, along with other applicable laws and regulations, which in some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations, including pre-existing laws regulating communications and commerce in the context of the internet and ecommerce, are often uncertain, particularly in the new and rapidly evolving industries in which the Resulting Issuer will operate, and may be interpreted and applied inconsistently across jurisdictions and inconsistently with its future policies and practices.

These laws and regulations, as well as any changes to the same and any related inquiries, investigations or any other government actions, may be costly to comply with and may delay or impede new product development, result in negative publicity, increase the Resulting Issuer's operating costs, require significant management time and attention, and subject it to remedies that may harm its business, including fines or demands or orders that modify or cease certain or all existing business practices, such as limiting its use of personal information to add value for customers, or implement costly and burdensome compliance measures. Any such consequences could adversely affect the Resulting Issuer's business, results of operations or financial condition.

### ***Regulatory Investigations***

From time to time, the Resulting Issuer may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance with laws and other matters. Violation of existing or future regulatory orders or consent decrees could subject the Resulting Issuer to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause the Resulting Issuer to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

### ***Public Perception of the Products and Services***

The viability of the Resulting Issuer's business plan is dependent on the anticipated progression of market understanding, acceptance and proliferation of consumers of sports betting and on-line casinos. The Resulting Issuer believes that as these products become more accepted, the stigma associated with their use will diminish and as a result, consumer demand will continue to grow. However, the Resulting Issuer cannot predict the future growth rate and size of the market. Any negative outlook on the sports betting and on-line casino industries will adversely affect our business operations. The publication of reports assessing products and services similar to those of the Resulting Issuer may be harmful could have a material adverse effect on the business, financial condition and results of operations, regardless of whether such reports are scientifically supported. Negative public perception on the products of the Resulting Issuer could have a negative impact on the sales of the Resulting Issuer.

### ***Support of Banks and Payment Processors***

The Resulting Issuer relies on payment processing and banking providers to facilitate the movement of funds between the Resulting Issuer and its customers. Anything that could interfere with the formation of or otherwise harm the Company's relationships with payment and banking service providers could have a material adverse effect on its business, results of operations, financial condition and prospects. The Resulting Issuer's ability to accept payment from its customers or facilitate withdrawals by them may be restricted by any introduction of legislation or regulations restricting financial transactions with online or mobile gaming operators or prohibiting the use of credit cards and other banking instruments for online or mobile gaming transactions, or any other increase in the stringency of regulation of financial transactions, whether in general or in relation to the gambling industry in particular. Stricter anti-money laundering regulations may also affect the quickness and accessibility of payment processing systems, resulting in added inconvenience to its customers. Card issuers and acquirers may dictate how transactions and products need to be coded and treated which could also make an impact on acceptance rates. Card issuers, acquirers, payment processors and banks may also cease to process transactions relating to the online or mobile gaming industry as a whole or certain operators. This could be due to reputational and/or regulatory reasons or in light of increased compliance standards of

such third parties that seek to limit their business relationships with certain industry sectors considered as “high risk”. It may also result in customers being dissuaded from accessing the Resulting Issuer’s product offerings if they cannot use a preferred payment option, or the quality or the speed of the supply is not suitable or accessible to the customers. Any such developments may have a material adverse effect on the Resulting Issuer’s business, results of operations, financial condition and prospects. Likewise, the Resulting Issuer’s ability to accept payments from entities, and make payments to entities, domiciled in various jurisdictions may be affected by changes in banking regulations or the interpretation of same by banks with which the Resulting Issuer holds accounts. Certain of the Resulting Issuer’s banks may cease to support such transactions or limit the Resulting Issuer’s ability to effect same efficiently. Were the Resulting Issuer’s access to banking support to become limited, the Resulting Issuer may be required to adopt more complex intercompany payment protocols and related accounting processes to ensure efficient operation of business and, if such protocols are not possible, such changes may have an adverse effect on the viability of the Resulting Issuer’s operations, business, or financial performance.

### ***Insurance Risks***

The Resulting Issuer intends to establish and to maintain commercial liability insurance, including product liability coverage, and property insurance as well as additional directors’ and officers’ liability insurance. There is no assurance that the insurance to be obtained will be sufficient to cover any claims that are asserted. Additionally, insurance coverage may not be available at all or at adequate levels or on adequate terms to cover potential losses, including on terms that meet commercial requirements. If insurance coverage is inadequate or unavailable, the Resulting Issuer may face claims that exceed coverage limits or that are not covered, which could increase costs and adversely affect operating results.

### ***The Sports Betting and On-line Casino Industry Is Highly Competitive***

The sports betting and on-line casino industry is highly competitive with respect to price, brand and product recognition and new product introductions. Several competitors in the sports betting and on-line casino industry segment may be larger, more established and possess greater financial, personnel, distribution and other resources. If the Resulting Issuer cannot compete effectively, the Resulting Issuer may be unable to gain or maintain sufficient market share and/or to be profitable.

### ***Consumer Demand***

The products and services of the Resulting Issuer must appeal to a broad range of consumers, whose preferences cannot be predicted with certainty and are subject to rapid change. Products sold under the brands of the Resulting Issuer will need to appeal to consumers and are subject to changing consumer preferences. If consumer products are not successfully received by retailers and consumers, our business, financial condition, results of operations and prospects may be significantly harmed.

### ***Failure to Retain Existing Customers or add new Customers***

The financial performance of the Resulting Issuer will be significantly determined by its success in adding, retaining, engaging and monetizing active customers of its product offerings, in particular high-value, net-depositing customers (primarily recreational players). If people do not perceive the Resulting Issuer’s product offerings as enjoyable, reliable, relevant and trustworthy it may be unable to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. A number of other online gaming and interactive entertainment companies that achieved early popularity have since seen their active customer bases or levels of engagement decline.

If the Resulting Issuer is unable to maintain or increase its customer base or engagement, or effectively monetize its customer base’s use of its product offerings, its revenue and financial results may be adversely affected. Any decrease in customer retention, growth or engagement could render the Resulting Issuer’s products less attractive to customers.

### ***Success of Sports Betting Products and Outcomes not Guaranteed***

The sports betting industry is characterized by elements of chance. Accordingly, the Resulting Issuer employs theoretical win rates to estimate what a certain type of sports bet, on average, will win or lose in the long run. Net win is impacted by variations in the hold percentage (the ratio of net win to total amount wagered), or actual outcome. The Resulting Issuer uses the hold percentage as an indicator of an sports bet's performance against its expected outcome. Although each sports bet generally performs within a defined statistical range of outcomes, actual outcomes may vary for any given period. In addition to the element of chance, win rates (hold percentages) may also (depending on the game involved) be affected by the spread of limits and factors that are beyond Resulting Issuer's control, such as a customer's skill, experience and behavior, the mix of games played, the financial resources of customers, the volume of bets placed and the amount of time spent gaming. As a result of the variability in these factors, the actual win rates of sports bets may differ from the theoretical win rates estimated and could result in the winnings of Resulting Issuer's customers exceeding those anticipated. The variability of win rates (hold rates) also have the potential to negatively impact Resulting Issuer's financial condition, results of operations, and cash flows.

The Resulting Issuer's success also depends in part on its ability to anticipate and satisfy customer preferences in a timely manner. Resulting Issuer will operate in a dynamic environment characterized by rapidly changing industry and legal standards, and its products will be subject to changing consumer preferences that cannot be predicted with certainty. The Resulting Issuer will need to continually introduce new offerings and identify future product offerings that complement its existing platforms, respond to its customers' needs and improve and enhance its existing platforms to maintain or increase customer engagement and growth of its business. The Resulting Issuer may not be able to compete effectively unless its product selection keeps up with trends in the digital sports entertainment and gaming industries, or trends in new gaming products.

### ***Pandemics and COVID-19***

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 isolation or quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Such volatility and weakness in the global equity markets may adversely affect the Resulting Issuer's ability to raise necessary capital.

Given the ongoing and dynamic nature of the coronavirus outbreak, it is difficult to predict the impact it will have on the Resulting Issuer's business. Such factors are beyond the Resulting Issuer's control and may cause disruptions in its ability to operate its business. This outbreak, if sustained and uncontrolled, could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows and ultimately its ongoing viability.

### ***Risks Related to Intellectual Property***

The success of the Resulting Issuer will depend in part upon its ability to protect intellectual property and proprietary technologies and upon the nature and scope of the intellectual property protection held by the Resulting Issuer. The ability to compete effectively and to achieve partnerships will depend on the ability of the Resulting Issuer to develop and maintain proprietary aspects of its technology and to operate without infringing on the proprietary rights of others. The presence of such proprietary rights of others could severely limit the ability of the Resulting Issuer to develop and commercialize products, to conduct existing research and could require financial resources and management attention to protect intellectual property rights, which may be in excess of our ability to raise such funds.

### ***Profitability***

There is no assurance that the Resulting Issuer will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Resulting Issuer's business development and marketing activities. If the Resulting Issuer does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

### ***Management of Growth***

The Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Resulting Issuer 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 Resulting Issuer to deal with this growth may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects.

### ***The Company may Prioritize Customer Growth and Engagement over Short-Term Financial Results***

The Resulting Issuer may in the future make product and investment decisions that may not prioritize its short-term financial results if it believes that the decisions are consistent with its mission and long-term goals to benefit the aggregate customer experience, improve its financial performance and maximize shareholder value. The Resulting Issuer also may take steps that limit distribution of certain product offerings, such as on mobile devices, in the short term to attempt to ensure the availability of such product offerings to its customers over the long term. These decisions may not produce the benefits that the Resulting Issuer expects, in which case its customer growth and engagement, its relationships with third parties, and its business and results of operations could be harmed.

### ***Public Company Compliance and Reporting Requirements***

As a public company, the Resulting Issuer is subject to various securities rules and regulations, which impose various requirements on the Resulting Issuer, including the requirement to establish and maintain effective disclosure and financial controls and corporate governance practices. Compliance with the listing requirements of the CSE and other applicable securities rules and regulation will require the Resulting Issuer to incur significant legal, accounting and other expenses. The Resulting Issuer's management and other personnel will need to devote a substantial amount of time to these compliance initiatives.

### ***Discretion in the Use of Proceeds***

Management of the Resulting Issuer will have broad discretion concerning the use of available funds as well as the timing of their expenditure. The results and the effectiveness of the application of the net proceeds are uncertain. If the proceeds are not applied effectively, the results of the Resulting Issuer's operations may suffer. Shareholders may not agree with the manner in which management chooses to allocate and spend available funds.

### ***Issuance of Debt***

From time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other organizations or seek to obtain additional working capital. These transactions may be financed in whole or in part with debt, which may increase the Resulting Issuer's debt levels above industry standards for companies of similar size. Depending on future plans, the Resulting Issuer may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to the Resulting Issuer. Neither the Issuer's nor SVH's constating documents limit the amount of indebtedness that may be incurred and it is not expected that the Resulting Issuer's constating documents will contain such restrictions. As a result, the level of the Resulting Issuer's indebtedness from time to time could impair its ability to operate or otherwise take advantage of business opportunities that may arise.

### ***Dilution***

The Resulting Issuer may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Resulting Issuer which may be dilutive to the holdings of existing shareholders.

### ***Price Volatility of Publicly Traded Securities***

In recent years, and more specifically in the past year as a result of the coronavirus outbreak, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Resulting Issuer in creating revenues, cash flows or earnings. The value of the Common Shares will be affected by such volatility. A public trading market in the Common Shares having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of Common Shares at any given time, which, in turn is dependent on the individual decisions of investors over which the Resulting Issuer has no control. There can be no assurance that an active trading market in securities of the Resulting Issuer will be established or sustained. The market price for the Resulting Issuer's securities could be subject to wide fluctuations, which could have an adverse effect on the market price of the Resulting Issuer. The stock market has, from time to time and more specifically in the past year, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance, net asset values or prospects of particular companies. If an active public market for the Common Shares does not develop, particularly in the current economic climate, the liquidity of a shareholder's investment may be limited and the share price may decline.

### ***Online Gaming Industry Reliant on Mobile Advertising***

The online gaming industry is a relatively new and rapidly evolving industry and as such it is difficult to predict the prospects for growth. There is no assurance that advertisers will continue to increase their purchases of online and mobile advertising, that the supply of advertising inventory will not exceed demand or that smartphone penetration in the in the jurisdictions in which the Resulting Issuer operates will continue to grow. If the industry grows more slowly than anticipated or the Resulting Issuer's products and services fail to achieve market acceptance, the Resulting Issuer may be unable to achieve its strategic objectives, which could have a material adverse effect on its prospects, business, financial condition or results of operations.

### ***Conflicts of Interest***

Directors and officers of the Resulting Issuer are or may become directors or officers of other reporting companies or have significant shareholdings in other public companies and, to the extent that such other companies may participate in ventures in which the Resulting Issuer may participate, the directors and officers of the Resulting Issuer may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Resulting Issuer and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Resulting Issuer, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Resulting Issuer will establish a special committee of independent directors to review a matter in which one or more directors, or officers, may have a conflict. In determining whether or not the Resulting Issuer will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Resulting Issuer, the degree of risk to which the Resulting Issuer may be exposed and its financial position at that time. Other than as indicated, the Resulting Issuer has no other procedures or mechanisms to deal with conflicts of interest.

### ***Legal Proceedings***

From time to time, the Resulting Issuer may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom we do business and other proceedings arising in the ordinary course of business. The Resulting Issuer will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Resulting Issuer's financial results. In addition litigation can be costly, consume management time and there is no certainty of success.

### ***Foreign Members of Management***

Certain directors and members of management of the Resulting Issuer reside outside of Canada. Even though such persons have appointed an agent for service of process in Canada it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

### ***Dividends***

Neither the Issuer nor SVH has paid any dividends on its outstanding shares. Any payments of dividends on the Common Shares will be dependent upon the financial requirements of the Resulting Issuer to finance future growth, the financial condition of the Resulting Issuer and other factors which the Resulting Issuer's board of directors may consider appropriate in the circumstance. It is unlikely that the Resulting Issuer will pay dividends in the immediate or foreseeable future.

### ***Foreign Currency Risk***

The Resulting Issuer's operations will initially centre around Curacao, and to a lesser extent the United States and Canada. However, to the extent funds need to be repatriated to Canada, or are received in currencies other than the US and Canadian dollars, the Resulting Issuer may be subject to foreign exchange risks. Receipt of such foreign currencies are subject to the risk that those currencies will decline in value relative to the Canadian dollar, as . currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, rates of inflation, balance of payments and governmental surpluses or deficits, intervention (or the failure to intervene) by Canada or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in Canada or abroad.

### ***Markets for Securities***

There can be no assurance that an active trading market in the Common Shares will be established and sustained following Closing. The market price for the Common Shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of the Resulting Issuer's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of Resulting Issuer.

### ***General Economic Conditions May Adversely Affect the Resulting Issuer's Growth***

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy in general and emerging industries in particular. Many companies continue to be negatively impacted by these market conditions. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, tax rates may adversely affect the Resulting Issuer's growth and profitability.

Additionally, the demand for entertainment and leisure activities, including gambling, can be highly sensitive to changes in consumers' disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond the Resulting Issuer's control. Unfavourable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and increasing fuel or transportation costs or the perception by customers of weak or weakening economic conditions, may reduce customers' disposable income or result in fewer individuals engaging in entertainment or leisure activities, such as online gambling. Economic and geopolitical uncertainties, including those related to the COVID-19 pandemic, variants of the COVID-19 virus, and Russia's invasion of Ukraine may further amplify such risks. As a result, the Resulting Issuer cannot ensure that demand for its product offerings will remain constant. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity

in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities, such as online gambling. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could adversely affect the demand for the Resulting Issuer's product offerings, reducing its cash flows and revenues. If the Resulting Issuer experiences a significant unexpected decrease in demand for its product offerings, its business may be harmed.

### ***Money Laundering/Fraudulent Activity in Online Transaction***

Online transactions may be subject to sophisticated schemes or collusion to defraud, launder money or other illegal activities. There is a risk that the Resulting Issuer's products or systems may be used for those purposes by the Resulting Issuer's customers. There is also a risk that the Resulting Issuer will be subject to fraudulent activities by its employees. Any exposure to fraud and/or money laundering could subject the Resulting Issuer to financial losses, business disruption and reputational damage. In addition, there is a risk that the Resulting Issuer may be subject to investigation and sanctions by a regulator and/or to civil and criminal liability if the Resulting Issuer has failed to comply with its legal obligations relating to the reporting of money laundering or other offences. The Resulting Issuer has implemented policies and procedures designed to minimize the risk of fraud and money laundering, including monitoring of deposits and withdrawals activity. However, there can be no guarantee that these policies and procedures will be effective in all cases.

### ***Risks Related to Technical Infrastructure and Disruption in Services***

The Resulting Issuer's reputation and ability to attract, retain and serve its customers will depend in part upon the reliable performance and availability of its product offerings and its underlying technical infrastructure. The Resulting Issuer will devote significant resources to network and data security. However, the Resulting Issuer's systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to its business. If the Resulting Issuer's product offerings are unavailable when customers attempt to access them, or if they do not load as quickly as expected, customers may not use them as often in the future, or at all. If the Resulting Issuer's customer base and engagement continue to grow, and the amount and types of product offerings continue to grow and evolve, it will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy its customers' needs. Such infrastructure expansion may be complex, and unanticipated delays in completing these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of the Resulting Issuer's product offerings. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after the Resulting Issuer has started to fully use the underlying equipment or software, that could further degrade the customer experience or increase its costs. As such, the Resulting Issuer could fail to continue to effectively scale and grow its technical infrastructure to accommodate increased demands.

In addition, the Resulting Issuer's business may be subject to interruptions, delays or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, cyber-attacks or other catastrophic events. The Resulting Issuer has contingency plans in place to prevent or mitigate the impact of these events. However, if such an event were to occur, customers may be subject to service disruptions or outages and the Resulting Issuer may not be able to recover its technical infrastructure and customer information in a timely manner to restart or provide its product offerings, which may adversely affect its financial results.

A substantial portion of the Resulting Issuer's network infrastructure will be provided by third parties, including internet service providers and other technology-based service providers. The Resulting Issuer requires its technology-based service providers to implement cyber-attack-resilient systems and processes. However, if internet service providers experience service interruptions, including because of cyber-attacks, communications over the internet may be interrupted and impair the Resulting Issuer's ability to conduct business. Internet service providers and other

technology-based service providers may in the future roll out upgraded or new mobile or other telecommunications services which may not be successful and thus may impact the ability of the Resulting Issuer's customers to access its product offerings. In addition, the Resulting Issuer's ability to process ecommerce transactions depends on bank processing and credit card systems. To prepare for system problems, the Resulting Issuer will continuously seek to strengthen and enhance its facilities and the capabilities of its system infrastructure and support. Nevertheless, there can be no assurance that the internet infrastructure or the Resulting Issuer's own network systems will continue to be able to meet the demand placed on it by the continued growth of the internet, the overall online gaming and interactive entertainment industries and the Resulting Issuer's customers. Any difficulties these providers face, including the potential of certain network traffic receiving priority over other traffic (i.e., lack of net neutrality), may adversely affect the Resulting Issuer's business, and it exercises little control over these providers, which increases its vulnerability to problems with the services they provide. Any system failure as a result of reliance on third parties, such as network, software or hardware failure, including as a result of cyber-attacks, which causes a loss of the Resulting Issuer's customers' property or personal information or a delay or interruption in its online services and products and e-commerce services, including its ability to handle existing or increased traffic, could result in a loss of anticipated revenue, interruptions to its product offerings, cause it to incur significant legal, remediation and notification costs, degrade the customer experience and cause customers to lose confidence in its product offerings, any of which could have a material adverse effect on its business, revenues, operating results and financial condition.

### **17.2 Additional Securityholder Contributions**

Not applicable.

### **17.3 Additional Risk Factors**

Not applicable.

## **18. Promoters**

Other than as set out below, during the two years immediately preceding the date of this Listing Statement, no person or company has been a promoter of Kings, SVH or the Resulting Issuer or a subsidiary thereof.

Karan Thakur, a former director of Kings, may be considered to have been a promoter of Kings for the purposes of applicable securities laws, as he had taken the initiative in organizing and financing Kings. Mr. Thakur owns nil Common Shares.

No person who is or was within the last two years a promoter of Kings, SVH or the Resulting Issuer:

- received anything of value directly or indirectly from Kings, SVH, the Resulting Issuer, or a subsidiary of Kings, SVH or the Resulting Issuer;
- sold or otherwise transferred any asset to Kings, SVH or the Resulting Issuer or a subsidiary of Kings, SVH or the Resulting Issuer within the last two years;
- has been a director, chief executive officer or chief financial officer 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.

## **19. Legal Proceedings**

### **19.1 Legal Proceedings**

There are no legal proceedings material to Kings, SVH or the Resulting Issuer to which Kings, SVH or the Resulting Issuer or a subsidiary thereof is a party or of which any of their respective property is the subject matter and no such proceedings are known to Kings, SVH or the Resulting Issuer to be contemplated. From time to time, however, the Resulting Issuer may be subject to various claims and legal actions arising in the ordinary course of business.

### **19.2 Regulatory actions**

There are no:

- penalties or sanctions imposed against the Resulting Issuer (or a predecessor entity) by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof;
- other penalties or sanctions imposed by a court or regulatory body against the Resulting Issuer (or a predecessor entity) necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed; and
- settlement agreements the Resulting Issuer (or a predecessor entity) entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

## **20. Interest of Management and Others in Material Transactions**

Not applicable.

## **21. Auditors, Transfer Agents and Registrars**

### **21.1 Auditor**

The auditor of Kings is Baker Tilly WM LLP, with its office located at 1500-401 Bay St., Toronto, ON M5H 2Y4.

The auditor of SVH is Lipton LLP, with its office located at 245 Fairview Mall Drive, Suite 600, Toronto, ON, M2J 4T1.

The auditor of the Resulting Issuer is Baker Tilly WM LLP, with its office located at 1500-401 Bay St., Toronto, ON M5H 2Y4.

### **21.2 Transfer Agent**

The transfer agent and registrar for the Issuer is Olympia Trust Company with its Vancouver office located at Suite 1900, 925 West Georgia Street, Vancouver, BC V6C 3L2.

The transfer agent and registrar for SVH is TSX Trust Company, with its Toronto office located at 301-100 Adelaide Street West, Toronto Ontario, M5H 4H1

The transfer agent and registrar for the Resulting Issuer is TSX Trust Company, with its Toronto office located at 301-100 Adelaide Street West, Toronto Ontario, M5H 4H1.

## **22. Material Contracts**

### **22.1 Material Contracts**

#### **Kings**

The following are the material contracts entered into by the Issuer or a subsidiary of the Issuer, other than in the ordinary course of business, within the two years before the date of the Listing Statement:

- the Transaction Agreement (see above under the heading “General Development of the Business- Transaction Agreement”)
- the Loan Agreement (see above under the heading “General Development of the Business – Transaction Agreement)
- the Share Purchase Agreement (see above under the heading “General Development of the Business- Kings- History Since Inception”)

#### **SVH**

The following are the material contracts entered into by the SVH or a subsidiary of the SVH, other than in the ordinary course of business, within the two years before the date of the Listing Statement:

- the Transaction Agreement (see above under the heading “General Development of the Business- Transaction Agreement”)
- the Ontario License (see above under the heading “General Development of the Business- SVH- History Since Inception”)
- the Kahnawake Gaming License (see above under the heading “General Development of the Business- SVH- History Since Inception”)
- the agreement with Dench dated July 26, 2021 with respect to the acquisition of source code to the gaming platform by BQC (see above under the heading “General Development of the Business- SVH- Material Operational Agreement”)

### **22.2 Co-tenancy, unitholders' or limited partnership agreements**

Not applicable.

## **23. Interest of Experts**

No person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a part of this Listing Statement, or is named as having prepared or certified a report or valuation described or included in this Listing Statement, has received, and is not entitled to receive, any registered or beneficial interest, direct or indirect, in the property of the Resulting Issuer and is not expected to own any securities of the Resulting Issuer or any associate, affiliate or Related Person of the Resulting Issuer.

No person, or director, officer or employee of a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement is expected to

be elected, appointed, or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

#### **24. Other Material Facts**

As of the date hereof, there are no other material facts about SVH, Kings or the Resulting Issuer or the securities of SVH, Kings or the Resulting issuer that are not disclosed under any item of the Listing Statement and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to SVH, Kings and the Resulting Issuer or the securities of SVH, Kings and the Resulting Issuer.

#### **25. Financial Statements**

The following financial statements for Kings, SVH and the Resulting Issuer are provided as follows:

Please see Exhibit “A” to this Listing Statement for the Issuer’s audited financial statements for the years ended December 31, 2021 and December 31, 2020 and the interim financial statements for the interim period ended June 30, 2022 and the related MD&A for these periods.

Please see Exhibit “B” to this Listing Statement for SVH’s audited financial statements for the years ended December 31, 2021 and December 31, 2020 and the interim financial statements for the interim period ended June 30, 2022 and the related MD&A for these periods.

Please see Exhibit “C” to this Listing Statement for the pro forma consolidated financial statements of the Resulting Issuer as at December 31, 2021.

**EXHIBIT A**

**FINANCIAL STATEMENTS AND  
MANAGEMENT DISCUSSION AND ANALYSIS OF THE ISSUER**

**DRAFT**

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Consolidated Financial Statements**  
**Years ended December 31, 2021 and 2020**  
*(Presented in United States Dollars)*

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.):

### ***Opinion***

We have audited the consolidated financial statements of Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.) and its subsidiaries (together the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and 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 Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2021 and 2020 in accordance with International Financial Reporting Standards.

### ***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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. 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 in this auditor's report. 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 International Financial Reporting Standards, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

***Auditor's 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 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 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.
- 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 Group'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 Group'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 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 auditor's report. However, future events or conditions may cause the Group 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 Group 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.

The engagement partner on the audit resulting in this independent auditor's report is John C. Sinclair.

*Baker Tilly WM LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
May 2, 2022

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Consolidated Financial Statements**  
**Years ended December 31, 2021 and 2020**  
***(Presented in United States Dollars)***

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**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Consolidated Statements of Financial Position**  
**As at December 31, 2021 and 2020**  
*(Presented in United States Dollars)*

	2021	2020
<b>Assets</b>		
Current		
Cash	\$ 7,224,954	\$ 425,415
Due from processors, net (Note 4 and 13(b))	804,954	937,564
Government remittances recoverable	71,696	87,637
Prepaid expenses and other assets	446,029	131,047
Prepaid issue costs (Note 3)	722,512	-
	9,270,145	1,581,663
Non-current		
Property and equipment	3,081	3,150
Deferred income tax assets (Note 11)	20,387	10,867
Right-of-use assets (Note 5 and 13(a))	-	6,627
Due from related parties (Note 7)	93,282	-
	116,750	20,644
	\$ 9,386,895	\$ 1,602,307
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 2,564,390	\$ 830,927
Income taxes payable	108,627	83,182
Government remittances payable	10,045	10,049
Deferred revenue	143,072	174,337
Due to related parties (Note 7)	86,778	94,212
Lease liabilities (Note 8)	-	8,474
	2,912,912	1,201,181
<b>Shareholders' Equity</b>		
Share capital (Note 9)	8,223,957	881
Share subscriptions received (Note 3)	7,075,405	-
Warrant reserve (Notes 3 and 10)	185,506	-
Foreign exchange translation reserve	12,652	407,146
Deficit	(9,023,537)	(6,901)
	6,473,983	401,126
	\$ 9,386,895	\$ 1,602,307

The accompanying notes form an integral part of these consolidated financial statements

These consolidated financial statements are approved by the Directors:

Steve Budin (signed) \_\_\_\_\_

Director

Kelvin Lee (signed) \_\_\_\_\_

Director

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**Years ended December 31, 2021 and 2020**  
**(Presented in United States Dollars)**

	2021	2020
<b>Revenue</b>		
Lottery procurement revenue	\$ 4,827,978	\$ 5,328,890
Online casino and scratchcard revenue	1,012,709	829,506
	<u>5,840,687</u>	<u>6,158,396</u>
<b>Cost of revenue</b>		
Processing costs (Note 12)	788,684	726,500
License fees	219,825	96,692
Commissions	1,601,281	1,761,034
	<u>2,609,790</u>	<u>2,584,226</u>
Gross profit	<u>3,230,897</u>	<u>3,574,170</u>
<b>Operating Expenses</b>		
Salaries and benefits (Note 12)	1,504,503	1,311,779
Marketing expenses	552,446	244,011
Expected credit losses	9,175	53,700
Bank charges and fees	87,466	58,187
General and administrative (Note 12)	62,072	88,344
IT services	494,186	266,459
Interest on lease liabilities	389	1,941
Professional fees (Note 12)	528,402	404,795
Vehicles and travel	1,073	9,837
Restructuring costs	-	9,699
Amortization of right-of-use assets	6,627	49,124
	<u>3,246,339</u>	<u>2,497,876</u>
Income (loss) before undernoted items and income taxes	<u>(15,442)</u>	<u>1,076,294</u>
<b>Other income (loss)</b>		
Foreign exchange loss	(9,251)	(614,276)
Other income	-	10,670
Listing expense (Note 3)	(8,849,088)	-
	<u>(8,858,339)</u>	<u>(603,606)</u>
Net income (loss) before income taxes	<u>(8,873,781)</u>	<u>472,688</u>
<b>Income tax provision (recovery) (Note 11)</b>		
Current	152,375	74,499
Deferred	(9,520)	12,428
	<u>142,855</u>	<u>86,927</u>
<b>Net income (loss)</b>	<u>\$ (9,016,636)</u>	<u>\$ 385,761</u>
<b>Other comprehensive income (loss)</b>		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	(394,494)	617,632
<b>Comprehensive income (loss)</b>	<u>\$ (9,411,130)</u>	<u>\$ 1,003,393</u>

The accompanying notes form an integral part of these consolidated financial statements

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**Years ended December 31, 2021 and 2020**  
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	Share capital (Notes 3 and 9)	Share subscription received (Note 3)	Warrant reserve (Notes 3 and 10)	Foreign currency translation reserve	Deficit	Total equity
As at December 31, 2020	\$ 881	\$ -	\$ -	\$ 407,146	\$ (6,901)	\$ 401,126
Net loss	-	-	-	-	(9,016,636)	(9,016,636)
Other comprehensive loss	-	-	-	(394,494)	-	(394,494)
Total comprehensive loss	-	-	-	(394,494)	(9,016,636)	(9,411,130)
Shares issued pursuant to RTO	8,223,076	-	-	-	-	8,223,076
Share subscriptions received	-	7,075,405	-	-	-	7,075,405
Warrants issued	-	-	185,506	-	-	185,506
As at December 31, 2021	\$ 8,223,957	\$ 7,075,405	\$ 185,506	\$ 12,652	\$ (9,023,537)	\$ 6,473,983
As at December 31, 2019	\$ 881	\$ -	\$ -	\$ (210,486)	\$ (392,662)	\$ (602,267)
Net income	-	-	-	-	385,761	385,761
Other comprehensive income	-	-	-	617,632	-	617,632
Total comprehensive income	-	-	-	617,632	385,761	1,003,393
As at December 31, 2020	\$ 881	\$ -	\$ -	\$ 407,146	\$ (6,901)	\$ 401,126

The accompanying notes form an integral part of these consolidated financial statements

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2021 and 2020**  
**(Presented in United States Dollars)**

	2021	2020
<b>Operating activities</b>		
Net income (loss)	\$ (9,016,636)	\$ 385,761
Items not affecting cash:		
Deferred income tax expense (recovery)	(9,520)	12,428
Amortization of right-of-use assets	6,627	49,124
Listing expense (Note 3)	8,849,088	-
	\$ (170,441)	\$ 447,313
Change in non-cash working capital:		
Decrease in due from processors	132,610	116,898
Decrease (increase) in government remittances recoverable	12,423	(17,484)
(Increase) decrease in prepaid expenses and other assets	(22,902)	53,162
(Increase) decrease in prepaid issue costs	(10,229)	
(Increase) in due from related parties	(93,282)	-
Increase (decrease) in accounts payable and accrued liabilities	415,413	(148,622)
Increase in income taxes payable	29,639	74,085
Increase (decrease) in government remittances payable	339	(23,887)
(Decrease) in deferred revenue	(31,265)	(407,299)
(Decrease) in due to related parties	(45,243)	(713,142)
Cash flows provided by (used in) operating activities	217,062	(618,976)
<b>Financing activity</b>		
Cash acquired on reverse takeover transaction (Note 3)	6,973,246	-
Repayment of lease liabilities	(6,521)	(57,440)
Cash flows provided by (used in) financing activities	6,966,725	(57,440)
Effect of foreign exchange in cash	(384,248)	617,310
Net change in cash	6,799,539	(59,106)
Cash - beginning of year	425,415	484,521
<b>Cash - end of year</b>	<b>\$ 7,224,954</b>	<b>\$ 425,415</b>
Supplemental cash flow information		
Cash paid during the period for:		
Interest	\$ 389	\$ 1,941

The accompanying notes form an integral part of these consolidated financial statements

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2021 and 2020**  
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## **1. Nature of business**

Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.) ("Kings" or the "Corporation") was incorporated on February 27, 2020 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The head office and registered and records office of the Corporation is located at Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

On February 24, 2021, Kings entered into a Share Purchase Agreement which later amended on November 22, 2021 (the "Share Purchase Agreement"), with Legacy Eight Ltd. ("Legacy"), the primary shareholder of each of Legacy Eight Curacao N.V. ("Legacy Eight Curacao"), Azteca Messenger Services S.A. de C.V. ("Azteca"), and Phoenix Digital Services Ltd. ("Phoenix"), collectively known as Lottokings Group, pursuant to which the Corporation agreed to acquire all of the issued and outstanding shares in the capital of Legacy Eight Curacao, Azteca, and Phoenix, in exchange for its common shares. The transaction was accounted for as a reverse takeover ("RTO"). On December 30, 2021, following the closing of the Share Purchase Agreement, the Lottokings Group became a wholly owned subsidiary of Kings.

For accounting purposes, the Lottokings Group was identified as the acquirer and the resulting consolidated financial statements are presented as a continuance of the Lottokings Group and the comparative figures presented in the consolidated financial statements prior to the RTO are those of the Lottokings Group.

## **2. Significant accounting policies**

### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and using the accounting policies described herein. These consolidated financial statements were authorized for issuance by Kings Entertainment Group's Directors on May 2, 2022.

### **(b) Basis of presentation**

These consolidated financial statements include the accounts of Kings and the following entities:

(i) Legacy Eight Curacao N.V. ("L8 Curacao"), a corporation incorporated in Curacao, owned 100% by Kings. L8 Curacao also has two wholly owned subsidiaries, Legacy Eight Malta Ltd. ("L8 Malta") and Bulleg Eight Limited ("Bulleg"), incorporated in Malta and Cyprus, respectively.

(iii) Azteca Messenger Services S.A. de C.V. ("AZT"), a corporation incorporated in Mexico, owned 99.82% by Kings;

(iv) Phoenix Digital Services Ltd. ("PDS"), a corporation incorporated in the United Kingdom ("UK"), owned 100% by Kings. Litermi S.A. ("Litermi"), a wholly owned subsidiary of PDS, is incorporated in Uruguay and its financial position and operating results are also included in these consolidated financial statements.

All intercompany transactions and balances have been eliminated in these consolidated financial statements.

### **(c) Basis of measurement**

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair value, as detailed in the Corporation's accounting policies.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Consolidated Financial Statements**  
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**2. Significant accounting policies (continued)**

(d) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and entities it controls. An entity is controlled when the Corporation has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity and is able to use its power over the entity to affect its returns from the entity.

(e) Common control transactions

IFRS 3, Business Combinations does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, the Corporation has developed a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. The Company's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying amount on the transferor's financial statements, and to have the consolidated statements of financial position, consolidated statements of loss and comprehensive loss and statements of cash flows reflect the results of combining entities for all periods presented for which the entities were under the transferor's common control, irrespective of when the combination takes place.

(f) Functional and presentation currency

These consolidated financial statements are presented in United States Dollars ("USD"), which is L8 Curacao's functional currency, as the majority of the financial and operating results included in these consolidated financial statements are arising from L8 Curacao. Functional currency of other entities within the group is as follows:

Kings Entertainment Group Inc.	Canadian Dollar ("CAD")
Legacy Eight Malta Ltd.	Euro ("EUR")
Bulleg Eight Limited	Euro ("EUR")
Azteca Messenger Services S.A. de C.V.	Mexican Peso ("MXN")
Phoenix Digital Services Ltd.	Great Britain Pound ("GBP")
Litermi S.A.	Uruguayan Peso ("UYU")

(g) Use of estimates and judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, revenues and expenses during the reporting period, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. In the process of applying the Corporation's accounting policies, management has made the following significant estimates and judgments, which have the most significant impact on the amounts recognized in the consolidated financial statements:

(i) Impairment of financial assets

The Corporation measures impairment losses on financial assets that are subsequently measured at amortized cost. Impairment losses are measured based on the expected credit loss ("ECL") model in accordance with IFRS 9, Financial Instruments. The twelve-month or lifetime expected default rates are estimated by management in calculating the expected credit losses.

**Kings Entertainment Group Inc.**  
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**2. Significant accounting policies (continued)**

(g) Use of estimates and judgments (continued)

(ii) Revenue recognition

Under IFRS 15, Revenue from contracts with customers, management is required to determine when the control of services or goods are transferred to customers and estimate the variable considerations included in the contracts. Management exercises judgment in determining the point in time control of services or goods are transferred and applies estimates based on information available at each reporting date in determining the amount of variable consideration. Management also applied judgment in determining whether the Corporation acts as principal or agent in its revenue contracts with customers by assessing if the Corporation controls the good or service to be transferred to the customer. See Note 2(i).

(iii) Leases

Under IFRS 16, Leases, the Corporation is required to recognize the lease liabilities at the inception of all leases where the entity is a lessee. The lease liability is calculated by discounting all future lease payments required under the lease. Management uses judgment in determining whether it is reasonably certain to exercise the renewal option, if any. Management also estimates the appropriate discount rates used for its leases as described in Note 2(h). Changes in any of these estimates may alter the value of the lease liability.

(iv) Common control transactions

IFRS 3, Business Combinations does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, management has applied judgment to develop a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies as described in Note 2(e).

(v) Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid or recovered based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(vi) Determination of functional currencies

When assessing the functional currency for each consolidated entity, management applied judgment in selecting the relevant factors in concluding the appropriate functional currency.

(h) Leases

In lease arrangements where the Corporation is a lessee, right-of-use asset and lease liabilities are recognized at the inception of the leases, except for short-term leases and leases of low-value assets. The lease liability is measured at the present value of the future fixed lease payments, discounted using the incremental borrowing rate of the lessee entity at the commencement date of the lease, or transition date of IFRS if the lease was entered into prior to the transition date. Lease liabilities are subsequently measured at amortized cost with interest expense recognized using the aforementioned discount rate. The associated right-of-use assets are measured at the initial amount of the lease liability, adjusted for any prepayments. Subsequently, the right-of-use assets are amortized on a straight-line basis over the term of the lease.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
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**2. Significant accounting policies (continued)**

(i) Revenue recognition

The Corporation generates lottery procurement revenue from two streams: the Messenger stream where the Corporation acts as agent in the transaction and procures lottery tickets on behalf of customers; and the Syndication stream where the customers enter into a betting pool to bet at the winning combination of lotteries. Under the Syndication stream, the physical lottery tickets are not purchased.

Under the Messenger Stream, the Corporation recognizes revenue at an amount net of lottery procurement costs and applicable agency fees. The Corporation is considered an agent under this stream of revenue. Revenue is recognized when the physical lottery ticket is purchased and the control of the lottery ticket is transferred to customers simultaneously.

Revenue under the Syndication stream is recognized when control of the services are transferred to the customers. The control of the services are transferred to the customers when the customers have accepted the terms and conditions of the play and entered into the betting pool after payment is made. The revenue is recognized at an amount equal to the transaction price, net of insurance costs and prizes payable, if any.

Refunds might be granted to customers from time to time for revenue from lottery procurement. Once a refund request is initiated by a customer, the Corporation will investigate the case and the refund might be approved after such investigation. Liabilities for refund are accrued at each reporting date and netted against due from processors balance on the consolidated statements of financial position. Refund liabilities are estimated based on a trending historical rate of return as a percentage of revenue; such rate is updated at each reporting date to reflect information available at that point in time.

Casino and scratchcard revenue is recognized at an amount net of the prizes, which are won instantly by customers after the "Play" or an equivalent button is clicked. The revenue is recognized when such button is clicked by customers, which is considered to be the point in time of which performance obligation is met.

For all of the above revenue streams, payment by customers is made at the point of revenue recognition, and such payments are expected to be collected from various payment processors subsequently. Consideration received in advance of satisfaction of performance obligations is recognized as deferred revenue on the consolidated statements of financial position.

The Corporation also incurs commissions and marketing expenses in obtaining contracts with customers, such incremental costs are recognized in the consolidated statements of loss and comprehensive loss when incurred, as the amortization periods of the costs are less than 12 months.

**Kings Entertainment Group Inc.**  
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**2. Significant accounting policies (continued)**

(j) Income taxes

Current tax assets and/or liabilities comprise those claims from, or obligations to the taxation authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of the income tax provision (recovery) in profit or loss, except for income tax related to the components of other comprehensive loss or equity, in which case the tax expense is recognized in other comprehensive loss or equity, respectively.

(k) Foreign currency translations

Foreign currency transactions are translated into an entity's functional currency at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the exchange rate in effect at the consolidated statements of financial position dates. Foreign exchange gains and losses are included in the consolidated statements of loss and comprehensive loss.

The assets and liabilities of individual entities with functional currency other than USD are translated into USD at exchange rates on the date of the consolidated statements of financial position. Income and expenses, and cash flows of foreign operations are translated into USD using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in foreign currency translation reserve and accumulated in equity.

(l) Financial instruments

The Corporation aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized.

The Corporation's accounting policy for each class is as follows:

(i) Fair value through profit or loss

Financial instruments classified as measured at fair value through profit or loss are reported at fair value at each reporting date, and any change in fair value is recognized in the consolidated statement of loss and comprehensive loss in the period during which the change occurs. In these consolidated financial statements, cash has been classified as a financial asset subsequently measured at fair value through profit or loss.

**Kings Entertainment Group Inc.**  
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**2. Significant accounting policies (continued)**

(I) Financial instruments (continued)

(ii) Amortized cost

This category includes financial assets that are held within a business model with the objective of holding the financial assets in order to collect contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Unless they meet certain exceptions, all financial liabilities are classified as subsequently measured at amortized cost.

Financial instruments classified in this category are measured at amortized cost using the effective interest method. Transaction costs are included in the amount initially recognized. In these consolidated financial statements, amounts due from processors, amounts due from related parties, accounts payable and accrued liabilities and amounts due to related parties have been classified as financial instruments measured at amortized cost.

(iii) Impairment of financial assets

For financial assets measured at amortized cost, the Corporation recognizes loss allowances for ECLs. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Corporation applies the simplified approach in calculating ECLs for amounts due from processors. Under the simplified approach, the Corporation recognizes a loss allowance based on lifetime ECLs at each reporting date and does not track changes in credit risk for amounts due from processors.

(iv) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iv) Fair value hierarchy

All financial instruments measured at fair value after initial recognition are categorized into one of three hierarchy levels for disclosure purposes. Each level reflects the significance of the inputs used in making the fair value

- Level 1: Fair value is determined by reference to quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Valuations use inputs based on observable market data, either directly or indirectly, other than the quoted prices.
- Level 3: Valuations are based on inputs that are not based on observable market data.

Following is the summary of financial instruments, not measured at fair value, as at December 31, 2021 and 2020, for which fair value is disclosed:

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**2. Significant accounting policies (continued)**

(l) Financial instruments (continued)

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
<b>2021</b>			
<i>Financial assets:</i>			
Cash	\$ 7,224,954	\$ -	\$ 7,224,954
Due from processors	804,954	-	804,954
Due from related parties	93,282	-	93,282
<b>Balance at December 31, 2021</b>	<b>8,123,190</b>	<b>-</b>	<b>8,123,190</b>

*Financial liabilities:*

Accounts payable and accrued liabilities	-	2,564,390	2,564,390
Due to related parties	-	86,778	86,778
<b>Balance at December 31, 2021</b>	<b>\$ -</b>	<b>\$ 2,651,168</b>	<b>\$ 2,651,168</b>

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
<b>2020</b>			
<i>Financial assets:</i>			
Cash	\$ 425,415	\$ -	\$ 425,415
Due from processors	937,564	-	937,564
<b>Balance at December 31, 2020</b>	<b>1,362,979</b>	<b>-</b>	<b>1,362,979</b>

*Financial liabilities:*

Accounts payable and accrued liabilities	-	830,927	830,927
Due to related parties	-	94,212	94,212
<b>Balance at December 31, 2020</b>	<b>\$ -</b>	<b>\$ 925,139</b>	<b>\$ 925,139</b>

The carrying values of all the Corporation's financial instruments approximate their fair value as at December 31, 2021 due to their short-term nature.

(m) Provisions and contingent liabilities

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed. The provisions are measured based on management's best estimates of the outcome on the basis of facts known at the reporting date.

(n) Future accounting pronouncements

The Corporation has evaluated the impact of future accounting pronouncements and does not expect them to have a material impact on its consolidated financial statements.

**Kings Entertainment Group Inc.**  
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**3. Reverse takeover transaction**

Prior to the RTO, Legacy Eight Curacao N.V., Azteca Messenger Services S.A. de C.V., and Phoenix Digital Services Ltd. were entities under the common control of Legacy Eight Ltd. ("Legacy"). In contemplation of the RTO, these entities entered into a common control transaction whereby the assets and liabilities of each entity were transferred at their carrying amounts into a newly created entity, Lottokings Group. This transaction was accounted for as a common control business combination.

On December 30, 2021, Kings Entertainment Group Inc. entered into a RTO with the Lottokings Group. The transaction has been accounted for as a reverse acquisition transaction in accordance with IFRS 2, Share-based Payments, and IFRS 3, Business Combinations. As the Corporation did not qualify as a business in accordance with the definition of IFRS 3, the transaction did not constitute a business combination and was accounted for as an issuance of common shares by the Lottokings Group for the net assets of the Corporation to obtain its public listing, with the Lottokings Group as the continuing business.

For accounting purposes, the Lottokings Group is treated as the accounting parent (legal subsidiary) and the Corporation as the accounting subsidiary (legal parent). The transaction is recognized as if the Lottokings Group had issued common shares to the existing Kings shareholders in exchange for the net assets acquired. The fair value of the 20,674,500 common shares of Kings was determined to be CAD \$0.50 per common share, as determined by reference to the quoted share price of Kings at the date of the reverse takeover. The fair value of the 1,067,880 warrants was determined at \$185,506 using the Black-Scholes option pricing model using a weighted average exercise price of CAD \$0.50, 113% volatility rate, a 0.23% risk free return and a 2 year term.

The difference between the fair value of the consideration paid, net of transactions cost, less the fair value of the net identifiable assets of the Corporation acquired by the Lottokings Group constitutes the listing expense of \$8,849,088 and has been recorded in the consolidated statements of loss and comprehensive loss.

	December 30, 2021
<b>Consideration paid</b>	
Fair value of common shares	\$ 8,223,076
Fair value of warrants	185,506
	<b>8,408,582</b>
<b>Net assets acquired</b>	
Cash	6,973,246
Prepaid expenses	297,106
Prepaid issue costs	722,512
Accounts payable and accrued liabilities	(1,357,965)
Share subscriptions received	(7,075,405)
Total net assets	(440,506)
<b>Listing expense</b>	<b>\$ 8,849,088</b>

The subscription receipts were issued by the Corporation on May 7, 2021 and November 4, 2021, on a brokered private placement basis to purchasers in certain provinces of Canada. The Corporation issued an aggregate of 17,789,000 subscription receipts at an issue price of CAD \$0.50 per subscription receipt. The sale of the subscription receipts were completed prior to the RTO transaction and gross proceeds were deposited in escrow.

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**3. Reverse takeover transaction (continued)**

The escrowed funds were to be released upon the satisfaction of the Escrow Release Conditions which were:

- (i) the Corporation obtaining final receipt for a prospectus qualifying the distribution of the subscription receipt shares issuable upon conversion of the subscription receipts in Canada;
- (ii) conditional acceptance for the listing of the Common Shares on the CSE;
- (iii) the Corporation having satisfied all conditions in the Agency Agreement and not having committed any material breach of covenants therein; and
- (iv) the Corporation and the Agent having delivered the release notice to the subscription receipt agent in accordance with the Subscription Receipt Agreement.

As these conditions were not met at the date of the RTO transaction, share subscriptions received were classified by Kings as financial liabilities at the date of the RTO and were included in the net assets acquired by Lottokings Group.

Escrow Release Conditions were met subsequent to the RTO and proceeds from share subscriptions were released from escrow after year-end (Note 16). Therefore, share subscriptions received have been presented as a component of equity on the consolidated statements of financial position as at December 31, 2021.

**4. Due from processors**

Due from processors consists of the following:

	December 31, 2021	December 31, 2020
Due from processors	\$ 1,065,232	\$ 1,218,800
Less: chargebacks and reversals	(80,033)	(108,177)
Less: expected credit losses	(180,245)	(173,059)
	<b>\$ 804,954</b>	<b>\$ 937,564</b>

Chargebacks and reversals payable to processors are netted against amounts due from processors as there is legally enforceable right to settle the amounts with processors on a net basis, and management has the intention to settle the balances on a net basis.

**5. Right-of-use assets**

Litermi leases office premises and computer equipment in the normal course of operations. The office premises lease commenced in June 2018, and lasted for two years with a three-year renewal option. Litermi assessed that it was reasonably certain to exercise the renewal option when it entered into the lease. However, during the year ended December 30, 2020, Litermi reassessed its expectation of exercising the renewal option due to the global outbreak of COVID-19, and determined that it no longer intends to exercise the renewal option under the lease. The lease was terminated on June 1, 2020 and all employees have been working from home since then. The computer equipment leases have lease terms between 26 to 33 months with no renewal options.

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**5. Right-of-use assets (continued)**

A continuity of the right-of-use assets is as following:

Cost

Balance as at December 31, 2019	\$	412,655
Adjustment due to change in expected lease term		(255,226)
Write-off		(111,315)
As at December 31, 2020 and December 31, 2021	\$	46,114

Accumulated amortization

Balance as at December 31, 2019	\$	101,678
Additions		49,124
Write-off		(111,315)
As at December 31, 2020		39,487
Additions		6,627
As at December 31, 2021	\$	46,114

Net book value

As at December 31, 2020		6,627
As at December 31, 2021	\$	-

**6. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities consists of the following:

	December 31, 2021	December 31, 2020
Trade payables	\$ 2,136,024	\$ 512,167
Customer claims payable	72,023	25,662
Payroll accrual	97,919	73,486
Accrued expenses	258,424	219,612
	\$ 2,564,390	\$ 830,927

**7. Due from (to) related parties**

Related parties consist of entities under common control. The amounts due from (to) related parties consist of the following:

	December 31, 2021	December 31, 2020
Legacy Eight Group Ltd.	93,282	-
WestOcean S.A.	(69,591)	(76,053)
Former shareholder of PDS (a)	(17,187)	(18,161)
	\$ 6,504	\$ (94,214)

(a) The former shareholder of PDS sold all of his shares in PDS to Legacy Eight Ltd., parent corporation of L8 Curacao in February 2021. The former shareholder of PDS is also the corporate secretary of Legacy Eight Group Ltd., the parent corporation of Legacy Eight Ltd.

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**7. Due to and from related parties (continued)**

The due from (to) related party balances relate to amounts owed for funds provided for working capital needs by the related parties. These balances are non-interest bearing with no fixed term of repayment.

As of December 31, 2021 and 2020, balances due from related parties and due to related parties have been netted off in the consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts.

The following table illustrates netting of balances due to and due from related parties:

	Ledonford Limited	Legacy Eight Group Ltd.	R.S. Real World Services Limited	WestOcean S.A.	Former shareholder of PDS	Total
As at December 31, 2021						
Due from related party	\$ 1,188,483	\$ 910,620	\$ 905,000	\$ 9,629,262	\$ -	\$ 12,633,365
Due to related party	-	(103,496)	(38,005)	(12,468,173)	(17,187)	(12,626,861)
Balance offset per Debt Offset Agreement	(1,188,483)	(713,842)	(866,995)	2,769,320	-	-
Net balance	\$ -	\$ 93,282	\$ -	\$ (69,591)	\$ (17,187)	\$ 6,504
As at December 31, 2020						
Due from related party	\$ 1,191,808	\$ 554,888	\$ 887,036	\$ 9,887,683	\$ -	\$ 12,521,415
Due to related party	-	(63,110)	(38,948)	(12,495,408)	(18,161)	(12,615,627)
Balance offset per Debt Offset Agreement	(1,191,808)	(491,778)	(848,088)	2,531,674	-	-
Net balance	\$ -	\$ -	\$ -	\$ (76,051)	\$ (18,161)	\$ (94,212)

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**8. Lease liabilities**

Balance as at December 31, 2019	\$	322,042
Adjustment due to change in expected lease term		(255,226)
Lease payments		(59,381)
Interest expense		1,941
Effect of currency conversion difference		(902)
Balance as at December 31, 2020, current	\$	8,474
Lease payments		(6,910)
Interest expense		389
Effect of currency conversion difference		(1,953)
Balance as at December 31, 2021, current	\$	-

The lease liabilities were initially calculated by discounting the future minimum lease payments under the lease using Litermi's incremental borrowing rate at 5.8%. In January 2020, the lease liabilities were recalculated when management's expectation in exercising the renewal option changed. The lease liabilities were remeasured using a discount rate of 4.5%, which represents Litermi's incremental borrowing rate at that date.

**9. Share capital**

**Authorized**

Unlimited number of common shares

**Issued**

	December 31, 2021	December 31, 2020
50,674,500 Common shares	\$ 8,223,957	\$ 881

The common shares of the Corporation as at December 31, 2021 consists of the 20,674,500 common shares of the Corporation issued for cash prior to the RTO and the 30,000,000 common shares issued in the RTO transaction.

**10. Warrant reserve**

As at December 31, 2021, the Corporation has 1,067,880 agent warrants outstanding. The fair value of these warrants was determined at \$185,506 using the Black-Scholes option pricing model using a weighted average exercise price of CAD \$0.50, 113% volatility rate, a 0.23% risk free return and a 2 year term.

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**11. Income taxes**

The reconciliation between the income tax expense (recovery) at the Canadian statutory income tax rate of 27.0% (2020 - 24.0%) to the income tax expense (recovery) recorded in the consolidated statement of net loss (income) for the fiscal years ended December 31, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
Net income (loss) before income taxes	\$ (8,873,781)	\$ 472,688
Expected income tax expense (recovery) at the statutory rate	(2,395,921)	113,463
Foreign tax rate differential	106,524	-
Recognition of previously unrecognized losses	-	(40,736)
Unrecognized tax benefits	9,686	912
Tax effect of permanent differences	2,422,566	13,288
<b>Income tax expense (recovery)</b>	<b>\$ 142,855</b>	<b>\$ 86,927</b>

The Corporation's income tax expense is allocated as follows:

	December 31, 2021	December 31, 2020
Current income tax expense	\$ 152,375	\$ 74,499
Deferred income tax expense (recovery)	(9,520)	12,428
<b>Income tax expense</b>	<b>\$ 142,855</b>	<b>\$ 86,927</b>

The Corporation's deferred income tax asset arises from non-capital losses carried forward from previous periods.

The deferred income tax assets are recognized only to the extent that the specific entity will have future taxable profits available against which the unused tax losses can be utilized. Change in deferred income tax assets is as follows:

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	\$ 10,867	\$ 23,295
Deferred income tax recovery (expense) recognized from losses available for carryforward	9,520	-
Deferred income tax expenses recognized from utilization of losses available for carryforward	-	(12,428)
<b>Balance at the end of the year</b>	<b>\$ 20,387</b>	<b>\$ 10,867</b>

As at December 31, 2021 and 2020, the Corporation has the following unused tax losses for future uses, for which no deferred income tax asset was recognized:

	Expiry	December 31, 2021	December 31, 2020
Unused tax losses in Malta	Indefinitely	\$ 25,186	\$ 6,078
Unused tax losses in Cyprus	2025	7,273	-
Unused tax losses in Cyprus	2026	20,961	-
		<b>\$ 53,420</b>	<b>\$ 6,078</b>

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## **12. Related party balances and transactions**

During the year ended December 31, 2021, the Corporation had the following related party transactions:

### Related party transactions between L8 Curacao and Ledonford Limited:

During the year ended December 31, 2021, L8 Curacao incurred \$3,952 (2020 - \$15,149) for payment processing services provided by Ledonford Limited, an entity that is under common control. The amount is included in processing costs on the consolidated statement of loss and comprehensive loss. As December 31, 2021, \$Nil (2020 - \$15,149) was outstanding for the amount incurred.

### Related party transactions between L8 Curacao and R.S Real World Services Limited:

During the year ended December 31, 2021, L8 Curacao incurred \$21,455 (2020 - \$27,543) for payment processing services provided by R.S. Real World Services Limited, an entity that is under common control. The amount is included in processing costs on the consolidated statement of loss and comprehensive loss. As at December 31, 2021, \$Nil (2020 - \$27,543) was outstanding for the amount incurred.

### Related party transactions between Litermi and Bragg Gaming Group:

During the year ended December 31, 2021, Litermi, a wholly owned subsidiary of PDS incurred \$Nil (2020 - \$29,879) to Bragg Gaming Group, an entity with which Litermi shares a key management personnel. The amount was incurred to compensate Bragg Gaming Group for shared office area, and included in office and general on the consolidated statement of loss and comprehensive loss. No balance was outstanding for the amount incurred as at December 31, 2021 and 2020.

### Related party transactions between L8 Curacao and Legacy Eight Group:

During the year ended December 31, 2021, L8 Curacao advanced an additional \$355,733 to Legacy Eight Group Ltd. (2020 - \$349,604). During the year ended December 31, 2021, advances to Legacy Eight Group Ltd. reduced by \$Nil (2020 - \$35,000) due to repayment by PDS. L8 Curacao and PDS are entities under common control of Legacy Eight Group Ltd.

### Related party transactions between L8 Curacao and WestOcean S.A.:

During the year ended December 31, 2020, L8 Curacao received payment processing and marketing services from WestOcean S.A., an entity under common control, for which no consideration was charged by WestOcean S.A. During the year ended December 31, 2020, L8 Curacao repaid approximately \$141,000 to WestOcean S.A. for the balance due. There were no such services provided by WestOcean S.A. during the year ended December 31, 2021.

As of December 31, 2021 and 2020, balances due from related parties and due to related parties have been netted off in the consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts (Note 7).

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**12. Related party balances and transactions (continued)**

The following table illustrates the compensation paid to key management personnel during the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Chief Executive Officer (a)	\$ 300,000	\$ 150,015
Chief Operating Officer (b)	137,607	128,290
Chief Marketing Officer (c)	110,086	126,537
Chief Financial Officer (b)	97,079	90,000

(a) The Chief Executive Officer ("CEO") joined the Lottokings Group in August 2020, and is on contract for \$25,000 per month, the CEO's compensation was paid for by L8 Curacao and AZT's ultimate parent corporation, Legacy Eight Group Ltd. The expenses were not recorded in the consolidated statement of loss and comprehensive loss for the years ended December 31, 2021 and 2020.

(b) Compensation paid to the Chief Operating Officer and Chief Financial Officer were included in salaries and benefits in the consolidated statement of loss and comprehensive loss.

(c) The Chief Marketing Officer's ("CMO") compensation is included in professional fees for the year ended December 31, 2021 and in salaries and benefits during year ended December 31, 2020 in the consolidated statements of loss and comprehensive loss. The former CMO of the Lottokings Group was an employee of PDS and was terminated in November 2020, and the current CMO is a contractor of the Corporation.

**13. Financial instruments**

The significant financial risks to which the Corporation is exposed are liquidity, credit, and currency risk.

(a) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by cash or another financial asset. The primary sources of liquidity risk are accounts payable and accrued liabilities, lease liabilities and amounts due to related party. The Corporation's ability to meet its obligations depends on the receipt of funds from its operations. Management monitors its working capital to ensure the obligations under current liabilities are met on timely basis.

As at December 31, 2021 and 2020, all of the Corporation's financial liabilities and lease liabilities are due within 12 months from the date of consolidated statements of financial position.

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**13. Financial instruments (continued)**

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to its amounts due from processors balance. The Corporation does not provide credit to its customers, however, the credit risks arise as the payments might not be collectible from processors. The maximum credit risk is the carrying value of the amounts due from processors. As at December 31, 2021, 75% (2020 - 64%) of the amounts due from processors balance is owing from four processors (2020 - three processors).

The Corporation has applied the simplified approach to providing for expected credit losses, which permits the use of a lifetime expected credit loss provision for all amounts due from processors balances, which are of similar nature to trade receivables. To measure the expected credit losses, a full allowance is provided for a processor balance when there is doubt about the processor's future capacity to fulfill its payment obligations. For the remaining amounts due from processor balances, each processors' ability of fulfilling the payments in the future are evaluated specifically based on the information available on the date of the consolidated statements of financial position. The loss allowances at December 31, 2021 and 2020 were determined as follows for amounts due from processors balances based upon the Corporation's historical default rates over the expected life of the balances, adjusted for forward looking estimates.

Due from processors, net consists of the following:

	December 31, 2021	December 31, 2020
Carrying amount, net of refund liability	\$ 985,199	\$ 1,110,623
Lifetime expected loss	(180,245)	(173,059)
<b>Due from processors</b>	<b>\$ 804,954</b>	<b>\$ 937,564</b>

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from financial instruments, primarily cash, amounts due from processors, amounts due from related party, accounts payable and accrued liabilities and amounts due to related party, denominated in a currency other than the functional currency of the entity. All entities included in these consolidated financial statements do not use derivative financial instruments to manage its currency risk. As at December 31, 2021, a 5% appreciation (depreciation) of foreign currencies against USD will result in increase (decrease) in income and comprehensive income of \$17,794 (2020 - \$34,318).

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**13. Financial instruments (continued)**

(c) Currency risk (continued)

As at December 31, 2021 and 2020, the following balances were denominated in currencies other than USD:

Financial instruments	Foreign Currency	December 31, 2021	December 31, 2020
		In USD	In USD
Cash	EUR	\$ 59,705	\$ 44,545
Cash	MXN	102,574	196,565
Cash	GBP	2,011	19,485
Cash	UYU	1,342	1,418
Cash	CAD	6,973,245	-
Due from processors	MXN	322,059	307,972
Due from processors	EUR	158,099	145,459
Due from processors	BRL*	58,799	59,607
Due from processors	COP*	125,174	48,196
Due from processors	CNY*	124,270	238,173
Accounts payable	GBP	45,232	10,363
Accounts payable	EUR	992,862	191,371
Accounts payable	UYU	269,598	171,716
Accounts payable	CAD	1,353,296	-

\*BRL - Brazilian Real

COP - Columbian Peso

CNY - Chinese Yuan

(d) Capital management

The Corporation's objective when managing capital is ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans. For the purpose of capital management, capital as at December 31, 2021 includes shareholders' equity of \$6,473,983 (2020 - \$401,126). The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of underlying assets. Each consolidated entity is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis.

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**14. Geographic information**

The Corporation has only one reportable segment being lottery procurement and online casino and scratchcard. The geographic segmentation of the Corporation's revenues is as follows:

	Mexico	Argentina	Chile	Brazil	Colombia	Other Latin American	Other (a)	Total
<b>Year ended December 31, 2021</b>								
Lottery procurement revenue	\$ 1,062,155	\$ 193,119	\$ 289,679	\$ 193,119	\$ 241,399	\$ 917,316	\$ 1,931,191	\$ 4,827,978
Online casino and scratchcard revenue	182,288	151,906	101,271	101,271	10,127	425,338	40,508	1,012,709
<b>Year ended December 31, 2020</b>								
Lottery procurement revenue	\$ 1,172,356	\$ 266,445	\$ 373,022	\$ 213,156	\$ 106,578	\$ 1,034,008	\$ 2,163,325	\$ 5,328,890
Online casino and scratchcard revenue	141,016	58,065	49,770	82,951	207,377	192,860	97,467	829,506

(a) "Other Latin American countries" and "Other" categories represent Latin American and non-Latin American countries with insignificant revenue which have been grouped together.

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**15. Impact of COVID-19**

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforce or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilise economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact of the financial results and condition of the Corporation and its operations in future periods. However, currently COVID-19 did not have a significant impact of the Corporation's operations and access to financial markets.

While the continuing development of the pandemic presents uncertainty over future revenues and financing abilities, management expects the Corporation will have adequate cash flow to fund its operations during this crisis through existing revenue and financing sources as well as tight controls over operating expenses.

**16. Subsequent events**

- (i) On January 4, 2022, proceeds from share subscriptions were released from escrow. Effective December 31, 2021, and following satisfaction of all escrow release conditions an aggregate of 17,789,000 subscription receipts, originally issued at CAD \$0.50 per subscription receipt, were automatically converted into an aggregate of 17,789,000 common shares.
- (ii) On January 24, 2022, the Corporation's common shares commenced trading on the Canadian Securities Exchanges ("CSE") under the ticker "JKPT".
- (iii) On April 25, 2022, the Corporation's common shares commenced trading on the OTCQB market under the ticker "JKPTF" and will continue to trade on the CSE under the ticker "JKPT".

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**MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDED  
DECEMBER 31, 2021**

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## 1. MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis (“MD&A”) provides a review of the results of operations, financial condition and cash flows for Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.) on a consolidated basis, for the year ended December 31, 2021 (“F2021”). References to “Kings”, or the “Corporation” in this MD&A refer to Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.), unless the context requires otherwise.

Kings was incorporated on February 27, 2020 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The registered head office and the office of the books and records of the Corporation is located in Vancouver, British Columbia.

On February 24, 2021, Kings entered into a Share Purchase Agreement which later amended on November 22, 2021 (the “Share Purchase Agreement”), with Legacy Eight Ltd. (“Legacy”), the primary shareholder of each of Legacy Eight Curacao N.V. (“Legacy Eight Curacao” or “L8 Curacao”), Azteca Messenger Services S.A. de C.V. (“Azteca” or “AZT”), and Phoenix Digital Services Ltd. (“Phoenix” or “PDS”), collectively known as “Lottokings Group”, pursuant to which the Corporation agreed to acquire all of the issued and outstanding shares in the capital of Legacy Eight Curacao, Azteca, and Phoenix, in exchange for its common shares. The transaction was accounted for as a reverse takeover (“RTO”). On December 30, 2021, following the closing of the Share Purchase Agreement, the Lottokings Group became a wholly owned subsidiary of Kings.

Lottokings Group includes the following entities:

- (i) Legacy Eight Curacao N.V. (“L8 Curacao”), was owned 100% by Legacy Eight Ltd., a corporation incorporated in Curacao. L8 Curacao also has two wholly owned subsidiaries, Legacy Eight Malta Ltd. (“L8 Malta”) and Bulleg Eight Limited (“Bulleg”), incorporated in Malta and Cyprus, respectively;
- (ii) Azteca Messenger Services S.A. de C.V. (“AZT”), a corporation incorporated in Mexico, was owned 99.82% by Legacy Eight Ltd.;
- (iii) Phoenix Digital Services Ltd. (“PDS”), a corporation incorporated in the United Kingdom (“UK”), was controlled by a key management personnel of Legacy Eight Ltd. as at December 31, 2020. Subsequent to December 31, 2020, the key management personnel transferred 100% of the issued and outstanding common shares of PDS to Legacy Eight Ltd. Litermi S.A. (“Litermi”), is a wholly owned subsidiary of PDS, and was incorporated in Uruguay.

This document should be read in conjunction with the information presented in the audited consolidated financial statements for the years ended December 31, 2021 and 2020 (the “2021 and 2020 financial statements”).

For reporting purposes, the Corporation prepared the financial statements in United States Dollars (“USD”) and, unless otherwise indicated, in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial information contained in this MD&A was derived from the 2021 and 2020 financial statements. Unless otherwise indicated, all references to a specific “note” refer to the notes to the 2021 and 2020 financial statements.

This MD&A references non-IFRS financial measures, including those under the headings “Selected Financial Information” and “Key Metrics” below. The Corporation believes these non-IFRS financial measures will provide investors with useful supplemental information about the financial performance of its business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating its business and making decisions. Although management believes these financial measures are important in evaluating the Corporation, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. Non-IFRS measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These measures may be different from non-IFRS financial measures used by other companies, limiting their usefulness for comparison purposes. Moreover, presentation of some of these measures is provided for period-over-period comparison purposes, and investors should be cautioned that the effect of the adjustments provided herein have an actual effect on the Corporation’s operating results.

For purposes of this MD&A, the term “gaming license” refers collectively to all of the different licenses, consents, permits, authorizations, and other regulatory approvals that are necessary to be obtained in order for the recipient to lawfully conduct (or be associated with) gaming in a particular jurisdiction.

Unless otherwise stated, in preparing this MD&A the Corporation has considered information available to it up to May 2, 2022, the date the Corporation’s board of directors (the “Board”) approved this MD&A.

## 2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking information and statements (collectively, “forward-looking statements”) within the meaning of the Canadian securities legislation and applicable securities laws, including financial and operational expectations and projections. These statements, other than statements of historical fact, are based on management’s current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect the Group, its subsidiaries and their respective customers and industries. Although the Corporation and management believe the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such 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”, “would”, “should”, “believe”, “objective”, “ongoing”, “imply” or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Corporation’s stage of development, long-term capital requirements and future ability to fund operations, future developments in the Corporation’s markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Corporation’s operations. Each factor should be considered carefully, and readers are cautioned not to place undue reliance on such forward-looking statements. See the section, “Risk Factors and Uncertainties”, below noting that these factors are not intended to represent a complete list of the factors that could affect the Corporation.

Shareholders and investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might not occur. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Unless otherwise indicated by the Corporation, forward-looking statements in this MD&A describe the Corporation’s expectations as of May 2, 2022 and, accordingly, are subject to change after such date. The Corporation does not undertake to update or revise any forward-looking statements, except in accordance with applicable securities laws.

### 3. LIMITATIONS OF KEY METRICS AND OTHER DATA

The Corporation's key metrics are calculated using internal Corporation data. While these numbers are based on what the Corporation believes to be reasonable judgments and estimates of customer numbers for the applicable period of measurement, there are certain challenges and limitations in measuring the usage of its product offerings across its customer base. In addition, the Corporation's key metrics and related estimates may differ from estimates published by third parties or from similarly titled metrics of its competitors due to differences in methodology and access to information.

For important information on the Corporation's non-IFRS measures, see the information presented in "Key metrics" and "Selected financial information" below. The Corporation continually seeks to improve its estimates of its active customer base and the level of customer activity, and such estimates may change due to improvements or changes in the Corporation's methodology.

#### **Kings Entertainment Group Inc.: Overview and Strategy**

Kings Entertainment Group Inc. is a business to consumer service provider that allows users to participate in lotteries and casino-style online games throughout the world all from the comfort of their own homes with a simple login and access. The Corporation offers an easy transition from lottery to casino gambling that attracts players to easily participate in both game types. Players are of age or majority, and are monitored for problem gambling issues according to requirements under the Curacao Gaming License. Lottokings Group operates through multiple established brands and websites, which include [www.wintrillions.com](http://www.wintrillions.com), [www.trillionaire.com](http://www.trillionaire.com) and [www.LottoKings.com](http://www.LottoKings.com) (the "Brands").

The Brand sites are a destination for users to participate in lottery jackpots operated by fully regulated and legal lotteries across the world. Users may directly participate in lotteries or purchase shares in a pool of lottery plays by joining lottery teams or syndicates. Users may also utilize lottery subscriptions to participate in every draw of a specific lottery without the stress or worry of ever missing another draw.

In addition to the lottery services, the Corporation offers a connected experience that enables users to play and switch with ease between scratch cards and casino games. The Corporation's software technology provides casino games within a user's own web browser, without the need for any download. Users may easily access and enjoy a variety of different casino-style games. The games have several variations with minimum and maximum betting ranges, with winnings automatically credited to a user's account.

Kings' strategy includes promoting the Brand sites through a variety of international advertisers and through strategic business relationships with online gaming affiliates all in compliance with the Curacao Gaming License.

The development, licensing, and protection of intellectual property is a core part of the Corporation's business strategy and is a key element to its success. The current intellectual property rights currently provide broad and comprehensive coverage and access for our products and services. The Corporation's business practices protect our intellectual property rights in our core business through non-disclosure and confidentiality policies and provisions and the use of appropriate intellectual property ownership and assignment provisions and restrictive covenant agreements with, among others, our employees, contractors, consultants, manufacturers, suppliers, customers and stakeholders. The Corporation actively

seeks to protect and enforce its intellectual property rights to prevent unauthorized use by third parties, including through applications for injunctive relief and litigation, as necessary.

Kings continues to invest in building a strong, experienced management team to drive these strategic initiatives. The design, development and distribution of online lotteries and casino-style games requires specialized skills and knowledge. The Corporation's management team has considerable specialized skill, knowledge and experience in the online gaming industry. As at December 31, 2021, the Corporation had, in the aggregate, 38 employees and an additional 13 short-term contractors.

## 4. OVERVIEW OF 2021

### 4.1 EXECUTIVE SUMMARY

#### Financial performance during the year ended December 31, 2021

The Corporation incurred a net loss for the year ended December 31, 2021 of \$9,016,636 (year ended December 31, 2020 - net income of \$385,761) and had an accumulated deficit of \$9,023,537 at December 31, 2021 (December 31, 2020 - \$6,901). As at December 31, 2021, the Corporation had a working capital balance of \$6,357,233 (December 31, 2020 - \$380,482).

#### Revenue

The Corporation has two major sources of revenue:

- Lottery procurement revenue:
  - a. Messenger stream – the Corporation acts as agent in the transaction and procures lottery tickets on behalf of customers; and the
  - b. Syndication stream where the customers enter into a betting pool to bet at the winning combination of lotteries. Under the Syndication stream, the physical lottery tickets are not purchased
- Scratchcard and online casino revenue: instant scratchcard and online casino games available to customers

The Corporation's revenue for the year ended December 31, 2021 decreased the previous year by 5% to \$5.8M (2020 – \$6.2M). The Corporation's decrease in revenue was mainly due to reduction in lottery procurement revenue.

The Corporation's lottery procurement revenue has decreased by 9% from \$5.3M to \$4.8M in 2021, as the Corporation is focused in bringing in revenue with higher margin to facilitate the bottom line. On the other hand, the online casino and scratchcard revenue is demonstrating an annual growth rate of 22% from \$830,000 in 2020 to \$1M in 2021.

Gross profit decreased compared to the previous year by 9.6% to \$3.23M (2020 - \$3.57M) while gross margins dropped by 2.7% to 55% (2020 - 58%). The decline in gross profit is a result of higher license fees. The decrease in gross profit is attributable to the administration fee revenue recognized in 2020, by excluding this revenue, the normalized gross margin for will be consistent at 56%.

## Operating Expenses

	<u>Dec 2021</u>	<u>Dec 2020</u>
<b>Operating Expenses</b>		
Salaries and benefits (Note 12)	1,504,503	1,311,779
Marketing expenses	552,446	244,011
Expected credit losses	9,175	53,700
Bank charges and fees	87,466	58,187
General and administrative (Note 12)	62,072	88,344
IT services	494,186	266,459
Interest on lease liabilities	389	1,941
Professional fees (Note 12)	528,402	404,795
Vehicles and travel	1,073	9,837
Restructuring costs	-	9,699
Amortization of right-of-use assets	6,627	49,124
	<u>3,246,339</u>	<u>2,497,876</u>

Operating expenses increased from the previous year by 30% to \$3.2M (2020 - \$2.5M) which represents 56% of the revenue (2020 – 41%). Main movements in the year were driven by the following:

- A. **Salaries and benefits** increased by 14.7% to \$1.5M (2020 - \$1.31M) primarily due to increase in compensation paid to the CEO as Steve Budin joined the Lottokings Group midway 2020.
- B. **Marketing expenses** increased by 126% to \$552,000 (2020 - \$244,000) mainly due to the Corporation's increasing marketing activities. Starting 2021, the Corporation has invested significantly to promote on social media.
- C. **Expected credit losses** reduced by \$45,000 to \$9,000 (2020 - \$54,000) mainly due to improved collection results from processors, and the Corporation has been diligently selecting the payment process service providers.
- D. **Bank charges and fees** increased by \$29,000 to \$87,000 (2020 - \$58,000) mainly due to fine and surcharges of \$18,000 in Litermi resulted from incompliance with payroll source deduction remittance, as well as a set-up fee for two new bank accounts during the year.
- E. **General and administrative** expenses decreased by \$26,000 to \$62,000 (2020 - \$88,000) due to reduced office sharing fees paid to a related party and reduced office overhead as a result of the COVID-19 pandemic, as employees are mostly working from home.
- F. **IT services** increased by \$228,000 to \$494,000 (2020 - \$266,000) due to increased IT maintenance and upgrade works done on the websites.
- G. **Interest on lease liabilities** reduced to \$nil (2020 - \$2,000) due to termination of the Litermi office lease during 2020.

- H. **Professional fees** increased by \$123,000 to \$528,000 (2020 - \$405,000) due to increased professional services relating to tax matters in PDS and management consulting services in L8 Curacao as well as marketing consulting services in PDS and L8 Curacao.
- I. **Vehicles and travel** reduced by \$9,000 to \$1,000 (2020 - \$10,000) due to travel restrictions after outbreak of COVID-19.
- J. **Restructuring costs** reduced to \$nil (2020 - \$10,000) due to fees incurred on a one-time liquidation event in L8 Malta during 2020.
- K. **Amortization of right-of-use assets** reduced by \$42,000 to \$7,000 (2020 - \$49,000) due to termination of office lease in Litemi in June 2020.

Foreign exchange loss amounted to \$9,000 during the year ended December 31, 2021 (2020 – \$614,000). The foreign exchange loss mainly represents unrealized loss from conversion of monetary assets or liabilities denominated in a currency other than the individual entities’ functional currencies. Such foreign exchange loss is due to depreciation of USD against the functional currencies of various entities’ other than USD.

Income tax provision increased to \$143,000 in 2021 from \$87,000 in 2020, mainly due to increase in net income before taxes in Azteca, Phoenix and Litemi.

The Corporation incurred net loss of \$9,016,636 (2020 - net income of \$386,000), mainly attributable to listing expense of \$8,849,088 related to the RTO transaction.

The Corporation’s Adjusted EBITDA margin was negative 0.12% during the year ended December 31, 2021 (2020 – 18.53%). Adjusted EBITDA margins decreased by 18.65% as operating expenses increased by 30% due to additional marketing efforts, upgrades done on websites and increase in compensation of key management personnel while revenue dropped by 5%. A reconciliation between the current year’s reported figures and the prior year’s figures to Adjusted EBITDA is shown in Note 5.3.

Cash flow provided by operating activities for the year ended December 31, 2021 was \$217,000 (2020 - \$619,000 used in operating activities). The increase was primarily due to higher payables outstanding at year-end.

Cash flow provided by financing activities consists of cash acquired on RTO transaction and repayment of lease liabilities, which resulted in inflow of \$6,967,000 during the year ended December 31, 2021 (2020 – cash outflow of \$57,000).

Financial position:

Cash as of December 31, 2021 increased significantly to \$7,225,000 (December 31, 2020 - \$425,000) primarily due to cash acquired on the RTO transaction.

Due from processors as of December 31, 2021 totalled \$805,000 (December 31, 2020 - \$938,000) due to reduced volume in revenue and improvement on collection with payment processors.

As at December 31, 2021, government remittance recoverable decreased by \$16,000 to \$72,000 (December 31, 2020 - \$88,000), the decrease is driven by decreased sales tax recoverable in L8 Malta and Litermi due to decreased expenses within the two entities.

Prepaid expenses and other assets as of December 31, 2021 increased by \$315,000 to \$446,000 (December 31, 2020 - \$131,000) due to balance acquired on the RTO transaction.

Prepaid issue costs of \$722,512 as at December 31, 2021 acquired on the RTO transaction.

Deferred income tax assets increased to \$20,000 on December 31, 2021 (December 31, 2020 - \$11,000) due to net loss for tax purpose in L8 Curacao, which resulted in tax losses carried forward.

Right-of-use assets decreased by \$7,000 to \$nil as of December 31, 2021 (December 31, 2020 - \$7,000). The lease was terminated in June 2020 and fully amortized during 2021.

Due from related party balance increased to \$93,000 as at December 31, 2021 (December 31, 2020 - \$nil) due to additional advances provided to Legacy Eight Group Ltd. and fluctuation in foreign exchange rates.

Accounts payable and accrued liabilities as of December 31, 2021 increased by \$1,733,000 to \$2,564,000 (December 31, 2020 - \$831,000) as result of acquired trade payables and accrued liabilities on the RTO transaction.

Income taxes payable increased to \$109,000 as at December 31, 2021 (December 31, 2020 - \$83,000), the increase is due to taxable income in AZT and Litermi.

Government remittance payable of \$10,000 remained consistent at December 31, 2021 (December 31, 2020 - \$10,000).

Deferred revenue balance represents users' prepaid account balance that has not been utilized yet and consideration collected prior to procurement of lottery tickets. As at December 31, 2021, such balance decreased to \$143,000 (December 31, 2020 - \$174,000) mainly due to reduced volume in revenue.

Due to related party balance decreased by \$7,000 to \$87,000 as at December 31, 2021 (December 31, 2020 - \$94,000) due to additional advances provided by related parties and fluctuation in foreign exchange rates.

As of December 31, 2021, lease liabilities balance reduced to \$nil from \$8,000 on December 31, 2020 due to repayment of balance owing on Litermi office lease, which terminated during 2020.

## Subsequent events

- (1) On January 4, 2022, proceeds from share subscriptions were released from escrow. Effective December 31, 2021, and following satisfaction of all escrow release conditions an aggregate of 17,789,000 subscription receipts, originally issued at CAD \$0.50 per subscription receipt, were automatically converted into an aggregate of 17,789,000 common shares for \$8,894,500.
- (2) On January 24, 2022, the Corporation's common shares commenced trading on the Canadian Securities Exchanges ("CSE") under the ticker "JKPT".
- (3) On April 25, 2022, the Corporation's common shares commenced trading on the OTCQB market under the ticker "JKPTF" and will continue to trade on the CSE under the ticker "JKPT".

## Strategic progress

Kings' strategy includes promoting the Brand sites through a variety of international advertisers and through strategic business relationships with online gaming affiliates all in compliance with the Curacao Gaming License.

The Corporation's growth strategy will be implemented based on the business objectives:

### (1) Upgrade the Corporation's website

The Corporation has made significant upgrades to the LottoKings and WinTrillions websites providing users with a significantly improved experience on mobile distribution platforms, and re-working the user journey to make the process of using the site as simple, intuitive and friction-free as possible. The 'look and feel' of the site has been re-worked to make the site content more modern and attractive with the goal of increasing user conversion rates for first-time visitors and engagement for existing users. Additionally, the site has made new products available to users, adding new casino and instant-win game content all of which will be compliant with the Curacao Gaming License.

### (2) Launch native mobile apps

The Corporation will launch mobile apps on both the iOS and Android operating systems. The app will provide users to access functionality comparable to the Corporation's desktop sites in a native mobile format, including allowing users to check results from draws and set alerts for jackpots meeting user-specified minimum thresholds. Multiple versions of the app may be launched, corresponding to different brands owned by the Corporation. These apps will result in a more seamless user experience for the Corporation's mobile users, and allow the Corporation to convert additional users to its platform through its presence on various app stores.

### **(3) Expand Corporation’s lottery games offering**

The Corporation will increase the variety of lottery games available through its platform. This will increase user choice and make the Corporation’s offering more competitive in the marketplace. It will also provide a boost to the Corporation’s user acquisition efforts by allowing the Corporation to reach a previously untapped pool of users who may be aware of the new lottery games the Corporation plans to offer, but may not have otherwise been aware of the Corporation’s sites or services.

### **(4) Upgrade the Corporation’s “back end” functionality**

The Corporation will make upgrades to its “back end” systems – the internal systems underlying the Corporation’s various websites. This will improve the user experience for visitors of the websites by increasing their responsiveness and allowing Corporation staff to address user concerns more effectively. It will also allow the Corporation to scale its operations more effectively by allowing its systems to on-board and support higher numbers of users. Additionally, the upgrades will increase the ease through which the Corporation may comply with the requirements of various gaming licenses from jurisdictions other than Curacao, allowing it to expand its offering to such jurisdictions more easily if it chooses to do so in the future.

### **(5) Create ‘satellite sites’ and upgrade SEO efforts**

The Corporation will create ‘satellite sites’ advertising its services in various Latin American jurisdictions. These sites will contain SEO-optimized content related to lottery jackpots and other associated matters, and will attempt to steer users to the main websites through which the Corporation offers its products and services. The Corporation will begin this strategy by creating a few websites in certain targeted jurisdictions and monitoring the results. Subsequently, the Corporation plans to expand its offering throughout Latin America depending on the success of the targeted websites. In conjunction with this effort, the Corporation will employ a SEO consultant tasked with overhauling the Corporation’s SEO efforts including improving its organic search engine optimization activities.

### **(6) Advertising campaign based on LottoHub app**

The Corporation has developed a native app focusing on general lottery content under the name “LottoHub.” The app contains general information on various lotteries, including jackpots, drawing dates, and costs to enter. The app is designed in a manner aimed at converting users who initially use the app as a free lottery information resource into paying customers on the Corporation’s other properties.

The LottoHub app does not allow users to purchase lottery tickets directly. This allows the app to be marketed through various platforms that restrict direct advertising of gambling services, such as Facebook and Instagram. The Corporation then engages in a paid advertising campaign on these platforms, with the aim of increasing its user base and converting users to its other properties. The app was launched in February 2022.

## **(7) Acquire complementary businesses and properties**

The Corporation intends to engage in an acquisition strategy focused on acquiring business and technologies that will complement the Corporation's business. In particular, the Corporation will target other business engaged in substantially the same business as the Corporation, with an established brand name and customer base, whose operations may be easily integrated with those of the Corporation. The Corporation will also seek out assets that may assist its marketing strategy, including existing apps or media platforms with a connection to lotteries and an established user base that may be re-purposed to direct users to the Corporation's platforms.

### **Regulatory updates in various geographies**

The Corporation does not provide gaming, betting or lottery products in jurisdictions other than the one indicated below.

#### Curacao

L8 Curacao holds a valid Curacao Gaming License which allows it to provide online gaming products and services, including its gaming platform, from its home jurisdiction. The Curacao Gaming License has few restrictions on what markets L8 Curacao's websites may be accessed for real money play. L8 Curacao is in compliance with the applicable restrictions. The lotteries in which L8 Curacao permits its users to participate through its online platform are operated in full legal compliance with the laws of their home jurisdiction, and in many cases operated by a government entity. L8 Curacao does not allow players that are residents of Canada or the United States to purchase any gaming, betting or lottery services or products from its websites.

### **Outlook**

The Corporation's continued to invest in various marketing channels, especially on social media, during 2021. The Corporation's gross margin stayed strong and is looking to facilitate its top line through enhanced marketing activities.

The global outbreak of COVID-19, has had, and continues to have, a significant impact on the global economy. The Corporation derives the majority of its revenue from online gaming. This sector has largely benefited from the various international "lock downs", requiring people to stay at home. As a result, such forms of entertainment have prevailed in a similar fashion to the various streaming businesses such as Netflix have. Furthermore, the Corporation has limited exposure to sports betting revenue that have obviously been impacted by the lack of professional sports. Management continues to monitor the effects COVID-19 on the Corporation's performance and will amend its outlook as, and if, it deems necessary.

## 5. FINANCIAL RESULTS

### 5.1 BASIS OF FINANCIAL DISCUSSION

The financial information presented below has been prepared to examine the results of operations from continuing activities.

The presentation currency of the Corporation is the USD, while the functional currencies of the entities consolidated are USD, Canadian dollar, EURO, British pound sterling, Mexican Peso and Uruguayan Peso due to primary location of individual entities. The presentation currency of the USD has been selected as it best represents the majority of the Corporation's economic inflows, outflows as well as its assets and liabilities.

## 5.2 SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected financial data of the Corporation for the years ended December 31, 2021 and 2020.

The primary non-IFRS financial measure which the Corporation uses is Adjusted EBITDA<sup>1</sup>. When internally analyzing underlying operating performance, management excludes certain items from EBITDA (earnings before interest, tax, depreciation, and amortization). See Section 5.3 for calculation of EBITDA and Adjusted EBITDA.

<b>USD 000</b>	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
Revenue	\$ 5,841	\$ 6,158
Net Income (loss) from continuing operations	(9,017)	386
EBITDA	(8,867)	524
Adjusted EBITDA	(7)	1,141
Adjusted EBITDA margin	(0.12)%	18.53%
	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Total assets	\$9,387	\$1,602
Total non-current financial liabilities	nil	nil
Dividends paid	nil	nil

With the exception of EBITDA and Adjusted EBITDA, the financial data has been prepared to conform with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These accounting principles have been applied consistently across for all reporting periods.

<sup>1</sup> **Adjusted EBITDA** excludes income or expenses that relate to exceptional items and non-cash charges and includes deductions for lease expenses that are recognized as part of depreciation and finance charges under IFRS 16.

### 5.3 OTHER SELECTED FINANCIAL INFORMATION

Additional selected financial information as follows:

<b>USD 000</b>	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
Revenue	\$ 5,841	\$ 6,158
Cost of revenue	2,610	2,584
Gross profit	3,231	3,574
Gross margin	55%	58%

<b>USD 000</b>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Total assets	\$ 9,387	\$ 1,602
Total liabilities	2,913	1,201

#### DUE FROM PROCESSORS, NET

<b>USD 000</b>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Due from processors	\$ 1,065	\$ 1,219
Provision for chargebacks and reversals	(80)	(108)
Provision for expected credit loss	(180)	(173)
<b>Trade and Other Receivables</b>	<b>805</b>	<b>938</b>

## ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<b>USD 000</b>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Trade payables	\$ 2,136	\$ 512
Customer claims payable	72	26
Payroll accrual	98	73
Accrued expenses	258	220
<b>Accounts payable and accrued liabilities</b>	<b>2,564</b>	<b>831</b>

To supplement its December 31, 2021 financial statements presented in accordance with IFRS, the Corporation considers certain financial measures that are not prepared in accordance with IFRS. The Corporation uses such non-IFRS financial measures in evaluating its operating results and for financial and operational decision-making purposes. The Corporation believes that such measures help identify underlying trends in its business that could otherwise be masked by the effect of the expenses that it excludes in such measures.

The Corporation also believes that such measures provide useful information about its operating results, enhance the overall understanding of its past performance and future prospects and allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. However, these measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with IFRS. There are a number of limitations related to the use of such non-IFRS measures as opposed to their nearest IFRS equivalents.

A reconciliation of operating loss to EBITDA and Adjusted EBITDA is as follows:

<b>USD 000</b>	<b>Years ended December 31, 2021</b>	<b>2020</b>
Net income (loss)	\$ (9,017)	\$ 386
Income tax provision (recovery)	143	87
Interest on lease liabilities	-	2
Amortization	7	49
EBITDA	(8,867)	524
Amortization of right-of-use assets	(7)	(49)
Lease interest expense	-	(2)
Expected credit loss	9	54
Foreign exchange gain	9	614
Listing expense	8,849	-
<b>Adjusted EBITDA</b>	<b>(7)</b>	<b>1,141</b>

Foreign exchange gain represents unrealized foreign exchange loss gain arising from financial assets and liabilities denominated in a currency other than the individual entity's functional currency.

Listing expense represents the difference between the fair value of the consideration paid, net of transactions costs, less the fair value of the net identifiable assets of the Corporation acquired by the Lottokings Group.

## REVERSE TAKEOVER TRANSACTION

On December 30, 2021, Kings Entertainment Group Inc. entered into a reverse takeover transaction with the Lottokings Group. The transaction has been accounted for as a reverse acquisition. As the Corporation did not qualify as a business in accordance with the definition of IFRS 3, the transaction did not constitute a business combination and was accounted for as an issuance of common shares by the Lottokings Group for the net assets of the Corporation to obtain its public listing, with the Lottokings Group as the continuing business.

Breakdown of the RTO transaction is as follows:

<b>USD 000</b>	<u><b>December 30, 2021</b></u>
<b>Consideration paid</b>	
Fair value of Kings common shares issued	\$ 8,223
Fair value of warrant issued	185
	<hr/> 8,408
<b>Net assets acquired</b>	
Cash	6,973
Prepaid expenses	297
Prepaid issue costs	722
Accounts payable and accrued liabilities	(1,358)
Share subscriptions received	(7,075)
	<hr/> (441)
	<hr/>
Listing expense	\$ 8,849

## 5.4 SUMMARY OF QUARTERLY RESULTS

The following table presents the selected financial data for continuing operations for each of the past eight quarters of the Corporation.

USD 000	2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 1,504	\$ 1,498	\$ 1,600	\$ 1,556	\$ 1,582	\$ 1,329	\$ 1,671	\$ 1,259
Net income (loss)	693	165	(127)	(345)	373	(345)	360	(9,405)
EBITDA	712	167	(114)	(241)	408	(318)	396	(9,353)
Adjusted EBITDA	228	444	332	137	5	(120)	263	(155)

The Corporation generated positive Adjusted EBITDA over the four quarters of 2020 and Q1 and Q3 of 2021. Fluctuation in EBITDA is mainly resulted from fluctuation in revenue and foreign exchange gain/loss. Significant negative EBITDA in Q4 2021 is primarily due to listing expense generated from the RTO transaction.

## 5.5 LIQUIDITY AND CAPITAL RESOURCES

The Corporation's principal sources of liquidity are its cash generated from operations and advances from related party. Currently available funds consist primarily of cash on deposit with financial institutions. The Corporation calculates its working capital requirements from continuing operations as follows:

USD 000	As at December 31, 2021	As at December 31, 2020
Cash and cash equivalents	\$ 7,225	\$ 425
Due from processors, net	805	938
Government remittances recoverable	72	88
Prepaid expenses and other assets	446	131
Prepaid issue costs	722	-
	<u>9,270</u>	<u>1,582</u>
Current liabilities	<u>(2,913)</u>	<u>(1,201)</u>
<b>Net working capital</b>	<b>6,357</b>	<b>381</b>

The undiscounted contractual maturities of significant financial liabilities and the total contractual obligations of the Corporation as at December 31, 2021 for each of the next five years and thereafter are below:

<b>USD 000</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Thereafter</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 2,564	-	-	-	-	\$ 2,564
Due to related party	87	-	-	-	-	87
	<b>2,651</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,651</b>

### **MARKET RISK**

The Corporation is exposed to market risks, including changes to foreign currency exchange rates and interest rates.

### **FOREIGN CURRENCY EXCHANGE RISK**

The Corporation is exposed to foreign currency risk, which includes risks related to its revenue and operating expenses denominated in currencies other than USD, which is both the reporting currency and primary contracting currency of the Corporation's customers. Accordingly, changes in exchange rates may in the future reduce the purchasing power of the Corporation's customers thereby potentially negatively affecting the Corporation's revenue and other operating results.

The Corporation has experienced and will continue to experience fluctuations in its net income (loss) as a result of translation gains or losses related to revaluing certain monetary asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded.

### **LIQUIDITY RISK**

The Corporation is also exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The primary sources of liquidity risk are accounts payable and accrued liabilities, lease liabilities and amounts due to related parties. The Corporation's ability to meet its obligations depends on the receipt of funds from its operations. Management monitors its working capital to ensure the obligations under current liabilities are met on timely basis.

## 5.6 CASH FLOW SUMMARY

The cash flow from continuing operations may be summarized as follows:

USD 000	Years Ended December 31,	
	2021	2020
Operating activities	\$ 217	\$ (619)
Financing activity	6,967	(57)
Effect of foreign exchange	(384)	617
<b>Net cash flow from (used in) continuing operations</b>	<b>6,800</b>	<b>(59)</b>

Cash flows from financing activity consist of cash acquired on reverse takeover transaction as well as cash used to repay lease liabilities.

## 5.7 OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements during the years ended December 2021 and 2020.

## 6 TRANSACTIONS BETWEEN RELATED PARTIES

The Corporation's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions for those in the normal course of business. Transactions between the Corporation and its consolidated entities have been eliminated on consolidation and are not disclosed in this note.

The Corporation's key management personnel are comprised of members of the Board and the executive team which consists of the Interim Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Transactions and balances between the Corporation and its key management personnel and related parties are as follows:

- Due from (to) related parties

The Corporation has a balance receivable from related party of \$93,282 and balance payable to related parties of \$86,778 as at December 31, 2021 (2020 – balance receivable of \$nil and balance payable of \$94,214). The due from (to) related party balances relate to amounts receivable (owed) for funds provided for working capital needs by the related parties. These balances are non-interest bearing with no fixed term of repayment.

As of December 31, 2021, December 31, 2020, balances due from related parties and due to related parties have been netted off in the consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts.

The following table illustrates netting of balances due to and due from related parties:

	Ledonford Limited	Legacy Eight Group Ltd.	R.S. Real World Services Limited	WestOcean S.A.	Former shareholder of PDS	Total
<b>As at December 31, 2021</b>						
Due from related party	\$ 1,188,483	\$ 910,620	\$ 905,000	\$ 9,629,262	\$ -	\$ 12,633,365
Due to related party	-	(103,496)	(38,005)	(12,468,173)	(17,187)	(12,626,861)
Balance offset per Debt Offset Agreement	(1,188,483)	(713,842)	(866,995)	2,769,320	-	-
Net balance	\$ -	\$ 93,282	\$ -	\$ (69,591)	\$ (17,187)	\$ 6,504
<b>As at December 31, 2020</b>						
Due from related party	\$ 1,191,808	\$ 554,888	\$ 887,036	\$ 9,887,683	\$ -	\$ 12,521,415
Due to related party	-	(63,110)	(38,948)	(12,495,408)	(18,161)	(12,615,627)
Balance offset per Debt Offset Agreement	(1,191,808)	(491,778)	(848,088)	2,531,674	-	-
Net balance	\$ -	\$ -	\$ -	\$ (76,051)	\$ (18,161)	\$ (94,212)

- Related party transactions between L8 Curacao and Ledonford Limited:  
 During the year ended December 31, 2021, L8 Curacao incurred \$3,952 (2020 - \$15,149) for payment processing services provided by Ledonford Limited, an entity that is under common control. The amount is included in processing costs on the consolidated statement of loss and comprehensive loss. As December 31, 2021, \$Nil (2020 - \$15,149) was outstanding for the amount incurred.
- Related party transactions between L8 Curacao and R.S Real World Services Limited:  
 During the year ended December 31, 2021, L8 Curacao incurred \$21,455 (2020 - \$27,543) for payment processing services provided by R.S. Real World Services Limited, an entity that is under common control. The amount is included in processing costs on the consolidated statement of loss and comprehensive loss. As at December 31, 2021, \$Nil (2020 - \$27,543) was outstanding for the amount incurred.
- Related party transactions between Litermi and Bragg Gaming Group:  
 During the year ended December 31, 2021, Litermi, a wholly owned subsidiary of PDS incurred \$Nil (2020 - \$29,879) to Bragg Gaming Group, an entity with which Litermi shares a key management personnel. The amount was incurred to compensate Bragg Gaming Group for shared office area, and included in office and general on the consolidated statement of loss and comprehensive loss. No balance was outstanding for the amount incurred as at December 31, 2021 and 2020.
- Related party transactions between L8 Curacao and Legacy Eight Group:  
 During the year ended December 31, 2021, L8 Curacao advanced an additional \$355,733 to Legacy Eight Group Ltd. (2020 - \$349,604). During the year ended December 31, 2021, advances to Legacy Eight Group Ltd. reduced by \$Nil (2020 - \$35,000) due to repayment by PDS. L8 Curacao and PDS are entities under common control of Legacy Eight Group Ltd.
- Related party transactions between L8 Curacao and WestOcean S.A.:  
 During the year ended December 31, 2020, L8 Curacao received payment processing and marketing services from WestOcean S.A., an entity under common control, for which no consideration was charged by WestOcean S.A. During the year ended December 31, 2020, L8 Curacao repaid approximately \$141,000 to WestOcean S.A. for the balance due. There were no such services provided by WestOcean S.A. during the year ended December 31, 2021.

The following table illustrates the compensation incurred to key management personnel during the years ended December 31, 2021 and 2020:

<b>USD</b>				
<b>Name</b>	<b>Position</b>		<b>2021</b>	<b>2020</b>
Steve Budin	CEO	\$	300,000	\$ 150,015
Damian Goodwin	COO		137,607	128,290
James Dominique/ Daniel Sherratt	CMO		110,086	126,537
German Justh	CFO		97,079	90,000

Steve Budin joined the LottoKings Group midway 2020, and James Dominique started acting as CMO of the Lottokings Group in December 2020.

## 7 DISCLOSURE OF OUTSTANDING SHARE DATA

The number of equity-based instruments granted or issued may be summarized as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
50,674,500 Common Shares	<b>\$ 8,223,957</b>	<b>\$ 881</b>

The common shares of the Corporation as at December 31, 2021 consists of the 20,674,500 common shares of the Corporation issued for cash prior to the RTO and the 30,000,000 common shares issued in the RTO transaction.

## 8 CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's consolidated financial statements requires management to make estimates and judgments in applying the Corporation's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of the consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Corporation believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

### **Impairment of financial assets**

#### Judgments made in relation to accounting policies applied

The Corporation measures impairment losses on financial assets that are subsequently measured at amortized cost. Impairment losses are measured based on the expected credit loss ("ECL") model in accordance with IFRS 9, Financial Instruments. The twelve-month or lifetime expected default rates are estimated by management in calculating the expected credit losses.

#### Key sources of estimation uncertainty

In each stage of the ECL impairment model, impairment is determined based on the probability of default, loss given default, and expected exposures at default. The application of the ECL model requires management to apply the following significant judgments, assumptions, and estimations:

- movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on financial assets subsequently measured at amortized cost. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- thresholds for significant increase in credit risks based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- forecasts of future economic conditions.

## Revenue recognition

### Judgments made in relation to accounting policies applied

Under IFRS 15, *Revenue from contracts with customers*, management is required to determine when the control of services or goods are transferred to customers and estimate the variable considerations included in the contracts. Management exercise judgment in determining the point in time control of services or goods are transferred and applies estimates based on information available at each reporting date in determining the amount of variable consideration. Management also applied judgment in determining whether the Corporation acts as principal or agent in its revenue contracts with customers.

### Key sources of estimation

In determining the point in time control of services are transferred, management identifies the performance obligations in the contracts and evaluates the satisfaction of performance obligation time point based on business practice in the industry. Management gathered historical return, refund and chargeback information in estimating the amount of variable consideration, due to the limited operation history of the business, actual results may vary from the estimated amount. In determining the Corporation's role (principal or agent) in its revenue contracts with customers, management considered the operation model and business practice of the industry.

## Leases

### Judgments made in relation to accounting policies applied

Management exercises judgment in determining the appropriate lease term on a lease-by-lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds and past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the office rental industry may impact management's assessment of lease term.

### Key sources of estimation

In determining the carrying amount of right-of-use assets and lease liabilities, the Corporation is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base commercial lending rate quoted from the central bank of the jurisdiction where the leased asset operates. Management also considers the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

## 9 CHANGES IN ACCOUNTING POLICY

There have been no changes in the Corporation's accounting policies in any of the reporting periods discussed in this MD&A.

## 10 RISK FACTORS AND UNCERTAINTIES

Certain factors, listed below, may have a material adverse effect on the Corporation's business, financial condition, and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A and the corresponding financial statements.

The risks and uncertainties described herein and therein are not the only ones the Corporation may face. Additional risks and uncertainties that the Corporation is unaware of, or that the Corporation currently believes are not material, may also become important factors that could adversely affect the Corporation's business. If any of such risks actually occur, the Corporation's business, financial condition, results of operations, and future prospects could be materially and adversely affected.

### INFORMATION SYSTEMS AND CYBERSECURITY RISKS

The Corporation 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 Corporation is unable to secure its software and hardware, effectively upgrade systems and network infrastructure and take other steps to maintain or improve its systems, the operation of such systems could be interrupted or result in the loss, corruption or release of confidential data.

The IT systems are subject to a variety of security risks, which are growing in both complexity and frequency and could include potential breakdown, cyber phishing, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of its IT systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential fiduciary or proprietary information, in a loss or theft of our financial resources, critical data and information or could result in a loss of control of our technological infrastructure or financial resources.

The Corporation maintains security policies and procedures that include employee protocols with respect to electronic communications and electronic devices, encryption protection of all computers and portable electronic devices and conducts annual cyber-security assessments. The Corporation applies technical and process controls in line with industry-accepted standards and best practices to protect its information, assets and systems. However, due to the variety and 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 Corporation's business, financial condition, and results of operations as well as on the Corporation's reputation.

## **MANAGEMENT OF GROWTH**

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation 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 Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

## **KEY PERSONNEL**

The Corporation may experience the loss of important staff members. The Corporation is currently in good standing with all high-level employees and believes that with well managed practices it will remain in good standing. The success of the Corporation will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key 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 Corporation's business, operating results or financial condition.

## **LIMITED OPERATING HISTORY**

The Corporation is subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

## **FORECASTING LIMITATIONS**

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cloud kitchen industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

## **NEED FOR ADDITIONAL FINANCING AND POSSIBLE EFFECTS OF DILUTION**

The development of the business of the Corporation 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 Corporation'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 Corporation. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.

## **INSURANCE AND UNINSURED RISKS**

The Corporation's business is subject to a number of risks and hazards generally, including accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, delays in operations, monetary losses and possible legal liability. Although the Corporation 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 Corporation 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 Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

## **INTERNAL CONTROLS**

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Corporation under Canadian securities law, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's consolidated financial statements and materially adversely affect the trading price of the Common Shares.

## **LITIGATION**

The Corporation 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 Corporation becomes involved be determined against the Corporation such a decision could adversely affect the Corporation's ability to continue operating and the market price for Common Shares and could use significant resources. Even if the Corporation is involved in litigation and wins, litigation can redirect significant Corporation resources.

## **GOVERNMENTAL REGULATIONS AND RISKS**

Government approvals and permits may in the future be required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from conducting its business. 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, or remedial actions. The Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Changes to current laws and regulations may be unfavorable and have an adverse effect on the Corporation's operations.

## **COMPETITION**

The Corporation will likely face intense competition from other companies, some of which have longer operating histories and more financial resources and marketing experience than the Corporation. Increased competition by larger and better-financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Corporation. Because of the early stage of the industry in which the Corporation operates, the Corporation expects to face additional competition from new entrants. To remain competitive, the Corporation will require a continued investment in facilities and R&D to be able to compete on costs. The Corporation may not have sufficient resources to maintain marketing, sales and patient support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Corporation.

## **BREACH OF CONFIDENTIALITY**

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There can be no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

## **INABILITY TO PROTECT INTELLECTUAL PROPERTY**

The Corporation's success is heavily dependent upon its intangible property and technology. The Corporation relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that are considered important to the development of the business. The Corporation relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Corporation to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Corporation's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Corporation's. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Corporation may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Corporation's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain

names and other intellectual property rights, including the Corporation's names and logos. If the Corporation's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Corporation's business and might prevent its brands from achieving or maintaining market acceptance.

The Corporation may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Corporation to incur significant penalties and costs.

### **INNOVATION RISKS**

In the area of innovation, the Corporation must be able to develop new products that appeal to its customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to protect its intellectual property rights. The Corporation may not be successful in the development, introduction, marketing, and sourcing of new products, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

### **CONFLICTS OF INTEREST**

Directors of the Corporation are and may become directors of other reporting companies or have significant shareholdings in other gaming companies and, to the extent that such companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Corporation and its directors will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Corporation, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA, as the case may be. Other than as indicated, the Corporation has no other procedures or mechanisms to deal with conflicts of interest.

### **SUPPORT OF BANKS AND PAYMENT PROCESSORS**

The Corporation relies on payment processing and banking providers to facilitate the movement of funds between the Corporation and its customers. Anything that could interfere with the formation or otherwise harm the Corporation's relationships with payment and banking service providers could have a material adverse effect on its business, results of operations, financial condition and prospects. The Corporation's ability to accept payment from its customers or facilitate withdrawals by them may be restricted by any introduction of legislation or regulations restricting financial transactions with online or mobile gaming operators or prohibiting the use of credit cards and other banking instruments for online or mobile gaming transactions, or any other increase in the stringency of regulation of financial transactions, whether in general or in relation to the gambling industry in particular. Stricter anti-money laundering regulations may also affect the quickness and accessibility of payment processing systems, resulting in added

inconvenience to its customers. Card issuers and acquirers may dictate how transactions and products need to be coded and treated which could also make an impact on acceptance rates. Card issuers, acquirers, payment processors and banks may also cease to process transactions relating to the online or mobile gaming industry as a whole or certain operators. This could be due to reputational and/or regulatory reasons or in light of increased compliance standards of such third parties that seek to limit their business relationships with certain industry sectors considered as “high risk”. It may also result in customers being dissuaded from accessing the Corporation’s product offerings if they cannot use a preferred payment option, or the quality or the speed of the supply is not suitable or accessible to the customers. Any such developments may have a material adverse effect on the Corporation’s business, results of operations, financial condition and prospects.

### **ONLINE GAMING INDUSTRY IS HIGHLY REGULATED**

The Corporation, its subsidiaries, and their respective officers, directors, major shareholders, key employees and business partners will be subject to the laws and regulations relating to online gaming of the jurisdictions in which the Corporation may conduct business. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on the Corporation’s operations and financial results. In particular, some jurisdictions have introduced regulations that restrict or prohibit online gaming, while others have taken the position that online gaming should be licenced and regulated and have adopted, or are considering adopting, legislation to enable that to happen.

In addition, the Corporation will be subject to the general laws and regulations that apply to all online, digital and e-commerce businesses, such as those related to privacy and personal information, data security, tax, and consumer protection. The laws and regulations vary in each jurisdiction and future legislative and regulatory action, court decisions, and/or other governmental action, which could be affected by, among other things, political pressures, attitudes and climates, may have a material impact on the Corporation’s operations and financial outcomes.

### **SOCIAL RESPONSIBILITY CONCERNS**

Public opinion can significantly influence the regulation of online gaming. A negative shift in the perception of online gaming by the public or by politicians, lobbyists or others could affect future legislation or regulation in different jurisdictions. Among other things, such a shift could cause jurisdictions to abandon proposals to legalize online gaming, thereby limiting the number of new jurisdictions into which the Corporation could expand. Negative public perception could also lead to new restrictions on or to the prohibition of online gaming in jurisdictions in which the Corporation may operate.

In addition, concerns with safer betting and gaming could lead to negative publicity, resulting in increased regulatory attention, which may result in restrictions on the Corporation’s future operations. If the Corporation had to restrict its future marketing or product offerings or incur increased compliance costs, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Corporation will likely face scrutiny related to environmental, social, governance and responsible gaming activities, and its reputation and the value of its brands can be materially adversely harmed if it fails to act responsibly in a number of areas, such as environmental, supply chain management, climate change, diversity and inclusion, workplace conduct, responsible gaming, human rights, philanthropy and support for local communities. Any harm to the Corporation's reputation could impact employee engagement and retention, and the willingness of future customers and the Corporation's partners to do business with it, which could have a materially adverse effect on its business, results of operations and cash flows.

#### **THE CORPORATION MAY BE SUBJECT TO REGULATORY INVESTIGATIONS**

From time to time, the Corporation and its subsidiaries may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance with laws and other matters. Violation of existing or future regulatory orders or consent decrees could subject the Corporation to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause the Corporation to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

#### **ONLINE GAMING INDUSTRY RELIANT ON MOBILE ADVERTISING**

The online gaming industry is a relatively new and rapidly evolving industry and as such it is difficult to predict the prospects for growth. There is no assurance that advertisers will continue to increase their purchases of online and mobile advertising, that the supply of advertising inventory will not exceed demand or that smartphone penetration in the in the jurisdictions in which the Corporation operates will continue to grow. If the industry grows more slowly than anticipated or the Corporation's products and services fail to achieve market acceptance, the Corporation may be unable to achieve its strategic objectives, which could have a material adverse effect on its prospects, business, financial condition or results of operations.

#### **THE COVID-19 OUTBREAK AND ITS EFFECT ON THE CORPORATION'S BUSINESS**

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) ("COVID-19") was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries including, Canada, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. The Corporation's business may be impacted by the recent COVID-19 outbreak. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent months. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on the Corporation's ability to access capital, business, results of operations and financial condition, and on the market price of the Common Shares. The extent of this

potential disruption on the Corporation's business cannot be assessed as the full extent of the outbreak and its impact on the global economy cannot be predicted.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Interim Consolidated Financial Statements**  
**Three and Six months ended June 30, 2022 and 2021**  
***(Unaudited - Presented in United States Dollars)***  
***(Amended and Restated)***

**Notice to Readers**

Please be advised that certain changes were made to the interim consolidated financial statements for the three and six months ended June 30, 2022. Please refer to note 16 to the amended and restated interim consolidated financial statements for the three and six months ended June 30, 2022.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Interim Consolidated Financial Statements**  
**Three and Six months ended June 30, 2022 and 2021**  
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**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Interim Consolidated Statements of Financial Position**  
**At at June 30, 2022 and December 31, 2021**  
**(Unaudited - Presented in United States Dollars)**  
**(Amended and Restated)**

	June 30, 2022	December 31, 2021
<b>Assets</b>		
Current		
Cash	\$ 4,369,593	\$ 7,224,954
Accounts receivable	150,000	-
Due from processors, net (Note 4 and 12(b))	735,659	804,954
Government remittances recoverable	69,373	71,696
Prepaid expenses and other assets	289,957	446,029
Prepaid issue costs	-	722,512
	5,614,582	9,270,145
Non-current		
Property and equipment	3,288	3,081
Deferred income tax assets (Note 10)	20,919	20,387
Due from related parties (Note 6)	454,829	93,282
	479,036	116,750
	\$ 6,093,618	\$ 9,386,895
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 1,541,022	\$ 2,564,390
Income taxes payable	158,130	108,627
Government remittances payable	51,834	10,045
Deferred revenue	315,908	143,072
Due to related parties (Note 6)	89,347	86,778
	2,156,241	2,912,912
<b>Shareholders' Equity</b>		
Share capital (Note 7)	14,556,184	8,223,957
Share subscriptions received (Note 3)	-	7,075,405
Warrant reserve (Notes 3 and 8)	185,506	185,506
Share-based payments reserve (Note 9)	2,707,337	-
Foreign exchange translation reserve	(442,049)	12,652
Deficit	(13,069,601)	(9,023,537)
	3,937,377	6,473,983
	\$ 6,093,618	\$ 9,386,895

The accompanying notes form an integral part of these interim consolidated financial statements

These interim consolidated financial statements are approved by the Directors:

Steve Budin (signed) \_\_\_\_\_

Director

Kelvin Lee (signed) \_\_\_\_\_

Director

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Interim Consolidated Statements of Loss and Comprehensive Loss**  
**Three and Six months ended June 30, 2022 and 2021**  
**(Unaudited - Presented in United States Dollars)**  
**(Amended and Restated)**

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Revenue</b>				
Lottery procurement revenue	\$ 280,333	\$ 1,085,400	\$ 1,204,240	\$ 2,435,214
Online casino and scratchcard revenue	489,976	193,176	784,142	425,492
Other revenue	9,564	-	12,087	-
	<u>779,873</u>	<u>1,278,576</u>	<u>2,000,469</u>	<u>2,860,706</u>
<b>Cost of revenue</b>				
Processing costs (Note 11)	114,054	201,404	237,530	401,579
License fees	56,699	46,334	109,193	92,357
Commissions	265,920	410,959	527,758	856,074
	<u>436,673</u>	<u>658,697</u>	<u>874,481</u>	<u>1,350,010</u>
Gross profit	<u>343,200</u>	<u>619,879</u>	<u>1,125,988</u>	<u>1,510,696</u>
<b>Operating Expenses</b>				
Salaries and benefits (Note 11)	434,406	363,326	893,326	732,205
Share-based compensation	-	-	2,707,337	-
Marketing expenses	140,819	121,482	385,387	354,766
Expected credit losses (recovery)	-	3,397	(4,062)	17,515
Bank charges and fees	41,441	26,526	80,556	55,887
General and administrative (Note 11)	114,224	15,696	228,814	28,276
IT services	172,295	121,469	326,053	229,516
Interest on lease liabilities	-	69	-	333
Professional fees (Note 11)	566,864	140,370	1,179,981	270,265
Vehicles and travel	10,409	-	11,196	958
Amortization of right-of-use assets	-	1,562	-	4,555
	<u>1,480,458</u>	<u>793,897</u>	<u>5,808,588</u>	<u>1,694,276</u>
(Loss) before undernoted items and income taxes	<u>(1,137,258)</u>	<u>(174,018)</u>	<u>(4,682,600)</u>	<u>(183,580)</u>
<b>Other income (loss)</b>				
Foreign exchange gain (loss)	519,404	(196,003)	664,675	217,926
Other income	31,114	-	31,114	-
	<u>550,518</u>	<u>(196,003)</u>	<u>695,789</u>	<u>217,926</u>
Net income (loss) before income taxes	<u>(586,740)</u>	<u>(370,021)</u>	<u>(3,986,811)</u>	<u>34,346</u>
<b>Income tax expense (recovery) (Note 10)</b>				
Current	31,089	29,664	59,785	64,337
Deferred	(7,932)	(5,494)	(532)	(8,558)
	<u>23,157</u>	<u>24,170</u>	<u>59,253</u>	<u>55,779</u>
<b>Net (loss)</b>	<u>\$ (609,897)</u>	<u>\$ (394,191)</u>	<u>\$ (4,046,064)</u>	<u>\$ (21,433)</u>
<b>Other comprehensive income (loss)</b>				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(710,834)	184,582	(454,701)	(238,140)
<b>Comprehensive loss</b>	<u>\$ (1,320,731)</u>	<u>\$ (209,609)</u>	<u>\$ (4,500,765)</u>	<u>\$ (259,573)</u>

The accompanying notes form an integral part of these interim consolidated financial statements

**Kings Entertainment Group****(formerly 1242455 B.C. Ltd.)****Interim Consolidated Statements of Changes in Shareholders' Equity****Three and Six months ended June 30, 2022 and 2021****(Unaudited - Presented in United States Dollars)****(Amended and Restated)**

	Share capital (Notes 3 and 7)	Share subscription received (Note 3)	Share-based payments reserve (Note 9)	Warrant reserve (Notes 3 and 8)	Foreign currency translation reserve	Deficit	Total equity
As at December 31, 2021	\$ 8,223,957	\$ 7,075,405	\$ -	\$ 185,506	\$ 12,652	\$ (9,023,537)	\$ 6,473,983
Net loss	-	-	-	-	-	(4,046,064)	(4,046,064)
Other comprehensive loss	-	-	-	-	(454,701)	-	(454,701)
Total comprehensive loss	-	-	-	-	(454,701)	(4,046,064)	(4,500,765)
Share subscriptions converted	7,075,405	(7,075,405)	-	-	-	-	-
Prepaid issue costs	(743,178)	-	-	-	-	-	(743,178)
Share-based payments	-	-	2,707,337	-	-	-	2,707,337
As at June 30, 2022	\$ 14,556,184	\$ -	\$ 2,707,337	\$ 185,506	\$ (442,049)	\$ (13,069,601)	\$ 3,937,377

	Share capital	Share subscription received	Share-based payments reserve	Warrant reserve	Foreign currency translation reserve	Deficit	Total equity
As at December 31, 2020	\$ 881	\$ -	\$ -	\$ -	\$ 407,146	\$ (6,901)	\$ 401,126
Net loss	-	-	-	-	-	(21,433)	(21,433)
Other comprehensive income	-	-	-	-	(238,140)	-	(238,140)
Total comprehensive income	-	-	-	-	(238,140)	(21,433)	(259,573)
As at June 30, 2021	\$ 881	\$ -	\$ -	\$ -	\$ 169,006	\$ (28,334)	\$ 141,553

The accompanying notes form an integral part of these interim consolidated financial statements

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Interim Consolidated Statements of Cash Flows**  
**Six months ended June 30, 2022 and 2021**  
**(Unaudited - Presented in United States Dollars)**  
**(Amended and Restated)**

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>Restated (Note 16)</b>	
<b>Operating activities</b>		
Net loss	\$ (4,046,064)	\$ (21,433)
Items not affecting cash:		
Deferred income tax recovery	(532)	(8,558)
Amortization of right-of-use assets	-	4,555
Share-based payments (Note 9)	2,707,337	-
	<b>\$ (1,339,259)</b>	<b>\$ (25,436)</b>
Change in non-cash working capital:		
(Increase) in accounts receivable	(150,000)	-
Decrease in due from processors	69,295	200,431
Decrease (increase) in government remittances recoverable	2,323	(8,866)
Decrease (increase) in prepaid expenses and other assets	156,072	(3,724)
(Increase) in due from related parties	(361,547)	(513,819)
(Decrease) increase in accounts payable and accrued liabilities	(1,023,368)	39,238
Increase in income taxes payable	49,503	35,464
Increase in government remittances payable	41,789	1,595
Increase in deferred revenue	172,836	82,549
Increase in due to related parties	2,569	32,769
Cash flows (used in) operating activities	<b>(2,379,787)</b>	<b>(159,799)</b>
<b>Financing activity</b>		
Repayment of lease liabilities	-	(5,346)
Cash flows (used in) financing activity	-	(5,346)
Effect of foreign exchange in cash	(475,574)	30,397
Net change in cash	(2,855,361)	(134,748)
Cash - beginning of period	7,224,954	425,415
<b>Cash - end of period</b>	<b>\$ 4,369,593</b>	<b>\$ 290,667</b>
Supplemental cash flow information		
Cash paid during the period for:		
Interest	\$ -	\$ 333
Taxes	\$ 39,729	\$ 21,781

The accompanying notes form an integral part of these interim consolidated financial statements

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
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## 1. Nature of business

Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.) ("Kings" or the "Corporation") was incorporated on February 27, 2020 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The head office and registered and records office of the Corporation is located at Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

On February 24, 2021, Kings entered into a Share Purchase Agreement which later amended on November 22, 2021 (the "Share Purchase Agreement"), with Legacy Eight Ltd. ("Legacy"), the primary shareholder of each of Legacy Eight Curacao N.V. ("Legacy Eight Curacao"), Azteca Messenger Services S.A. de C.V. ("Azteca"), and Phoenix Digital Services Ltd. ("Phoenix"), collectively known as Lottokings Group, pursuant to which the Corporation agreed to acquire all of the issued and outstanding shares in the capital of Legacy Eight Curacao, Azteca, and Phoenix, in exchange for its common shares. The transaction was accounted for as a reverse takeover ("RTO"). On December 30, 2021, following the closing of the Share Purchase Agreement, the Lottokings Group became a wholly owned subsidiary of Kings.

For accounting purposes, the Lottokings Group was identified as the acquirer and the resulting interim consolidated financial statements are presented as a continuance of the Lottokings Group and the comparative figures presented in the interim consolidated financial statements prior to the RTO are those of the Lottokings Group.

## 2. Significant accounting policies

### (a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and using the accounting policies described herein. These interim consolidated financial statements were authorized for issuance by Kings Entertainment Group's Directors on September 23, 2022.

### (b) Basis of consolidation

These interim consolidated financial statements include the accounts of Kings and the following entities:

(i) Legacy Eight Curacao N.V. ("L8 Curacao"), a corporation incorporated in Curacao, owned 100% by Kings. L8 Curacao also has two wholly owned subsidiaries, Legacy Eight Malta Ltd. ("L8 Malta") and Bulleg Eight Limited ("Bulleg"), incorporated in Malta and Cyprus, respectively.

(ii) Azteca Messenger Services S.A. de C.V. ("AZT"), a corporation incorporated in Mexico, owned 99.82% by Kings;

(iii) Phoenix Digital Services Ltd. ("PDS"), a corporation incorporated in the United Kingdom ("UK"), owned 100% by Kings. Litermi S.A. ("Litermi"), a wholly owned subsidiary of PDS, is incorporated in Uruguay and its financial position and operating results are also included in these interim consolidated financial statements.

All intercompany transactions and balances have been eliminated in these interim consolidated financial statements. These interim consolidated financial statements include the accounts of the Corporation and entities it controls. An entity is controlled when the Corporation has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity and is able to use its power over the entity to affect its returns from the entity.

### (c) Basis of measurement

These interim consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair value, as detailed in the Corporation's accounting policies. These interim consolidated financial statements have also been prepared on an accrual basis, aside from cash flow information.

**Kings Entertainment Group Inc.**  
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**2. Significant accounting policies (continued)**

(d) Common control transactions

IFRS 3, Business Combinations does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, the Corporation has developed a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. The Company's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying amount on the transferor's financial statements, and to have the consolidated statements of financial position, consolidated statements of loss and comprehensive loss and consolidated statements of cash flows reflect the results of combining entities for all periods presented for which the entities were under the transferor's common control, irrespective of when the combination takes place.

(e) Functional and presentation currency

These interim consolidated financial statements are presented in United States Dollars ("USD"), which is L8 Curacao's functional currency, as the majority of the financial and operating results included in these interim consolidated financial statements are arising from L8 Curacao. Functional currency of other entities within the group is as follows:

Kings Entertainment Group Inc.	Canadian Dollar ("CAD")
Legacy Eight Malta Ltd.	Euro ("EUR")
Bulleg Eight Limited	Euro ("EUR")
Azteca Messenger Services S.A. de C.V.	Mexican Peso ("MXN")
Phoenix Digital Services Ltd.	Great Britain Pound ("GBP")
Litermi S.A.	Uruguayan Peso ("UYU")

(f) Use of estimates and judgments

The preparation of these interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, revenues and expenses during the reporting period, and the disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements. In the process of applying the Corporation's accounting policies, management has made the following significant estimates and judgments, which have the most significant impact on the amounts recognized in the interim consolidated financial statements:

(i) Impairment of financial assets

The Corporation measures impairment losses on financial assets that are subsequently measured at amortized cost. Impairment losses are measured based on the expected credit loss ("ECL") model in accordance with IFRS 9, Financial Instruments. The twelve-month or lifetime expected default rates are estimated by management in calculating the expected credit losses. These estimates are made by management taking into account the risk of default by considering the time elapsed since the last payment and historical losses.

These estimates are based on management's historical experience, best knowledge of current events or conditions and activities that the Corporation may undertake in the future. Actual results could differ materially from these estimates.

**Kings Entertainment Group Inc.**  
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**2. Significant accounting policies (continued)**

(f) Use of estimates and judgments (continued)

(ii) Revenue recognition

Under IFRS 15, Revenue from contracts with customers, management is required to determine when the control of services or goods are transferred to customers and estimate the variable considerations included in the contracts. Management exercises judgment in determining the point in time control of services or goods are transferred and applies estimates based on information available at each reporting date in determining the amount of variable consideration. Management also applied judgment in determining whether the Corporation acts as principal or agent in its revenue contracts with customers by assessing if the Corporation controls the good or service to be transferred to the customer. See Note 2(g).

This judgment is based on management's historical experience, best knowledge of current events or conditions and activities that the Corporation may undertake in the future. Actual results could differ materially from this judgment.

(iii) Common control transactions

IFRS 3, Business Combinations does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, management has applied judgment to develop a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies as described in Note 2(d).

(iv) Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid or recovered based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(v) Determination of functional currencies

When assessing the functional currency for each consolidated entity, management applied judgment in selecting the relevant factors in concluding the appropriate functional currency.

(g) Revenue recognition

The Corporation generates lottery procurement revenue from two streams: the Messenger stream where the Corporation acts as agent in the transaction and procures lottery tickets on behalf of customers; and the Syndication stream where the customers enter into a betting pool to bet at the winning combination of lotteries. Under the Syndication stream, the physical lottery tickets are not purchased.

Under the Messenger Stream, the Corporation recognizes revenue at an amount net of lottery procurement costs and applicable agency fees. The Corporation is considered an agent under this stream of revenue. Revenue is recognized when the physical lottery ticket is purchased and the control of the lottery ticket is transferred to customers simultaneously.

Revenue under the Syndication stream is recognized when control of the services are transferred to the customers. The control of the services are transferred to the customers when the customers have accepted the terms and conditions of the play and entered into the betting pool after payment is made. The revenue is recognized at an amount equal to the transaction price, net of insurance costs and prizes payable, if any.

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**2. Significant accounting policies (continued)**

(g) Revenue recognition (continued)

Refunds might be granted to customers from time to time for revenue from lottery procurement. Once a refund request is initiated by a customer, the Corporation will investigate the case and the refund might be approved after such investigation. Liabilities for refund are accrued at each reporting date and netted against due from processors balance on the interim consolidated statements of financial position. Refund liabilities are estimated based on a trending historical rate of return as a percentage of revenue; such rate is updated at each reporting date to reflect information available at that point in time.

Casino and scratchcard revenue is recognized at an amount net of the prizes, which are won instantly by customers after the "Play" or an equivalent button is clicked. The revenue is recognized when such button is clicked by customers, which is considered to be the point in time of which performance obligation is met.

For all of the above revenue streams, payment by customers is made at the point of revenue recognition, and such payments are expected to be collected from various payment processors subsequently. Consideration received in advance of satisfaction of performance obligations is recognized as deferred revenue on the interim consolidated statements of financial position.

The Corporation also incurs commissions and marketing expenses in obtaining contracts with customers, such incremental costs are recognized in the interim consolidated statements of loss and comprehensive loss when incurred, as the amortization periods of the costs are less than 12 months.

(h) Income taxes

Current tax assets and/or liabilities comprise those claims from, or obligations to the taxation authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the interim consolidated financial statements. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of the income tax provision (recovery) in profit or loss, except for income tax related to the components of other comprehensive loss or equity, in which case the tax expense is recognized in other comprehensive loss or equity, respectively.

(i) Foreign currency translations

Foreign currency transactions are translated into an entity's functional currency at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the exchange rate in effect at the interim consolidated statements of financial position dates. Foreign exchange gains and losses are included in the interim consolidated statements of loss and comprehensive loss.

**Kings Entertainment Group Inc.**  
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**2. Significant accounting policies (continued)**

(i) Foreign currency translations (continued)

The assets and liabilities of individual entities with functional currency other than USD are translated into USD at exchange rates on the date of the interim consolidated statements of financial position. Income and expenses, and cash flows of foreign operations are translated into USD using average exchange rates for the period. Exchange differences resulting from translating foreign operations are recognized in foreign currency translation reserve and accumulated in equity.

(j) Financial instruments

The Corporation aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized. On initial recognition financial assets are classified as fair value through profit or loss ("FVTPL"), amortized cost, or fair value through other comprehensive income. All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost.

The Corporation's accounting policy for each class is as follows:

(i) Fair value through profit or loss

Financial instruments classified as measured at fair value through profit or loss are reported at fair value at each reporting date, and any change in fair value is recognized in the interim consolidated statement of loss and comprehensive loss in the period during which the change occurs. In these interim consolidated financial statements, cash has been classified as a financial asset subsequently measured at fair value through profit or loss.

(ii) Amortized cost

This category includes financial assets that are held within a business model with the objective of holding the financial assets in order to collect contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Unless they meet certain exceptions, all financial liabilities are classified as subsequently measured at amortized cost.

Financial instruments classified in this category are measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument, or where appropriate, a shorter period. Transaction costs are included in the amount initially recognized. In these interim consolidated financial statements, amounts due from processors, amounts due from related parties, accounts payable and accrued liabilities and amounts due to related parties have been classified as financial instruments measured at amortized cost.

(iii) Fair value through other comprehensive income

Financial instruments classified and measured at fair value through other comprehensive income are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

(iv) Impairment of financial assets

For financial assets measured at amortized cost, the Corporation recognizes loss allowances for ECLs. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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**2. Significant accounting policies (continued)**

(j) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

The Corporation applies the simplified approach in calculating ECLs for amounts due from processors. Under the simplified approach, the Corporation recognizes a loss allowance based on lifetime ECLs at each reporting date and does not track changes in credit risk for amounts due from processors.

(v) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(vi) Fair value hierarchy

All financial instruments measured at fair value after initial recognition are categorized into one of three hierarchy levels for disclosure purposes. Each level reflects the significance of the inputs used in making the fair value

- Level 1: Fair value is determined by reference to quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Valuations use inputs based on observable market data, either directly or indirectly, other than the quoted prices.
- Level 3: Valuations are based on inputs that are not based on observable market data.

The Company's cash is measured at fair value in accordance with level 1 of the fair value hierarchy. Following is the summary of financial instruments, not measured at fair value, as at June 30, 2022 and December 31, 2021 for which fair value is disclosed:

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
<b>June 30, 2022</b>			
<i>Financial assets:</i>			
Accounts receivable	\$ 150,000	\$ -	\$ 150,000
Due from processors	735,659	-	735,659
Due from related parties	454,829	-	454,829
<b>Balance at June 30, 2022</b>	<b>1,340,488</b>	<b>-</b>	<b>1,340,488</b>

*Financial liabilities:*

Accounts payable and accrued liabilities	-	1,541,022	1,541,022
Due to related parties	-	89,347	89,347
<b>Balance at June 30, 2022</b>	<b>\$ -</b>	<b>\$ 1,630,369</b>	<b>\$ 1,630,369</b>

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
<b>December 31, 2021</b>			
<i>Financial assets:</i>			
Due from processors	\$ 804,954	\$ -	\$ 804,954
Due from related parties	93,282	-	93,282
<b>Balance at December 31, 2021</b>	<b>898,236</b>	<b>-</b>	<b>898,236</b>

*Financial liabilities:*

Accounts payable and accrued liabilities	-	2,564,390	2,564,390
Due to related parties	-	86,778	86,778
<b>Balance at December 31, 2021</b>	<b>\$ -</b>	<b>\$ 2,651,168</b>	<b>\$ 2,651,168</b>

**Kings Entertainment Group Inc.**  
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**2. Significant accounting policies (continued)**

(j) Financial instruments (continued)

The carrying values of the Corporation's accounts receivable, due from processors, accounts payable and accrued liabilities and due to related parties approximate their fair value as at June 30, 2022 due to their short-term nature. The carrying values of balances due from related parties approximate fair value as at June 30, 2022 as the Corporation has an

(k) Share-based payments

The Corporation has granted stock options to buy common shares of the Corporation to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options has been measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share-based payment reserve. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

(l) Provisions and contingent liabilities

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed. The provisions are measured based on management's best estimates of the outcome on the basis of facts known at the reporting date.

(m) Future accounting pronouncements

The Corporation has evaluated the impact of future accounting pronouncements and does not expect them to have a material impact on its interim consolidated financial statements.

**3. Reverse takeover transaction**

Prior to the RTO, Legacy Eight Curacao N.V., Azteca Messenger Services S.A. de C.V., and Phoenix Digital Services Ltd. were entities under the common control of Legacy Eight Ltd. ("Legacy"). In contemplation of the RTO, these entities entered into a common control transaction whereby the assets and liabilities of each entity were transferred at their carrying amounts into a newly created entity, Lottokings Group. This transaction was accounted for as a common control business combination.

On December 30, 2021, Kings Entertainment Group Inc. entered into a RTO with the Lottokings Group. The transaction has been accounted for as a RTO in accordance with IFRS 2, Share-based Payments, and IFRS 3, Business Combinations. As the Corporation did not qualify as a business in accordance with the definition of IFRS 3, the transaction did not constitute a business combination and was accounted for as an issuance of common shares by the Lottokings Group for the net assets of the Corporation to obtain its public listing, with the Lottokings Group as the continuing business.

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**3. Reverse takeover transaction (continued)**

For accounting purposes, the Lottokings Group is treated as the accounting parent (legal subsidiary) and the Corporation as the accounting subsidiary (legal parent). The transaction is recognized as if the Lottokings Group had issued common shares to the existing Kings shareholders in exchange for the net assets acquired. The fair value of the 20,674,500 common shares of Kings was determined to be CAD \$0.50 per common share, as determined by reference to the quoted share price of Kings at the date of the RTO. The fair value of the 1,067,880 warrants was determined at \$185,506 using the Black-Scholes option pricing model using a weighted average exercise price of CAD \$0.50, 113% volatility rate, a 0.23% risk free return and a 2 year term.

The subscription receipts were issued by the Corporation on May 7, 2021 and November 4, 2021, on a brokered private placement basis to purchasers in certain provinces of Canada. The Corporation issued an aggregate of 17,789,000 subscription receipts at an issue price of CAD \$0.50 per subscription receipt. The sale of the subscription receipts were completed prior to the RTO transaction and gross proceeds were deposited in escrow.

The escrowed funds were to be released upon the satisfaction of the Escrow Release Conditions which were:

- (i) the Corporation obtaining final receipt for a prospectus qualifying the distribution of the subscription receipt shares issuable upon conversion of the subscription receipts in Canada;
- (ii) conditional acceptance for the listing of the Common Shares on the CSE;
- (iii) the Corporation having satisfied all conditions in the Agency Agreement and not having committed any material breach of covenants therein; and
- (iv) the Corporation and the Agent having delivered the release notice to the subscription receipt agent in accordance with the Subscription Receipt Agreement.

As these conditions were not met at the date of the RTO transaction, share subscriptions received were classified by Kings as financial liabilities at the date of the RTO and were included in the net assets acquired by Lottokings Group.

Escrow Release Conditions were met subsequent to the RTO and proceeds from share subscriptions were released from escrow during the six months period ended June 30, 2022.

**4. Due from processors**

Due from processors consists of the following:

	June 30, 2022	December 31, 2021
Due from processors	\$ 825,209	\$ 1,065,232
Less: chargebacks and reversals	(88,603)	(80,033)
Less: expected credit losses	(947)	(180,245)
	<b>\$ 735,659</b>	<b>\$ 804,954</b>

Chargebacks and reversals payable to processors are netted against amounts due from processors as there is a legally enforceable right to settle the amounts with processors on a net basis, and management has the intention to settle the balances on a net basis.

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**5. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities consists of the following:

	June 30, 2022	December 31, 2021
Trade payables	\$ 1,048,094	\$ 2,136,024
Customer claims payable	70,396	72,023
Payroll accrual	108,535	97,919
Accrued expenses	313,997	258,424
	<b>\$ 1,541,022</b>	<b>\$ 2,564,390</b>

**6. Due from (to) related parties**

Related parties consist of entities under common control. The amounts due from (to) related parties consist of the following:

	June 30, 2022	December 31, 2021
Legacy Eight Group Ltd.	\$ 454,829	\$ 93,282
WestOcean S.A.	(69,591)	(69,591)
Former shareholder of PDS (a)	(19,756)	(17,187)
	<b>\$ 365,482</b>	<b>\$ 6,504</b>

(a) The former shareholder of PDS sold all of his shares in PDS to Legacy Eight Ltd., parent corporation of L8 Curacao in February 2021. The former shareholder of PDS is also the corporate secretary of Legacy Eight Group Ltd., the parent corporation of Legacy Eight Ltd.

The due from (to) related party balances relate to amounts owed for funds provided for working capital needs by the related parties. These balances are non-interest bearing with no fixed term of repayment.

As of June 30, 2022 and December 31, 2021, balances due from related parties and due to related parties have been netted off in the interim consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts.

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The following table illustrates netting of balances due to and due from related parties:

	Ledonford Limited	Legacy Eight Group Ltd.	R.S. Real World Services Limited	WestOcean S.A.	Former shareholder of PDS	Total
As at June 30, 2022						
Due from related party	\$ 1,213,544	\$ 932,828	\$ 962,583	\$ 9,887,598	\$ -	\$ 12,996,553
Due to related party	-	(104,402)	(38,917)	(12,467,996)	(19,756)	(12,631,071)
Balance offset per Debt Offset Agreement	(1,213,544)	(373,597)	(923,666)	2,510,807	-	-
Net balance	\$ -	\$ 454,829	\$ -	\$ (69,591)	\$ (19,756)	\$ 365,482
As at December 31, 2021						
Due from related party	\$ 1,188,483	\$ 910,620	\$ 905,000	\$ 9,629,262	\$ -	\$ 12,633,365
Due to related party	-	(103,496)	(38,005)	(12,468,173)	(17,187)	(12,626,861)
Balance offset per Debt Offset Agreement	(1,188,483)	(713,842)	(866,995)	2,769,320	-	-
Net balance	\$ -	\$ 93,282	\$ -	\$ (69,591)	\$ (17,187)	\$ 6,504

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**7. Share capital**

**Authorized**

Unlimited number of common shares

**Issued**

	June 30, 2022	December 31, 2021
68,463,500 Common shares	\$ 14,556,184	\$ 8,223,957

The common shares of the Corporation as at June 30, 2022 consists of the 20,674,500 (December 31, 2021 - 20,674,500) common shares of the Corporation issued for cash prior to the RTO and the 30,000,000 (December 31, 2021 - 30,000,000) common shares issued in the RTO transaction.

Following the satisfaction of all escrow release conditions an aggregate of 17,789,000 subscription receipts, originally issued at CAD \$0.50 per subscription receipt, were automatically converted into an aggregate of 17,789,000 common shares. The Corporation incurred costs of \$743,178 that were directly related to the issuance of subscription receipts and, accordingly, have been recognized as a reduction in share capital upon conversion of subscription receipts to common shares.

**8. Warrant reserve**

As at June 30, 2022, the Corporation has 1,067,880 (December 31, 2021 - 1,067,880) agent warrants outstanding. The fair value of these warrants was determined at \$185,506 (December 31, 2021 - \$185,506) using the Black-Scholes option pricing model using a weighted average exercise price of CAD \$0.50, 113% volatility rate, 0% forfeiture rate, a dividend yield of nil, a 0.23% risk free return and a 2 year term.

**9. Share-based payments reserve**

On January 24, 2022, The Corporation granted 10,012,000 stock options to directors, officers, employees and consultants, at an exercise price of CAD \$0.50 and expiry of 5 years from the date of grant. The stock options vested immediately upon grant. The Corporation has recognized \$2,707,337 for share-based payments.

The fair value of the 10,012,000 stock options was estimated using the Black-Scholes option pricing model assuming a weighted average risk free interest rate of 1.63%, a dividend yield of nil, 0% forfeiture rate, a weighted average expected annual volatility of the Corporation's share price of 132% and an expected life of 5 years. The fair value of the stock options was CAD \$0.40 per option. The expected volatility assumption is based on historical volatility over the same period as the expected life of the option using an appropriate level for price observations. The risk-free interest rate is based on the implied yield currently available on zero-coupon government issues denominated in the currency of the market in which the underlying shares primarily trade, over the same period as the expected life of the option.

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**10. Income taxes**

The reconciliation between the income tax expense (recovery) at the Canadian statutory income tax rate of 27.0% (2021 - 27.0%) to the income tax expense (recovery) recorded in the interim consolidated statement of net loss for the three and six months periods ended June 30, 2022 and 2021 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net income (loss) before income taxes	\$ (586,740)	\$ (370,021)	\$ (3,986,811)	\$ 34,346
Expected income tax expense (recovery) at the statutory rate	(158,420)	(99,906)	(1,076,439)	9,273
Foreign tax rate differential	8,396	121,576	22,780	41,862
Unrecognized tax benefits	22,898	1,357	32,297	1,357
Tax effect of permanent differences	150,283	1,143	1,073,215	3,287
Income tax expense (recovery)	\$ 23,157	\$ 24,170	\$ 59,253	\$ 55,779

The Corporation's income tax expense is allocated as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Current income tax expense	\$ 31,089	\$ 29,664	\$ 59,785	\$ 64,337
Deferred income tax recovery	(7,932)	(5,494)	(532)	(8,558)
Income tax expense	\$ 23,157	\$ 24,170	\$ 59,253	\$ 55,779

The Corporation's deferred income tax asset arises from non-capital losses carried forward from previous periods.

The deferred income tax assets are recognized only to the extent that the specific entity will have future taxable profits available against which the unused tax losses can be utilized. Change in deferred income tax assets is as follows:

	June 30, 2022	December 31, 2021
Balance at the beginning of the period	\$ 20,387	\$ 10,867
Deferred income tax recovery recognized from losses available for carryforward	532	9,520
Balance at the end of the period	\$ 20,919	\$ 20,387

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**10. Income taxes (continued)**

As at June 30, 2022 and December 31, 2021, the Corporation has the following unused tax losses for future uses, for which no deferred income tax asset was recognized:

	Expiry	June 30, 2022	December 31, 2021
Unused tax losses in Malta	Indefinitely	\$ 56,520	\$ 25,186
Unused tax losses in UK	Indefinitely	28,037	-
Unused tax losses in Cyprus	2025	6,697	7,273
Unused tax losses in Cyprus	2026	11,562	20,961
Unused tax losses in Uruguay	2027	29,645	-
Unused tax losses in Curacao	2028	543,358	-
Unused tax losses in Curacao	2032	502,606	-
		\$ 1,178,425	\$ 53,420

**11. Related party balances and transactions**

During the three and six months periods ended June 30, 2022, the Corporation had the following related party transactions:

Related party transactions between L8 Curacao and Ledonford Limited:

During the three and six months period ended June 30, 2022, L8 Curacao incurred \$Nil and \$3,952 (three and six months period ended June 30, 2021 - \$Nil and \$3,952) for payment processing services provided by Ledonford Limited, an entity that is under common control. The amount is included in processing costs on the interim consolidated statement of loss and comprehensive loss. As at June 30, 2022, \$Nil (December 31, 2021 - \$Nil) was outstanding for the amount incurred.

Related party transactions between L8 Curacao and R.S Real World Services Limited:

During the three and six months periods ended June 30, 2022, L8 Curacao incurred \$Nil and \$21,455 (three and six months periods ended June 30, 2021 - \$7,220 and \$14,406) for payment processing services provided by R.S. Real World Services Limited, an entity that is under common control. The amount is included in processing costs on the interim consolidated statement of loss and comprehensive loss. As at June 30, 2022, \$Nil (December 31, 2021 - \$Nil) was outstanding for the amount incurred.

Related party transactions between L8 Curacao and Legacy Eight Group:

During the three and six months periods ended June 30, 2022, L8 Curacao advanced an additional \$18,254 and \$361,547 to Legacy Eight Group Ltd. (three and six months periods ended June 30, 2021 - \$112,000 and \$198,000). During the three and six months periods ended June 30, 2022, advances to Legacy Eight Group Ltd. reduced and increased by \$Nil and \$Nil (three and six months periods ended June 30, 2021 - \$10,000 and \$46,000) due to repayment and additional advance taken by PDS respectively. L8 Curacao and PDS are entities under common control of Legacy Eight Group Ltd.

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As of June 30, 2022 and December 31, 2021, balances due from related parties and due to related parties have been netted off in the interim consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts (Note 6).

The Corporation has identified the directors and senior officers as key management personnel. Key management personnel are those persons responsible for planning, directing and controlling the activities of the entity, and include executives and non-executive directors. The following table illustrates the compensation paid to key management personnel during the three and six months periods ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Chief Executive Officer (a)	\$ 75,000	\$ 75,000	\$ 150,000	\$ 150,000
Chief Operating Officer (b)	31,410	34,962	66,510	69,438
Chief Marketing Officer (c)	25,130	27,969	52,130	55,550
Chief Financial Officer (b)	28,880	22,500	53,380	45,000

(a) The Chief Executive Officer ("CEO") is on contract for \$25,000 per month. Compensation paid to the CEO is recorded in the interim consolidated statement of loss and comprehensive loss for the three and six months periods ended June 30, 2022 (Three and six months periods ended June 30, 2021 - \$nil).

(b) Compensation paid to the Chief Operating Officer and Chief Financial Officer were included in salaries and benefits in the interim consolidated statement of loss and comprehensive loss.

(c) The Chief Marketing Officer's ("CMO") compensation is included in professional fees during the three and six months periods ended June 30, 2022 and 2021 in the interim consolidated statements of loss and comprehensive loss. The former CMO of the Lottokings Group was an employee of PDS and was terminated in November 2020, and the current CMO is a contractor of the Corporation.

The following table illustrates value of stock options issued to key management personnel as part of the share-based compensation during the three and six months periods ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Chief Executive Officer (a)	\$ -	\$ -	\$ 318,318	\$ -
Chief Operating Officer (b)	-	-	19,099	-
Chief Marketing Officer (c)	-	-	63,664	-
Chief Financial Officer (b)	-	-	63,664	-
Director	-	-	133,693	-
	\$ -	\$ -	\$ 598,438	\$ -

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**12. Financial instruments**

The significant financial risks to which the Corporation is exposed are liquidity, credit, and currency risk.

(a) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by cash or another financial asset. The primary sources of liquidity risk are accounts payable and accrued liabilities and amounts due to related party. The Corporation's ability to meet its obligations depends on the receipt of funds from its operations. Management monitors its working capital to ensure the obligations under current liabilities are met on timely basis.

As at June 30, 2022 and December 31, 2021, all of the Corporation's financial liabilities and lease liabilities are due within 12 months from the date of the interim consolidated statements of financial position.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to its cash and cash equivalent balances and amounts due from processors balance. Credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are maintained with financial institutions of reputable credit and may be redeemed upon demand. The credit risks arise as the payments might not be collectible from processors. The maximum credit risk is the carrying value of the amounts due from processors. As at June 30, 2022, 56% (December 31, 2021 - 75%) of the amounts due from processors balance is owing from three processors (December 31, 2021 - four processors).

The Corporation has applied the simplified approach to providing for expected credit losses, which permits the use of a lifetime expected credit loss provision for all amounts due from processors balances, which are of similar nature to trade receivables. To measure the expected credit losses, a full allowance is provided for a processor balance when there is doubt about the processor's future capacity to fulfill its payment obligations. For the remaining amounts due from processor balances, each processors' ability of fulfilling the payments in the future are evaluated specifically based on the information available on the date of the interim consolidated statements of financial position. The loss allowances at June 30, 2022 and December 31, 2021 were determined as follows for amounts due from processors balances based upon the Corporation's historical default rates over the expected life of the balances, adjusted for forward looking estimates.

Due from processors, net consists of the following:

	June 30, 2022	December 31, 2021
Carrying amount, net of refund liability	\$ 736,606	\$ 985,199
Lifetime expected loss	(947)	(180,245)
Due from processors	\$ 735,659	\$ 804,954

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**12. Financial instruments (continued)**

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from financial instruments, primarily cash, amounts due from processors, amounts due from related parties, accounts payable and accrued liabilities and amounts due to related parties, denominated in a currency other than the functional currency of the Corporation. All entities included in these interim consolidated financial statements do not use derivative financial instruments to manage its currency risk. As at June 30, 2022, a 5% appreciation (depreciation) of foreign currencies against USD will result in increase (decrease) in income and comprehensive income of \$268,793 (December 31, 2021 - \$17,794).

As at June 30, 2022 and December 31, 2021, the following balances were denominated in currencies other than USD:

Financial instruments	Foreign Currency	June 30, 2022	December 31, 2021
		In USD	In USD
Cash	EUR	\$ 33,381	\$ 59,705
Cash	MXN	18,837	102,574
Cash	GBP	5,904	2,011
Cash	UYU	1,543	1,342
Cash	CAD	4,390,149	6,973,245
Due from processors	MXN	187,114	322,059
Due from processors	EUR	140,002	158,099
Due from processors	BRL*	153,265	58,799
Due from processors	COP*	174,689	125,174
Due from processors	CNY*	-	124,270
Due from processors	CAD	1,718	-
Accounts receivable	EUR	1,389,336	-
Accounts receivable	GBP	10,914	-
Accounts payable	GBP	47,052	45,232
Accounts payable	EUR	1,579,107	992,862
Accounts payable	UYU	477,685	269,598
Accounts payable	CAD	77,680	1,353,296

\*BRL - Brazilian Real

COP - Columbian Peso

CNY - Chinese Yuan

(d) Capital management

The Corporation's objective when managing capital is ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans. For the purpose of capital management, capital as at June 30, 2022 includes shareholders' equity of \$3,937,377 (December 31, 2021- \$6,473,983). The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of underlying assets. Each consolidated entity is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis. There have not been any changes in the capital management policy.

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**13. Geographic information**

The Corporation has only one reportable segment being lottery procurement and online casino and scratchcard. The geographic segmentation of the Corporation's revenues is as follows:

	Mexico	Argentina	Chile	Brazil	Colombia	Other Latin American countries (a)	Other (a)	Total
Three months ended June 30, 2022								
Lottery procurement revenue	\$ 81,297	\$ 16,820	\$ 19,623	\$ 16,820	\$ 16,820	\$ 70,083	\$ 58,870	\$ 280,333
Online casino and scratchcard revenue	68,597	63,697	137,193	29,398	4,900	151,893	34,298	489,976
Six months ended June 30, 2022								
Lottery procurement revenue	\$ 397,399	\$ 72,254	\$ 12,043	\$ 72,254	\$ 72,254	\$ 469,654	\$ 108,382	\$ 1,204,240
Online casino and scratchcard revenue	109,780	125,462	164,670	47,049	7,841	297,974	31,366	784,142
Three months ended June 30, 2021								
Lottery procurement revenue	\$ 293,058	\$ 54,270	\$ 86,832	\$ 43,416	\$ 43,416	\$ 21,708	\$ 542,700	\$ 1,085,400
Online casino and scratchcard revenue	17,386	30,908	25,113	13,522	27,045	25,113	54,089	193,176
Six months ended June 30, 2021								
Lottery procurement revenue	\$ 560,099	\$ 97,409	\$ 170,465	\$ 97,409	\$ 121,761	\$ 48,704	\$ 1,339,367	\$ 2,435,214
Online casino and scratchcard revenue	80,843	63,824	46,804	42,549	8,510	42,549	140,413	425,492

(a) "Other Latin American countries" and "Other" categories represent Latin American and non-Latin American countries with insignificant revenue which have been grouped together.

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#### **14. Impact of COVID-19**

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilise economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact of the financial results and condition of the Corporation and its operations in future periods. However, currently COVID-19 did not have a significant impact of the Corporation's operations and access to financial markets.

While the continuing development of the pandemic presents uncertainty over future revenues and financing abilities, management expects the Corporation will have adequate cash flow to fund its operations during this crisis through existing revenue and financing sources as well as tight controls over operating expenses.

#### **15. Subsequent events**

On May 25, 2022 the Corporation announced that it had entered into an arm's length business combination agreement (the "Definitive Agreement") dated May 24, 2022 with Sports Venture Holdings Inc. ("SVH") to combine SVH and the Corporation (the "Business Combination").

In connection with the Business Combination, SVH and a to be incorporated wholly-owned subsidiary of Kings will amalgamate to form one company as a wholly-owned subsidiary of Kings. Following completion of the Business Combination, current shareholders of SVH will hold approximately 87% of the common shares of the combined company (the "Resulting Issuer") on a fully-diluted treasury method basis.

Additionally, in connection with the Business Combination, the Corporation has agreed to make available to SVH a senior secured non-interest bearing credit facility of up to \$5,000,000. The outstanding balance owing under the credit facility will become immediately due and payable if the Definitive Agreement is terminated with interest thereafter accruing at 18% per annum.

Following completion of the Business Combination, it is anticipated that the Resulting Issuer will operate under the name "Interactive Entertainment Group Inc." or such other name as may be agreed with the intention that the Resulting Issuer shares will be listed and posted for trading on the Canadian Securities Exchange ("CSE").

The Business Combination has been unanimously approved by the Board of Directors of each of Kings and SVH. Directors, officers, and other significant shareholders of each of SVH and the Corporation have entered into irrevocable voting and support agreements to vote in favour of the Business Combination representing approximately 30% of the outstanding Kings shares and approximately 53% of the SVH's shares.

Completion of the Business Combination is subject to several conditions including, but not limited to, the receipt of all necessary regulatory and third-party consents, approvals, and authorizations as may be required in respect of the Business Combination, including from the CSE. The initial accounting for the Business Combination, including an assessment of which entity is the acquirer, which entity is the acquiree, and whether the acquiree meets the definition of a business in International Financial Reporting Standard 3, Business Combinations, has not been made at the time that these interim consolidated financial statements were authorized for issue.

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**16. Correction of errors in previously issued financial statements**

In the process of re-filing the Corporation's second quarter 2022 financial statements, the Corporation identified that (1) the interim consolidated statement of cash flows for the six months ended June 30, 2022 had the following error: certain non-cash items were incorrectly included in net cash flows used in operating activities with an offsetting misstatement in effect of foreign exchange in cash, and (2) the interim consolidated statements of loss and comprehensive loss for the six months ended June 30, 2022 had an error with calculation of deferred income tax expense with an offsetting misstatement in foreign currency translation differences, and (3) the interim consolidated statements of financial position as at June 30, 2022 had errors in foreign exchange translation reserve with offsetting misstatement in deficit. Consequently, the Corporation restated the interim consolidated financial statements for these identified errors. These corrections did not have an impact on the net change in cash; however, resulted in understatement of shareholders' equity. The following table provides information on the amounts of the errors and the areas of the financial statements that were impacted:

	Interim Consolidated Statement of Cash Flows for Six Months Ended June 30, 2022		
	As reported	Adjustment	As restated
Cash flows (used in) operating activities			
Decrease in prepaid issue costs	\$ 722,512	\$ (722,512)	\$ -
Net cash flows (used in) operating activities	\$ (1,656,372)	\$ (723,415)	\$ (2,379,787)
Cash flows (used in) financing activities			
Cost of issuance of subscription receipts converted to shares	\$ (744,103)	\$ 744,103	\$ -
Net cash flows (used in) financing activities	\$ (744,103)	\$ 744,103	\$ -
Effect of foreign exchange in cash	\$ (454,886)	\$ (20,688)	\$ (475,574)

	Interim Consolidated Statements of Loss and Comprehensive Loss for Six Months Ended June 30, 2022		
	As reported	Adjustment	As restated
Income tax expense (recovery)			
Deferred	\$ (7,932)	\$ 7,400	\$ (532)
Income tax expense (recovery)	\$ 51,853	\$ 7,400	\$ 59,253
Net loss	\$ (4,038,664)	\$ (7,400)	\$ (4,046,064)
Other comprehensive income (loss)			
Foreign currency translation differences	\$ (462,080)	\$ 7,379	\$ (454,701)
Comprehensive loss	\$ (4,500,744)	\$ (21)	\$ (4,500,765)

	Interim Consolidated Statement of Financial Position As At June 30, 2022		
	As reported	Adjustment	As restated
Current assets			
Prepaid expenses and other assets	\$ 289,053	\$ 904	\$ 289,957
Total current assets	\$ 5,613,678	\$ 904	\$ 5,614,582
Shareholders' Equity			
Share Capital	\$ 14,555,259	\$ 925	\$ 14,556,184
Foreign exchange translation reserve	\$ (449,428)	\$ 7,379	\$ (442,049)
Deficit	\$ (13,062,201)	\$ (7,400)	\$ (13,069,601)
Shareholders' Equity	\$ 3,936,473	\$ 904	\$ 3,937,377

**Kings Entertainment Corporation Inc.  
(formerly 1242455 B.C. Ltd.)**

**AMENDED MANAGEMENT DISCUSSION & ANALYSIS FOR THE THREE AND SIX-MONTH PERIODS  
ENDED JUNE 30, 2022**

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## 1. AMENDED MANAGEMENT DISCUSSION & ANALYSIS

This Amended Management Discussion and Analysis (“MD&A”) provides a review of the results of operations, financial condition and cash flows for Kings Entertainment Corporation Inc. (formerly 1242455 B.C. Ltd.) on a consolidated basis, for the three and six-month periods ended June 30, 2022 (“Q2 2022”). References to “Kings”, or the “Corporation” in this MD&A refer to Kings Entertainment Corporation Inc. (formerly 1242455 B.C. Ltd.), unless the context requires otherwise.

Kings was incorporated on February 27, 2020 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The registered head office and the office of the books and records of the Corporation is located in Vancouver, British Columbia.

On February 24, 2021, Kings entered into a Share Purchase Agreement which later amended on November 22, 2021 (the “Share Purchase Agreement”), with Legacy Eight Ltd. (“Legacy”), the primary shareholder of each of Legacy Eight Curacao N.V. (“Legacy Eight Curacao” or “L8 Curacao”), Azteca Messenger Services S.A. de C.V. (“Azteca” or “AZT”), and Phoenix Digital Services Ltd. (“Phoenix” or “PDS”), collectively known as “Lottokings Corporation”, pursuant to which the Corporation agreed to acquire all of the issued and outstanding shares in the capital of Legacy Eight Curacao, Azteca, and Phoenix, in exchange for its common shares. The transaction was accounted for as a reverse takeover (“RTO”). On December 30, 2021, following the closing of the Share Purchase Agreement, the Lottokings Corporation became a wholly owned subsidiary of Kings.

Lottokings Corporation includes the following entities:

- (i) Legacy Eight Curacao N.V. (“L8 Curacao”), owned 100% by Legacy Eight Ltd., a corporation incorporated in Curacao. L8 Curacao also has two wholly owned subsidiaries, Legacy Eight Malta Ltd. (“L8 Malta”) and Bulleg Eight Limited (“Bulleg”), incorporated in Malta and Cyprus, respectively;
- (ii) Azteca Messenger Services S.A. de C.V. (“AZT”), a corporation incorporated in Mexico, owned 99.82% by Legacy Eight Ltd.;
- (iii) Phoenix Digital Services Ltd. (“PDS”), a corporation incorporated in the United Kingdom (“UK”), was controlled by a key management personnel of Legacy Eight Ltd. as at December 31, 2021. In February 2021, the key management personnel transferred 100% of the issued and outstanding common shares of PDS to Legacy Eight Ltd. (Note 6). Litermi S.A. (“Litermi”), a wholly owned subsidiary of PDS, and was incorporated in Uruguay.

This document should be read in conjunction with the information presented in the unaudited interim consolidated financial statements for the three and six-month periods ended June 30, 2022 and 2021 (the “Interims”).

For reporting purposes, the Corporation prepared the Interims in United States Dollars (“USD”) and, unless otherwise indicated, in conformity with International Accounting Standards (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). The financial information contained in this MD&A was derived from the Interims. Unless otherwise indicated, all references to a specific “note” refer to the notes to the Interims.

This MD&A references non-IFRS financial measures, including those under the headings “Selected Financial Information” and “Key Metrics” below. The Corporation believes these non-IFRS financial measures will provide investors with useful supplemental information about the financial performance of its business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating its business and making decisions. Although management believes these financial measures are important in evaluating the Corporation, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. Non-IFRS measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These measures may be different from non-IFRS financial measures used by other companies, limiting their usefulness for comparison purposes. Moreover, presentation of certain of these measures is provided for period-over-period comparison purposes, and investors should be cautioned that the effect of the adjustments thereto provided herein have an actual effect on the Corporation’s operating results.

For purposes of this MD&A, the term “gaming license” refers collectively to all the different licenses, consents, permits, authorizations, and other regulatory approvals that are necessary to be obtained in order for the recipient to lawfully conduct (or be associated with) gaming in a particular jurisdiction.

Unless otherwise stated, in preparing this MD&A the Corporation has considered information available to it up to September 23, 2022, the date the Corporation’s board of directors (the “Board”) approved this MD&A.

## 2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking information and statements (collectively, “forward-looking statements”) within the meaning of the Canadian securities legislation and applicable securities laws, including financial and operational expectations and projections. These statements, other than statements of historical fact, are based on management’s current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect the Corporation, its subsidiaries and their respective customers and industries. Although the Corporation and management believe the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such 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”, “would”, “should”, “believe”, “objective”, “ongoing”, “imply” or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Corporation’s stage of development, long-term capital requirements and future ability to fund operations, future developments in the Corporation’s markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Corporation’s operations. Each factor should be considered carefully, and readers are cautioned not to place undue reliance on such forward-looking statements. See the section, “Risk Factors and Uncertainties”, below noting that these factors are not intended to represent a complete list of the factors that could affect the Corporation.

Shareholders and investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might not occur. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Unless otherwise indicated by the Corporation, forward-looking statements in this MD&A describe the Corporation’s expectations as of August 25, 2022 and, accordingly, are subject to change after such date. The Corporation does not undertake to update or revise any forward-looking statements, except in accordance with applicable securities laws.

### 3. LIMITATIONS OF KEY METRICS AND OTHER DATA

The Corporation's key metrics are calculated using internal Corporation data. While these numbers are based on what the Corporation believes to be reasonable judgments and estimates of customer numbers for the applicable period of measurement, there are certain challenges and limitations in measuring the usage of its product offerings across its customer base. In addition, the Corporation's key metrics and related estimates may differ from estimates published by third parties or from similarly titled metrics of its competitors due to differences in methodology and access to information.

For important information on the Corporation's non-IFRS measures, see the information presented in "Key metrics" and "Selected financial information" below. The Corporation continually seeks to improve its estimates of its active customer base and the level of customer activity, and such estimates may change due to improvements or changes in the Corporation's methodology.

#### **Kings Entertainment Corporation Inc.: Overview and Strategy**

Kings Entertainment Corporation Inc. is a business to consumer service provider that allows users to participate in lotteries and casino-style online games throughout the world all from the comfort of their own homes with a simple login and access. The Corporation offers an easy transition from lottery to casino gambling that attracts players to easily participate in both game types. Players are of age of majority, and are monitored according to requirements under the Curacao Gaming License. Lottokings Group operates through multiple established brands and websites, which include [www.wintrillions.com](http://www.wintrillions.com), [www.trillionaire.com](http://www.trillionaire.com) and [www.LottoKings.com](http://www.LottoKings.com) (the "Brands").

The Brand sites are a destination for users to participate in lottery jackpots operated by fully regulated and legal lotteries across the world. Users may directly participate in lotteries or purchase shares in a pool of lottery plays by joining lottery teams or syndicates. Users may also utilize lottery subscriptions to participate in every draw of a specific lottery without the stress or worry of ever missing another draw.

In addition to the lottery services, the Corporation offers a connected experience that enables users to play and switch with ease between scratch cards and casino games. The Corporation's software technology provides casino games within a user's own web browser, without the need for any download. Users may easily access and enjoy a variety of different casino-style games. The games have several variations with minimum and maximum betting ranges, with winnings automatically credited to a user's account.

Kings' strategy includes promoting the Brand sites through a variety of international advertisers and through strategic business relationships with online gaming affiliates all in compliance with the Curacao Gaming License.

The development, licensing, and protection of intellectual property is a core part of the Corporation's business strategy and is a key element to its success. The current intellectual property rights currently provide broad and comprehensive coverage and access for our products and services. The Corporation's business practices protect our intellectual property rights in our core business through non-disclosure and confidentiality policies and provisions and the use of appropriate intellectual property ownership and assignment provisions and restrictive covenant agreements with, among others, our employees, contractors, consultants, manufacturers, suppliers, customers and stakeholders. The Corporation actively

seeks to protect and enforce its intellectual property rights to prevent unauthorized use by third parties, including through applications for injunctive relief and litigation, as necessary.

Kings continues to invest in building a strong, experienced management team to drive these strategic initiatives. The design, development and distribution of online lotteries and casino-style games requires specialized skills and knowledge. The Corporation's management team has considerable specialized skill, knowledge and experience in the online gaming industry. As at June 30, 2022, the Corporation had, in aggregate, 32 employees and an additional 6 short-term contractors.

## 4. OVERVIEW OF Q2 2022

### 4.1 EXECUTIVE SUMMARY

#### Financial performance during the three and six months ended June 30, 2022

The Corporation incurred a net loss for the three and six month months periods ended June 30, 2022 of \$609,897 and \$4,046,064 (three and six month months periods ended June 30, 2021 – \$394,191 and \$21,433) and had an accumulated deficit of \$13,069,601 and \$9,023,537 at June 30, 2022 and December 31, 2021 respectively. As at June 30, 2022 and December 31, 2021, the Corporation had a working capital balance of \$3,458,341 and \$6,357,233 respectively.

#### Revenue

The Corporation has two major sources of revenue:

- Lottery procurement revenue:
  - a. Messenger stream – the Corporation acts as agent in the transaction and procures lottery tickets on behalf of customers; and the
  - b. Syndication stream where the customers enter into a betting pool to bet at the winning combination of lotteries. Under the Syndication stream, the physical lottery tickets are not necessarily purchased
- Scratchcard and online casino revenue: instant scratchcard and online casino games available to customers

During the three and six months ended June 30, 2022, the Corporation's revenue decreased by 39% and 30% to \$780K and \$2M (three and six months ended June 30, 2021 - \$1.28M and \$2.86M). The Corporation's decrease in revenue was mainly due to reduction in lottery procurement revenue.

The Corporation's lottery procurement revenue has decreased by 74% and 51% to \$280K and \$1.2M during the three and six months ended June 30, 2022 (three and six months ended June 30, 2021 - \$1.08M and \$2.43M), as the Corporation is focused in bringing in revenue with higher margin to facilitate the bottom line. On the other hand, the online casino and scratchcard revenue is demonstrating a strong growth from \$193K and \$425K during the three and six months ended June 30, 2021 to \$490K and \$784K during the three and six months ended June 30, 2022.

During the three and six months ended June 30, 2022, gross profit decreased by 44.63% and 25.47% to \$343K and \$1.13M (three and six months ended June 30, 2021 – \$620K and \$1.5M). During the three and six months ended June 30, 2022, gross margins decreased by 4% to 44% and increased by 4% to 56% respectively (three and six months ended June 30, 2021 – 48% and 52%).

## Operating Expenses

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTDQ2 2022</u>	<u>YTDQ2 2021</u>
<b>Operating Expenses</b>				
Salaries and benefits (Note 11)	434,406	363,326	893,326	732,205
Share-based compensation	-	-	2,707,337	-
Marketing expenses	140,819	121,482	385,387	354,766
Expected credit losses (recovery)	-	3,397	(4,062)	17,515
Bank charges and fees	41,441	26,526	80,556	55,887
General and administrative (Note 11)	114,224	15,696	228,814	28,276
IT services	172,295	121,469	326,053	229,516
Interest on lease liabilities	-	69	-	333
Professional fees (Note 11)	566,864	140,370	1,179,981	270,265
Vehicles and travel	10,409	-	11,196	958
Amortization of right-of-use assets	-	1,562	-	4,555
	<u>1,480,458</u>	<u>793,897</u>	<u>5,808,588</u>	<u>1,694,276</u>

Operating expenses increased from the same periods previous year by 86.48% and 83.02%, or from \$794,000 to \$1.48M and from \$1.68M to \$3.1M (YTDQ2 2022 is adjusted for share-based compensation for the purpose of this variance analysis). Operating expenses represents 190% and 155% of the revenue (Three and six months ended June 30, 2021 – 62% and 59%). Main movements in the three and six-month periods were driven by the following:

- A. **Salaries and benefits** increased by 20% and 22% to \$434,000 and \$893,000 (Three and six months ended June 30, 2021 - \$363,000 and \$732,000) as the Corporation used to house its employees under WestOcean S.A., whose financial results are not included in the Corporation's consolidated financial statements in Q2 2022. Starting May 2020, the Corporation has been moving its employees to Litermi, and as such, there is a slight increase in salaries and benefits in Q2 2022 compare to Q2 2021.
- B. **Marketing expenses** increased by \$19,000 and \$30,000 to \$141,000 and \$385,000 (Three and six months ended June 30, 2021 - \$121,000 and \$355,000) mainly due to the Corporation's increasing marketing activities. Starting Q2 2021, the Corporation has invested significantly to promote on social media.
- C. **Expected credit losses** decreased by \$4,000 and \$22,000 to no losses and recovery of \$4,000 (Three and six months ended June 30, 2021 – loss of \$4,000 and \$18,000) mainly due to improved collection results from processors, and the Corporation has been diligently selecting the payment process service providers.
- D. **Bank charges and fees** increased by \$15,000 and \$25,000 to \$41,000 and \$81,000 (Three and six months ended June 30, 2021 - \$26,000 and \$56,000). Increased mainly due to fine and surcharges of \$18,000 during the first six months of 2022 in Litermi resulted from incompliance with payroll source deduction remittance.
- E. **General and administrative** expenses increased by \$98,000 and \$201,000 to \$114,000 and \$229,000 (Three and six months ended June 30, 2021 - \$16,000 and \$28,000) due to increase in office rent and

overhead as well as management and administrative costs as a result of more employees coming back to office after the COVID-19 pandemic

- F. **IT services** increased by \$51,000 and \$96,000 to \$172,000 and \$326,000 (Three and six months ended June 30, 2021 - \$121,000 and \$230,000) due to increased IT maintenance and upgrade works done on the websites.
- G. **Professional fees** increased by \$426,000 and \$910,000 to \$567,000 and \$1.18M (Three and six months ended June 30, 2021 - \$140,000 and \$270,000) due to increased professional services at corporate level, legal expenses and consulting related to proposed transactions described in note 5.8.
- H. **Vehicles and travel** increased by \$10,000 and \$10,000 to \$10,000 and \$11,000 (Three and six months ended June 30, 2021 - \$Nil and \$1,000) due to lifting of travel restrictions after COVID-19 outbreak.
- I. **Amortization of right-of-use assets** reduced by \$2,000 and \$5,000 to \$nil and \$nil (Three and six months ended June 30, 2021 - \$2,000 and \$5,000) due to termination of leases.

Foreign exchange gain amounted to \$519,000 and \$665,000 during the three and six months ended June 30, 2022. During the three and six months ended June 30, 2021, the Corporation reported foreign exchange loss of \$196,000 and foreign exchange gain of \$218,000. The foreign exchange gain/loss mainly represents unrealized gain/loss from conversion of monetary asset or liabilities denominated in a currency other than the individual entities' functional currencies.

Income tax provision remained relatively consistent and amounted to \$23,000 and \$59,000 (Three and six months ended June 30, 2021 - \$24,000 and \$56,000).

Total net loss for three months period ended June 30, 2022 increased to \$610,000 from loss of \$394,000; while total net loss for six months period ended June 30, 2022 increased to \$4.04M from loss of \$21,000. Total net loss for the six-month period adjusted for \$2.7M share-based compensation increased to \$1.33M from loss of \$21,000. The increase is mainly attributable to higher general and administrative expenses, upgrades done to the websites and increase in professional fees.

The Corporation's Adjusted EBITDA margins were negative 141.8% and 99.15% during three and six months ended Q2 2022 compare to negative 13.6% and 6.33% during the same period in previous year. Operating expenses increased due to higher general and administrative expenses, upgrades done on websites and increase in professional fees. A reconciliation between the current quarter's reported figures and the prior year quarter's figures to Adjusted EBITDA is shown in Note 5.3 of this MD&A.

The Corporation experienced a reduction in cash flow in the six-month period ended June 30, 2022 compare to the same period in previous year. Cash flow used in operating activities for six months ended June 30, 2022 was \$2.38M (six months ended June 30, 2021 -\$160,000). The increase was primarily due to higher payables outstanding at quarter-end.

Financial position:

Cash as of June 30, 2022 reduced to \$4.37M (December 31, 2021 - \$7.22M) primarily due to cash used in operating activities as well as effect in foreign exchange, USD depreciated against EURO, Mexican Peso and Uruguayan Peso since December 31, 2021.

Accounts receivable as of June 30, 2022 increased to \$150,000 (December 31, 2021 - \$nil) due to amounts receivable related to license fee for the use of Kings software/platform.

Due from processors as of June 30, 2022 totalled \$736,000 (December 31, 2021 - \$805,000) due to improvement on collection with payment processors and reduction in revenue volume.

As at June 30, 2022, government remittance recoverable of \$69,000 (December 31, 2021 - \$72,000), decreased by \$3,000 due to timing of expenditures during the last month of Q2 2022.

Prepaid expenses and other assets as at June 30, 2022 decreased by \$156,000 to \$290,000 (December 31, 2021 - \$446,000) due to balance acquired on the RTO transaction on December 30, 2021 which has since been amortized.

Prepaid issue costs of \$722,512 as at December 31, 2021 acquired on the RTO transaction. This balance was related to issue costs of subscription receipts which have been converted to common shares during the six-month period ended June 30, 2022 and as such, the balance has been recognized as a reduction in share capital during the period.

Deferred income tax assets on June 30, 2022 remains consistent at \$21,000 (December 31, 2021 - \$21,000). Balance relates to net loss for tax purpose in L8 Curacao, which resulted in tax loss available for carried forward, and there is reasonable expectation that L8 Curacao will generate taxable income to utilize the loss.

Due from related party balance increased by \$362,000 to \$456,000 as at June 30, 2022 (December 31, 2021 - \$93,000) due to additional advances provided to Legacy Eight Group Ltd. and fluctuation in foreign exchange rates.

Accounts payable and accrued liabilities as of June 30, 2022 decreased by \$1.02M to \$1.54M (December 31, 2021 - \$2.56M) as a result of acquired trade payables and accrued liabilities on the RTO transaction of December 30, 2021.

Income taxes payable increased by \$50,000 to \$158,000 as at June 30, 2022 (December 31, 2021 - \$108,000), the increase is due to taxable income in AZT, PDS and Litermi during the six-month period ended June 30, 2022.

Government remittance payable includes payroll source deduction payable of the Corporation, increased by \$42,000 to \$52,000 by June 30, 2022 (December 31, 2021 - \$10,000) due to timing of deductions payable.

Deferred revenue balance represents users' prepaid account balance that has not been utilized yet and consideration collected prior to procurement of lottery tickets. As at June 30, 2022, such balance

increased by \$173,000 to \$316,000 (December 31, 2021 - \$143,000). Increased mainly due to \$170,000 in lottery tickets procured in advance of a special draw in July 2022.

Due to related party balance increased by \$2,000 to \$89,000 as at June 30, 2022 (December 31, 2021 - \$87,000) mainly due to fluctuation in foreign exchange rates.

### **Strategic progress**

Kings' strategy includes promoting the Brand sites through a variety of international advertisers and through strategic business relationships with online gaming affiliates all in compliance with the Curacao Gaming License.

The Corporation's growth strategy will be implemented based on the business objectives:

#### **(1) Upgrade the Corporation's website**

The Corporation has made significant upgrades to the LottoKings and WinTrillions websites providing users with a significantly improved experience on mobile distribution platforms, and re-working the user journey to make the process of using the site as simple, intuitive and friction-free as possible. The 'look and feel' of the site has been re-worked to make the site content more modern and attractive with the goal of increasing user conversion rates for first-time visitors and engagement for existing users. Additionally, the site has made new products available to users, adding new casino and instant-win game content all of which will be compliant with the Curacao Gaming License.

#### **(2) Launch native mobile apps**

The Corporation will launch mobile apps on both the iOS and Android operating systems. The app will provide users to access functionality comparable to the Corporation's desktop sites in a native mobile format, including allowing users to check results from draws and set alerts for jackpots meeting user-specified minimum thresholds. Multiple versions of the app may be launched, corresponding to different brands owned by the Corporation. These apps will result in a more seamless user experience for the Corporation's mobile users, and allow the Corporation to convert additional users to its platform through its presence on various app stores.

#### **(3) Expand Corporation's lottery games offering**

The Corporation will increase the variety of lottery games available through its platform. This will increase user choice and make the Corporation's offering more competitive in the marketplace. It will also provide a boost to the Corporation's user acquisition efforts by allowing the Corporation to reach a previously untapped pool of users who may be aware of the new lottery games the Corporation plans to offer, but may not have otherwise been aware of the Corporation's sites or services.

#### **(4) Upgrade the Corporation’s “back end” functionality**

The Corporation will make upgrades to its “back end” systems – the internal systems underlying the Corporation’s various websites. This will improve the user experience for visitors of the websites by increasing their responsiveness and allowing Corporation staff to address user concerns more effectively. It will also allow the Corporation to scale its operations more effectively by allowing its systems to on-board and support higher numbers of users. Additionally, the upgrades will increase the ease through which the Corporation may comply with the requirements of various gaming licenses from jurisdictions other than Curacao, allowing it to expand its offering to such jurisdictions more easily if it chooses to do so in the future.

#### **(5) Create ‘satellite sites’ and upgrade SEO efforts**

The Corporation will create ‘satellite sites’ advertising its services in various Latin American jurisdictions. These sites will contain SEO-optimized content related to lottery jackpots and other associated matters, and will attempt to steer users to the main websites through which the Corporation offers its products and services. The Corporation will begin this strategy by creating a few websites in certain targeted jurisdictions and monitoring the results. Subsequently, the Corporation plans to expand its offering throughout Latin America depending on the success of the targeted websites. In conjunction with this effort, the Corporation will employ a SEO consultant tasked with overhauling the Corporation’s SEO efforts including improving its organic search engine optimization activities.

#### **(6) Advertising campaign based on LottoHub app**

The Corporation has developed a native app focusing on general lottery content under the name “LottoHub.” The app contains general information on various lotteries, including jackpots, drawing dates, and costs to enter. The app is designed in a manner aimed at converting users who initially use the app as a free lottery information resource into paying customers on the Corporation’s other properties.

The LottoHub app does not allow users to purchase lottery tickets directly. This allows the app to be marketed through various platforms that restrict direct advertising of gambling services, such as Facebook and Instagram. The Corporation then engages in a paid advertising campaign on these platforms, with the aim of increasing its user base and converting users to its other properties. The app was launched in February 2022.

#### **(7) Acquire complementary businesses and properties**

The Corporation intends to engage in an acquisition strategy focused on acquiring business and technologies that will complement the Corporation’s business. In particular, the Corporation will target other business engaged in substantially the same business as the Corporation, with an established brand name and customer base, whose operations may be easily integrated with those of the Corporation. The Corporation will also seek out assets that may assist its marketing strategy, including existing apps or media platforms with a connection to lotteries and an established user base that may be re-purposed to direct users to the Corporation’s platforms.

## **Regulatory updates in various geographies**

The Corporation does not provide gaming, betting or lottery products in jurisdictions other than the ones indicated below.

### Curacao

L8 Curacao holds a valid Curacao Gaming License which allows it to provide online gaming products and services, including its gaming platform, from its home jurisdiction. The Curacao Gaming License has few restrictions on what markets L8 Curacao's websites may be accessed for real money play. L8 Curacao is in compliance with the applicable restrictions. The lotteries in which L8 Curacao permits its users to participate through its online platform are operated in full legal compliance with the laws of their home jurisdiction, and in many cases operated by a government entity. L8 Curacao does not allow players that are resident in Canada or the United States to purchase any gaming, betting or lottery services or products from its websites.

## **Outlook**

The Corporation's continued to invest in various marketing channels, especially on social media, during Q2 2022. The Corporation's gross margin stayed strong and is looking to facilitate its top line through enhanced marketing activities.

The global outbreak of COVID-19, has had, and continues to have, a significant impact on the global economy. The Corporation derives the majority of its revenue from online gaming. This sector has largely benefited from the various international "lock downs", requiring people to stay at home. As a result, such forms of entertainment have prevailed in a similar fashion to the various streaming businesses such as Netflix have. Furthermore, the Corporation has limited exposure to sports betting revenue that have obviously been impacted by the lack of professional sports. Management continues to monitor the effects COVID-19 on the Corporation's performance and will amend its outlook as, and if, it deems necessary.

## **5. FINANCIAL RESULTS**

### **5.1 BASIS OF FINANCIAL DISCUSSION**

The financial information presented below has been prepared to examine the results of operations from continuing activities.

The presentation currency of the Corporation is the USD, while the functional currencies of the entities consolidated are United States Dollar, Canadian Dollar, Euro, British Pound Sterling, Mexican Peso and Uruguayan Peso due to primary location of individual. The presentation currency of the USD has been selected as it best represents the majority of the Corporation's economic inflows, outflows as well as its assets and liabilities.

## 5.2 SELECTED FINANCIAL INFORMATION

The following is selected financial data of the Corporation for the three and six-month periods ended June 30, 2022 and 2021.

The primary non-IFRS financial measure which the Corporation uses is Adjusted EBITDA<sup>1</sup>. When internally analyzing underlying operating performance, management excludes certain items from EBITDA (earnings before interest, tax, depreciation, and amortization). See Section 5.3 for calculation of EBITDA and Adjusted EBITDA.

USD 000	Three-month periods ended		Six-month periods ended	
	2022	June 30, 2021	2022	June 30, 2021
Revenue	\$780	\$ 1,279	\$ 2,000	\$2,861
Net loss from continuing operations	(610)	(394)	(4,039)	(21)
EBITDA	(587)	(368)	(3,994)	42
Adjusted EBITDA	(1,106)	(174)	(1,983)	(181)
EBITDA margin	(75.26%)	(28.77%)	(199.70%)	1.47%
Adjusted EBITDA margin	(141.79%)	(13.60%)	(99.15%)	(6.33%)
	<b>As at</b>	<b>As at</b>		
	<b>June 30,</b>	<b>December 31,</b>		
	<b>2022</b>	<b>2021</b>		
Total assets	\$ 6,094	\$ 9,387		
Total non-current financial liabilities	nil	nil		
Dividends paid	nil	nil		

With the exception of EBITDA and Adjusted EBITDA, the financial data has been prepared to conform with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These accounting principles have been applied consistently across for all reporting periods.

<sup>1</sup> **Adjusted EBITDA** excludes income or expenses that relate to exceptional items and non-cash charges and includes deductions for lease expenses that are recognized as part of depreciation and finance charges under IFRS 16.

### 5.3 OTHER SELECTED FINANCIAL INFORMATION

Additional selected financial information as follows:

USD 000	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2022	2021	2022	2021
Revenue	\$ 780	\$ 1,279	\$2,000	\$2,861
Cost of revenue	437	659	874	1,350
Gross profit	343	620	1,126	1,511
Gross margin	44%	48%	56%	53%

USD 000	As at	As at
	June 30, 2022	December 31, 2021
Total assets	6,094	9,387
Total liabilities	2,156	2,913

#### DUE FROM PROCESSORS, NET

USD 000	As at	As at
	June 30, 2022	December 31, 2021
Due from processors	\$ 825	\$ 1,065
Provision for chargebacks and reversals	(89)	(80)
Provision for expected credit loss	(1)	(180)
<b>Trade and Other Receivables</b>	<b>735</b>	<b>805</b>

## ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<b>USD 000</b>	<b>As at June 30, 2022</b>	<b>As at December 31, 2021</b>
Trade payables	\$ 1,048	\$ 2,136
Customer claims payable	70	72
Payroll accrual	109	98
Accrued expenses	314	258
<b>Accounts payable and accrued liabilities</b>	<b>1,541</b>	<b>2,564</b>

To supplement its June 30, 2022 interim financial statements presented in accordance with IAS 34, Interim Financial Reporting, the Corporation considers certain financial measures that are not prepared in accordance with IFRS. The Corporation uses such non-IFRS financial measures in evaluating its operating results and for financial and operational decision-making purposes. The Corporation believes that such measures help identify underlying trends in its business that could otherwise be masked by the effect of the expenses that it excludes in such measures.

The Corporation also believes that such measures provide useful information about its operating results, enhance the overall understanding of its past performance and future prospects and allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. However, these measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with IFRS. There are a number of limitations related to the use of such non-IFRS measures as opposed to their nearest IFRS equivalents.

A reconciliation of operating loss to EBITDA and Adjusted EBITDA is as follows:

<b>USD 000</b>	<b>Three-month periods ended</b>		<b>Six-month periods ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net loss	\$ (610)	\$ (394)	\$ (4,046)	\$ (21)
Income tax provision	23	24	52	58
Amortization	-	2	-	5
EBITDA	(587)	(368)	(3,994)	42
Amortization of right-of-use assets	-	(2)	-	(5)
Foreign exchange loss (gain)	(519)	196	(696)	(218)
Share-based compensation	-	-	2,707	-
<b>Adjusted EBITDA</b>	<b>(1,106)</b>	<b>(174)</b>	<b>(1,983)</b>	<b>(181)</b>

Foreign exchange loss (gain) represents unrealized foreign exchange loss (gain) arising from financial assets and liabilities denominated in a currency other than the individual entity's functional currency.

Share-based payments represent fair value of 10,012,000 stock options granted to directors, officers, employees and consultants by the Corporation.

## **REVERSE TAKEOVER TRANSACTION**

On December 30, 2021, Kings Entertainment Group Inc. entered into a reverse takeover transaction with the Lottokings Group. The transaction has been accounted for as a reverse acquisition. As the Corporation did not qualify as a business in accordance with the definition of IFRS 3, the transaction did not constitute a business combination and was accounted for as an issuance of common shares by the Lottokings Group for the net assets of the Corporation to obtain its public listing, with the Lottokings Group as the continuing business.

For accounting purposes, the Lottokings Group is treated as the accounting parent (legal subsidiary) and the Corporation as the accounting subsidiary (legal parent). The transaction is recognized as if the Lottokings Group had issued common shares to the existing Kings shareholders in exchange for the net assets acquired. The fair value of the 20,674,500 common shares of Kings was determined to be CAD \$0.50 per common share, as determined by reference to the quoted share price of Kings at the date of the reverse takeover. The fair value of the 1,067,880 warrants was determined at \$185,506 using the Black-Scholes option pricing model using a weighted average exercise price of CAD \$0.50, 113% volatility rate, a 0.23% risk free return and a 2 year term.

The subscription receipts were issued by the Corporation on May 7, 2021 and November 4, 2021, on a brokered private placement basis to purchasers in certain provinces of Canada. The Corporation issued an aggregate of 17,789,000 subscription receipts at an issue price of CAD \$0.50 per subscription receipt. The sale of the subscription receipts were completed prior to the RTO transaction and gross proceeds were deposited in escrow.

Escrow Release Conditions were met subsequent to the RTO and proceeds from share subscriptions were released from escrow during the six months period ended June 30, 2022.

## 5.4 SUMMARY OF QUARTERLY RESULTS

The following table presents the selected financial data for continuing operations for each of the past eight quarters of the Corporation.

USD 000	2020		2021				2022	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	\$ 1,600	\$ 1,556	\$ 1,582	\$ 1,329	\$ 1,671	\$ 1,259	\$ 1,221	\$ 780
Net income (loss)	(127)	(345)	373	(345)	360	(9,405)	(3,429)	(610)
EBITDA	(114)	(241)	408	(318)	396	(9,353)	(3,400)	(587)
Adjusted EBITDA	332	137	5	(120)	263	(155)	(3,251)	(1,106)

The Corporation's revenue has been decreasing steadily since Q3 2021 due to significantly less lottery procurement revenue generated. Fluctuation in EBITDA is mainly resulted from fluctuation in revenue and foreign exchange gain/loss. Significant negative EBITDA in Q1 2022 is primarily due to share-based payments.

### Liquidity and capital resources

The Corporation's principal sources of liquidity are its cash generated from operations and advances from related party. Currently available funds consist primarily of cash on deposit with financial institutions. The Corporation calculates its working capital requirements from continuing operations as follows:

USD 000	As at June 30, 2022	As at December 31, 2021
Cash and cash equivalents	\$ 4,369	\$ 7,225
Accounts receivable	150	-
Due from processors, net	736	805
Government remittances recoverable	69	72
Prepaid expenses and other assets	290	1,168
	5,614	9,270
Current liabilities	(2,156)	(2,913)
<b>Net working capital</b>	<b>3,458</b>	<b>6,357</b>

The undiscounted contractual maturities of significant financial liabilities and the total contractual obligations of the Corporation as at June 30, 2022 for each of the next five years and thereafter are below:

<b>USD 000</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Thereafter</b>	<b>Total</b>
Accounts payable and accrued liabilities	1,541	-	-	-	-	1,541
Due to related party	89	-	-	-	-	89
Lease liabilities	-	-	-	-	-	-
	<b>1,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,630</b>

## MARKET RISK

The Corporation is exposed to market risks, including changes to foreign currency exchange rates and interest rates.

## FOREIGN CURRENCY EXCHANGE RISK

The Corporation is exposed to foreign currency risk, which includes risks related to its revenue and operating expenses denominated in currencies other than USD, which is both the reporting currency and primary contracting currency of the Corporation's customers. Accordingly, changes in exchange rates may in the future reduce the purchasing power of the Corporation's customers thereby potentially negatively affecting the Corporation's revenue and other operating results.

The Corporation has experienced and will continue to experience fluctuations in its net income (loss) as a result of translation gains or losses related to revaluing certain monetary asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded.

## LIQUIDITY RISK

The Corporation is also exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The primary sources of liquidity risk are accounts payable and accrued liabilities and amounts due to related party. The Corporation's ability to meet its obligations depends on the receipt of funds from its operations. Management monitors its working capital to ensure the obligations under current liabilities are met on timely basis.

## 5.5 CASH FLOW SUMMARY

The cash flow from continuing operations may be summarized as follows:

USD 000	Six months ended June 30,	
	2022	2021
Operating activities	\$ (2,380)	\$ (160)
Financing activity	-	(5)
Effect of foreign exchange	(475)	30
<b>Net cash flow used in continuing operations</b>	<b>(2,855)</b>	<b>(135)</b>

## 5.6 OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements during the three and six-month periods ended June 30, 2022.

## 5.7 PROPOSED TRANSACTIONS

On May 25, 2022 the Corporation announced that it had entered into an arm's length business combination agreement (the "Definitive Agreement") dated May 24, 2022 with Sports Venture Holdings Inc. ("SVH") to combine SVH and the Corporation (the "Business Combination").

In connection with the Business Combination, SVH and a to be incorporated wholly-owned subsidiary of Kings will amalgamate to form one company as a wholly-owned subsidiary of Kings. Following completion of the Business Combination, current shareholders of SVH will hold approximately 87% of the common shares of the combined company (the "Resulting Issuer") on a fully-diluted treasury method basis.

Additionally, in connection with the Business Combination, the Corporation has agreed to make available to SVH a senior secured non-interest bearing credit facility of up to \$5,000,000. The outstanding balance owing under the credit facility will become immediately due and payable if the Definitive Agreement is terminated with interest thereafter accruing at 18% per annum.

Following completion of the Business Combination, it is anticipated that the Resulting Issuer will operate under the name "Interactive Entertainment Group Inc." or such other name as may be agreed with the intention that the Resulting Issuer shares will be listed and posted for trading on the Canadian Securities Exchange ("CSE").

The Business Combination has been unanimously approved by the Board of Directors of each of Kings and SVH. Directors, officers, and other significant shareholders of each of SVH and the Corporation have entered into irrevocable voting and support agreements to vote in favour of the Business Combination representing approximately 30% of the outstanding Kings shares and approximately 53% of the SVH's shares.

Completion of the Business Combination is subject to several conditions including, but not limited to, the receipt of all necessary regulatory and third-party consents, approvals, and authorizations as may be required in respect of the Business Combination, including from the CSE. The initial accounting for the Business Combination, including an assessment of which entity is the acquirer, which entity is the acquiree, and whether the acquiree meets the definition of a business in International Financial Reporting Standard 3, Business Combinations, has not been made at the time that these interim consolidated financial statements were authorized for issue.

## 6 TRANSACTIONS BETWEEN RELATED PARTIES

The Corporation's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions for those in the normal course of business. Transactions between the Corporation and its consolidated entities have been eliminated on consolidation and are not disclosed in this note.

The Corporation's key management personnel are comprised of members of the Board and the executive team which consists of the Interim Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Transactions and balances between the Corporation and its key management personnel and related parties are as follows:

- Due to and from related parties

The Corporation has a balance receivable from related party of \$454,829 and balance payable to related parties of \$89,347 as at June 30, 2022 (December 31, 2021 - \$93,282 and \$86,778). The due to and from related party balances relate to amounts receivable (owed) for funds provided for working capital needs by the related parties. These balances are non-interest bearing with no fixed term of repayment.

As of June 30, 2022 and December 31, 2021, balances due from related parties and due to related parties have been netted off in the consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts.

The following table illustrates netting of balances due to and due from related parties:

	Ledonford Limited	Legacy Eight Group Ltd.	R.S. Real World Services Limited	WestOcean S.A.	Former shareholder of PDS	Total
As at June 30, 2022						
Due from related party	\$ 1,213,544	\$ 932,828	\$ 962,583	\$ 9,887,598	\$ -	\$ 12,996,553
Due to related party	-	(104,402)	(38,917)	(12,467,996)	(19,756)	(12,631,071)
Balance offset per Debt Offset Agreement	(1,213,544)	(373,597)	(923,666)	2,510,807	-	-
Net balance	\$ -	\$ 454,829	\$ -	\$ (69,591)	\$ (19,756)	\$ 365,482
As at December 31, 2021						
Due from related party	\$ 1,188,483	\$ 910,620	\$ 905,000	\$ 9,629,262	\$ -	\$ 12,633,365
Due to related party	-	(103,496)	(38,005)	(12,468,173)	(17,187)	(12,626,861)
Balance offset per Debt Offset Agreement	(1,188,483)	(713,842)	(866,995)	2,769,320	-	-
Net balance	\$ -	\$ 93,282	\$ -	\$ (69,591)	\$ (17,187)	\$ 6,504

- Related party transactions between L8 Curacao and Ledonford Limited:

During the three and six months period ended June 30, 2022, L8 Curacao incurred \$Nil (three and six months period ended June 30, 2021 - \$Nil and \$3,952) for payment processing services provided by Ledonford Limited, an entity that is under common control. The amount is included in processing costs on the consolidated statement of loss and comprehensive loss. As at June 30, 2022, \$Nil (December 31, 2021 - \$Nil) was outstanding for the amount incurred.

- Related party transactions between L8 Curacao and R.S Real World Services Limited:  
During the three and six months periods ended June 30, 2022, L8 Curacao incurred \$Nil (three and six months periods ended June 30, 2021 - \$7,220 and \$14,406) for payment processing services provided by R.S. Real World Services Limited, an entity that is under common control. The amount is included in processing costs on the consolidated statement of loss and comprehensive loss. As at June 30, 2022, \$Nil (December 31, 2021 - \$Nil) was outstanding for the amount incurred.
- Related party transactions between L8 Curacao and Legacy Eight Corporation:  
During the three and six months periods ended June 30, 2022, L8 Curacao advanced an additional \$18,254 and \$361,547 to Legacy Eight Group Ltd. (three and six months periods ended June 30, 2021 - \$112,000 and \$198,000). During the three and six months periods ended June 30, 2022, advances to Legacy Eight Group Ltd. reduced and increased by \$Nil and \$Nil (three and six months periods ended June 30, 2021 - \$10,000 and \$46,000) due to repayment and additional advance taken by PDS respectively. L8 Curacao and PDS are entities under common control of Legacy Eight Group Ltd.

As of June 30, 2022 and December 31, 2021, balances due from related parties and due to related parties have been netted off in the consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts.

The following table illustrates the compensation incurred to key management personnel during the three and six months ended June 30, 2022 and 2021:

**USD**

Name	Position	Q2 2022	Q2 2021	YTDQ2 2022	YTDQ2 2021
Steve Budin	CEO	\$ 75,000	\$ 75,000	\$ 150,000	\$ 150,000
Damian Goodwin	COO	31,410	34,962	66,510	69,438
James Dominique	CMO	25,130	27,969	52,130	55,550
German Justh	CFO	28,880	22,500	53,380	45,000

The following table illustrates value of stock options issued to key management personnel as part of the share-based compensation during the three and six months periods ended June 30, 2022 and 2021:

Name	Position	Q2 2022	Q2 2021	YTDQ2 2022	YTDQ2 2021
Steve Budin	CEO	\$ -	\$ -	\$ 318,318	\$ -
Damian Goodwin	COO	-	-	19,099	-
James Dominique	CMO	-	-	63,664	-
Kelvin Lee	CFO	-	-	63,664	-
Various	Directors			133,693	-
		\$ -	\$ -	\$ 598,438	\$ -

## 7 DISCLOSURE OF OUTSTANDING SHARE DATA

The number of equity-based instruments granted or issued may be summarized as follows:

	June 30, 2022	December 31, 2021
68,463,500 Common Shares	<b>\$ 14,556,184</b>	<b>\$ 8,223,957</b>

The common shares of the Corporation as at June 30, 2022 consists of the 20,674,500 (December 31, 2021 - 20,674,500) common shares of the Corporation issued for cash prior to the RTO and the 30,000,000 (December 31, 2021 - 30,000,000) common shares issued in the RTO transaction.

Following the satisfaction of all escrow release conditions an aggregate of 17,789,000 subscription receipts, originally issued at CAD \$0.50 per subscription receipt, were automatically converted into an aggregate of 17,789,000 common shares. The Corporation incurred costs of \$743,178 that were directly related to the issuance of subscription received and, accordingly, have been recognized as a reduction in share capital upon conversion of subscription receipts to common shares.

### 7.1 WARRANT RESERVE

As at June 30, 2022, the Corporation has 1,067,880 (December 31, 2021 - 1,067,880) agent warrants outstanding. The fair value of these warrants was determined at \$185,506 (December 31, 2021 - \$185,506) using the Black-Scholes option pricing model using a weighted average exercise price of CAD \$0.50, 113% volatility rate, 0% forfeiture rate, a dividend yield of nil, a 0.23% risk free return and a 2 year term.

### 7.2 SHARE-BASED PAYMENTS RESERVE

On January 24, 2022, The Corporation granted 10,012,000 stock options to directors, officers, employees and consultants, at an exercise price of CAD \$0.50 and expiry of 5 years from the date of grant. The stock options vested immediately upon grant. The Corporation has recognized \$2,707,337 for share-based payments.

The fair value of the 10,012,000 stock options was estimated using the Black-Scholes option pricing model assuming a weighted average risk free interest rate of 1.63%, a dividend yield of nil, 0% forfeiture rate, a weighted average expected annual volatility of the Corporation's share price of 132% and an expected life of 5 years. The fair value of the stock options was CAD \$0.40 per option. The expected volatility assumption is based on historical volatility over the same period as the expected life of the option using an appropriate level for price observations. The risk-free interest rate is based on the implied yield currently available on zero-coupon government issues denominated in the currency of the market in which the underlying shares primarily trade, over the same period as the expected life of the option.

## 8 CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's consolidated financial statements requires management to make estimates and judgments in applying the Corporation's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of the consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Corporation believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

### **Impairment of financial assets**

#### Judgments made in relation to accounting policies applied

The Corporation measures impairment losses on financial assets that are subsequently measured at amortized cost. Impairment losses are measured based on the expected credit loss ("ECL") model in accordance with IFRS 9, Financial Instruments. The twelve-month or lifetime expected default rates are estimated by management in calculating the expected credit losses.

#### Key sources of estimation uncertainty

In each stage of the ECL impairment model, impairment is determined based on the probability of default, loss given default, and expected exposures at default. The application of the ECL model requires management to apply the following significant judgments, assumptions, and estimations:

- movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on financial assets subsequently measured at amortized cost. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- thresholds for significant increase in credit risks based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- forecasts of future economic conditions.

## **Revenue recognition**

### Judgments made in relation to accounting policies applied

Under IFRS 15, *Revenue from contracts with customers*, management is required to determine when the control of services or goods are transferred to customers and estimate the variable considerations included in the contracts. Management exercise judgment in determining the point in time control of services or goods are transferred and applies estimates based on information available at each reporting date in determining the amount of variable consideration. Management also applied judgment in determining whether the Corporation acts as principal or agent in its revenue contracts with customers.

### Key sources of estimation

In determining the point in time control of services are transferred, management identifies the performance obligations in the contracts and evaluates the satisfaction of performance obligation time point based on business practice in the industry. Management gathered historical return, refund and chargeback information in estimating the amount of variable consideration, due to the limited operation history of the business, actual results may vary from the estimated amount. In determining the Corporation's role (principal or agent) in its revenue contracts with customers, management considered the operation model and business practice of the industry.

## **Share-based payments**

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. Equity-settled transactions with non-employees are recorded at the fair value of the good or service provided, where this is readily determinable. In other instances, they are recorded at the fair value of the equity instruments issued. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share-based award, volatility and dividend yield and making assumptions about them.

## 9 CHANGES IN ACCOUNTING POLICY

There have been no changes in the Corporation's accounting policies in any of the reporting periods discussed in this MD&A.

## 10 RISK FACTORS AND UNCERTAINTIES

Certain factors, listed below, may have a material adverse effect on the Corporation's business, financial condition, and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A and the corresponding financial statements.

The risks and uncertainties described herein and therein are not the only ones the Corporation may face. Additional risks and uncertainties that the Corporation is unaware of, or that the Corporation currently believes are not material, may also become important factors that could adversely affect the Corporation's business. If any of such risks actually occur, the Corporation's business, financial condition, results of operations, and future prospects could be materially and adversely affected.

### INFORMATION SYSTEMS AND CYBERSECURITY RISKS

The Corporation places significant reliance on its information technology ("IT") systems to operate its business and is dependent upon the availability, capacity, reliability and security of its IT infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. In the event that the Company is unable to secure its software and hardware, effectively upgrade systems and network infrastructure and take other steps to maintain or improve its systems, the operation of such systems could be interrupted or result in the loss, corruption or release of confidential data.

The IT systems are subject to a variety of security risks, which are growing in both complexity and frequency and could include potential breakdown, cyber phishing, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of its IT systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential fiduciary or proprietary information, in a loss or theft of our financial resources, critical data and information or could result in a loss of control of our technological infrastructure or financial resources.

The Corporation maintains security policies and procedures that include employee protocols with respect to electronic communications and electronic devices, encryption protection of all computers and portable electronic devices and conducts annual cyber-security assessments. The Corporation applies technical and process controls in line with industry-accepted standards and best practices to protect its information, assets and systems. However, due to the variety and 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 Corporation's business, financial condition, and results of operations as well as on the Corporation's reputation.

## **MANAGEMENT OF GROWTH**

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation 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 Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

## **KEY PERSONNEL**

The Corporation may experience the loss of important staff members. The Corporation is currently in good standing with all high-level employees and believes that with well managed practices it will remain in good standing. The success of the Corporation will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key 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.

## **LIMITED OPERATING HISTORY**

The Corporation is subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

## **FORECASTING LIMITATIONS**

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cloud kitchen industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

## **NEED FOR ADDITIONAL FINANCING AND POSSIBLE EFFECTS OF DILUTION**

The development of the business of the Corporation 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 Corporation'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 Corporation. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.

## **INSURANCE AND UNINSURED RISKS**

The Corporation's business is subject to a number of risks and hazards generally, including accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, delays in operations, monetary losses and possible legal liability. Although the Corporation 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 Corporation 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 Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

## **INTERNAL CONTROLS**

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Corporation under Canadian securities law, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's consolidated financial statements and materially adversely affect the trading price of the Common Shares.

## **LITIGATION**

The Corporation 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 Corporation becomes involved be determined against the Corporation such a decision could adversely affect the Corporation's ability to continue operating and the market price for Common Shares and could use significant resources. Even if the Corporation is involved in litigation and wins, litigation can redirect significant Corporation resources.

## **GOVERNMENTAL REGULATIONS AND RISKS**

Government approvals and permits may in the future be required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from conducting its business. 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, or remedial actions. The Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Changes to current laws and regulations may be unfavorable and have an adverse effect on the Corporation's operations.

## **COMPETITION**

The Corporation will likely face intense competition from other companies, some of which have longer operating histories and more financial resources and marketing experience than the Corporation. Increased competition by larger and better-financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Corporation. Because of the early stage of the industry in which the Corporation operates, the Corporation expects to face additional competition from new entrants. To remain competitive, the Corporation will require a continued investment in facilities and R&D to be able to compete on costs. The Corporation may not have sufficient resources to maintain marketing, sales and patient support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Corporation.

## **BREACH OF CONFIDENTIALITY**

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There can be no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

## **INABILITY TO PROTECT INTELLECTUAL PROPERTY**

The Corporation's success is heavily dependent upon its intangible property and technology. The Corporation relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that are considered important to the development of the business. The Corporation relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Corporation to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Corporation's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Corporation's. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Corporation may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Corporation's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain

names and other intellectual property rights, including the Corporation's names and logos. If the Corporation's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Corporation's business and might prevent its brands from achieving or maintaining market acceptance.

The Corporation may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Corporation to incur significant penalties and costs.

### **INNOVATION RISKS**

In the area of innovation, the Corporation must be able to develop new products that appeal to its customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to protect its intellectual property rights. The Corporation may not be successful in the development, introduction, marketing, and sourcing of new products, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

### **CONFLICTS OF INTEREST**

Directors of the Corporation are and may become directors of other reporting companies or have significant shareholdings in other gaming companies and, to the extent that such companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Corporation and its directors will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Corporation, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA, as the case may be. Other than as indicated, the Corporation has no other procedures or mechanisms to deal with conflicts of interest.

### **SUPPORT OF BANKS AND PAYMENT PROCESSORS**

The Corporation relies on payment processing and banking providers to facilitate the movement of funds between the Corporation and its customers. Anything that could interfere with the formation or otherwise harm the Corporation's relationships with payment and banking service providers could have a material adverse effect on its business, results of operations, financial condition and prospects. The Corporation's ability to accept payment from its customers or facilitate withdrawals by them may be restricted by any introduction of legislation or regulations restricting financial transactions with online or mobile gaming operators or prohibiting the use of credit cards and other banking instruments for online or mobile gaming transactions, or any other increase in the stringency of regulation of financial transactions, whether in general or in relation to the gambling industry in particular. Stricter anti-money laundering regulations may also affect the quickness and accessibility of payment processing systems, resulting in added

inconvenience to its customers. Card issuers and acquirers may dictate how transactions and products need to be coded and treated which could also make an impact on acceptance rates. Card issuers, acquirers, payment processors and banks may also cease to process transactions relating to the online or mobile gaming industry as a whole or certain operators. This could be due to reputational and/or regulatory reasons or in light of increased compliance standards of such third parties that seek to limit their business relationships with certain industry sectors considered as “high risk”. It may also result in customers being dissuaded from accessing the Corporation’s product offerings if they cannot use a preferred payment option, or the quality or the speed of the supply is not suitable or accessible to the customers. Any such developments may have a material adverse effect on the Corporation’s business, results of operations, financial condition and prospects.

### **ONLINE GAMING INDUSTRY IS HIGHLY REGULATED**

The Corporation, its subsidiaries, and their respective officers, directors, major shareholders, key employees and business partners will be subject to the laws and regulations relating to online gaming of the jurisdictions in which the Corporation may conduct business. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on the Corporation’s operations and financial results. In particular, some jurisdictions have introduced regulations that restrict or prohibit online gaming, while others have taken the position that online gaming should be licenced and regulated and have adopted, or are considering adopting, legislation to enable that to happen.

In addition, the Corporation will be subject to the general laws and regulations that apply to all online, digital and e-commerce businesses, such as those related to privacy and personal information, data security, tax, and consumer protection. The laws and regulations vary in each jurisdiction and future legislative and regulatory action, court decisions, and/or other governmental action, which could be affected by, among other things, political pressures, attitudes and climates, may have a material impact on the Corporation’s operations and financial outcomes.

### **SOCIAL RESPONSIBILITY CONCERNS**

Public opinion can significantly influence the regulation of online gaming. A negative shift in the perception of online gaming by the public or by politicians, lobbyists or others could affect future legislation or regulation in different jurisdictions. Among other things, such a shift could cause jurisdictions to abandon proposals to legalize online gaming, thereby limiting the number of new jurisdictions into which the Corporation could expand. Negative public perception could also lead to new restrictions on or to the prohibition of online gaming in jurisdictions in which the Corporation may operate.

In addition, concerns with safer betting and gaming could lead to negative publicity, resulting in increased regulatory attention, which may result in restrictions on the Corporation’s future operations. If the Corporation had to restrict its future marketing or product offerings or incur increased compliance costs, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Corporation will likely face scrutiny related to environmental, social, governance and responsible gaming activities, and its reputation and the value of its brands can be materially adversely harmed if it fails to act responsibly in a number of areas, such as environmental, supply chain management, climate change, diversity and inclusion, workplace conduct, responsible gaming, human rights, philanthropy and support for local communities. Any harm to the Corporation's reputation could impact employee engagement and retention, and the willingness of future customers and the Corporation's partners to do business with it, which could have a materially adverse effect on its business, results of operations and cash flows.

#### **THE CORPORATION MAY BE SUBJECT TO REGULATORY INVESTIGATIONS**

From time to time, the Corporation and its subsidiaries may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance with laws and other matters. Violation of existing or future regulatory orders or consent decrees could subject the Corporation to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause the Corporation to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

#### **ONLINE GAMING INDUSTRY RELIANT ON MOBILE ADVERTISING**

The online gaming industry is a relatively new and rapidly evolving industry and as such it is difficult to predict the prospects for growth. There is no assurance that advertisers will continue to increase their purchases of online and mobile advertising, that the supply of advertising inventory will not exceed demand or that smartphone penetration in the in the jurisdictions in which the Corporation operates will continue to grow. If the industry grows more slowly than anticipated or the Corporation's products and services fail to achieve market acceptance, the Corporation may be unable to achieve its strategic objectives, which could have a material adverse effect on its prospects, business, financial condition or results of operations.

#### **THE COVID-19 OUTBREAK AND ITS EFFECT ON THE CORPORATION'S BUSINESS**

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) ("COVID-19") was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries including, Canada, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. The Corporation's business may be impacted by the recent COVID-19 outbreak. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent months. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on the Corporation's ability to access capital, business, results of operations and financial condition, and on the market price of the Common Shares. The extent of this

potential disruption on the Corporation's business cannot be assessed as the full extent of the outbreak and its impact on the global economy cannot be predicted.

### CORRECTION OF ERRORS IN PREVIOUSLY ISSUED FINANCIAL

In the process of re-filing the Corporation's second quarter 2022 financial statements, the Corporation identified that (1) the interim consolidated statement of cash flows for the six months ended June 30, 2022 had the following error: certain non-cash items were incorrectly included in net cash flows used in operating activities with an offsetting misstatement in effect of foreign exchange in cash, and (2) the interim consolidated statements of loss and comprehensive loss for the six months ended June 30, 2022 had an error with calculation of deferred income tax expense with an offsetting misstatement in foreign currency translation differences, and (3) the interim consolidated statements of financial position as at June 30, 2022 had errors in foreign exchange translation reserve with offsetting misstatement in deficit. Consequently, the Corporation restated the interim consolidated financial statements for these identified errors. These corrections did not have an impact on the net change in cash; however, resulted in understatement of shareholders' equity. The following table provides information on the amounts of the errors and the areas of the financial statements that were impacted:

	Interim Consolidated Statement of Cash Flows for Six Months Ended June 30, 2022		
	As reported	Adjustment	As restated
Cash flows (used in) operating activities			
Decrease in prepaid issue costs	\$ 722,512	\$ (722,512)	\$ -
Net cash flows (used in) operating activities	\$ (1,656,372)	\$ (723,415)	\$ (2,379,787)
Cash flows (used in) financing activities			
Cost of issuance of subscription receipts converted to shares	\$ (744,103)	\$ 744,103	\$ -
Net cash flows (used in) financing activities	\$ (744,103)	\$ 744,103	\$ -
Effect of foreign exchange in cash	\$ (454,886)	\$ (20,688)	\$ (475,574)

	Interim Consolidated Statements of Loss and Comprehensive Loss for Six Months Ended June 30, 2022		
	As reported	Adjustment	As restated
Income tax expense (recovery)			
Deferred	\$ (7,932)	\$ 7,400	\$ (532)
Income tax expense (recovery)	\$ 51,853	\$ 7,400	\$ 59,253
Net loss	\$ (4,038,664)	\$ (7,400)	\$ (4,046,064)
Other comprehensive income (loss)			
Foreign currency translation differences	\$ (462,080)	\$ 7,379	\$ (454,701)
Comprehensive loss	\$ (4,500,744)	\$ (21)	\$ (4,500,765)

	Interim Consolidated Statement of Financial Position As At June 30, 2022		
	As reported	Adjustment	As restated
Current assets			
Prepaid expenses and other assets	\$ 289,053	\$ 904	\$ 289,957
Total current assets	\$ 5,613,678	\$ 904	\$ 5,614,582
Shareholders' Equity			
Share Capital	\$ 14,555,259	\$ 925	\$ 14,556,184
Foreign exchange translation reserve	\$ (449,428)	\$ 7,379	\$ (442,049)
Deficit	\$ (13,062,201)	\$ (7,400)	\$ (13,069,601)
Shareholders' Equity	\$ 3,936,473	\$ 904	\$ 3,937,377



**EXHIBIT B**  
**FINANCIAL STATEMENTS AND**  
**MANAGEMENT DISCUSSION AND ANALYSIS OF SVH**

**DRAFT**

**Sports Venture Holdings Inc.**  
**Consolidated Financial Statements**  
**Years ended December 31, 2021 and 2020**

**Sports Venture Holdings Inc.**  
**Consolidated Financial Statements**  
**Years ended December 31, 2021 and 2020**

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## Independent Auditors' Report

To the Shareholders of  
Sports Venture Holdings Inc.

### *Opinion*

We have audited the consolidated financial statements of Sports Venture Holdings Inc. (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and 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 Sports Venture Holdings Inc. as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *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 Corporation 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 is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter – Amended Consolidated Financial Statements*

We draw attention to Note 17 to the consolidated financial statements, which describes that the consolidated financial statements that we originally reported on May 13, 2022 have been amended and describes the matter that gave rise to the amendment of the consolidated financial statements. Our opinion is not modified in respect of this matter.

### *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 International Financial Reporting Standards, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

## Independent Auditors' Report (Continued)

### *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.
- 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 Corporation'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 Corporation'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 Corporation 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.

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.

*Lipton LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
May 13, 2022, except as to Note 17, which is as of July 7, 2022

**Sports Venture Holdings Inc.**  
**Consolidated Statements of Financial Position**  
**As at December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current		
Cash	\$ 9,344,012	\$ 4,997,536
Due from payment processors and other receivables (Note 12(a))	3,164,907	475,043
Derivative financial assets (Note 3(a)(iv))	51,382	10,040
Prepaid expenses	3,937,626	414,065
	16,497,927	5,896,684
Non-current asset held for sale (Note 15)	223,776	-
Intangible asset (Note 5)	3,402,379	-
	\$ 20,124,082	\$ 5,896,684
<b>Liabilities</b>		
Current		
Trade and other payables (Notes 10 and 12(c))	\$ 6,556,925	\$ 494,470
Liabilities to players (Note 12(c))	3,680,270	342,949
	10,237,195	837,419
<b>Shareholders' Equity</b>		
Share capital (Note 8)	18,569,470	7,557,317
Warrant reserve (Note 8)	384,335	384,335
Stock option reserve (Note 13)	2,490,504	-
Deficit	(11,557,422)	(2,882,387)
	9,886,887	5,059,265
	\$ 20,124,082	\$ 5,896,684

The accompanying notes form an integral part of these consolidated financial statements

These consolidated financial statements are approved by the Directors:



\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Sports Venture Holdings Inc.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**Years ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Revenue from contracts with customers</b>		
Gross gaming revenue (Note 14)	\$ 32,467,988	\$ 766,621
Less: customer promotions and bonuses	(6,916,660)	(191,957)
	<b>25,551,328</b>	<b>574,664</b>
<b>Cost of revenue</b>		
Provider usage fees	4,444,121	167,119
Hosting	100,738	46,717
Payment processor fees	2,294,127	90,589
Platform	159,015	358,643
	<b>6,998,001</b>	<b>663,068</b>
Gross profit (loss)	<b>18,553,327</b>	<b>(88,404)</b>
<b>Expenses</b>		
Advertising and promotion	18,596,570	455,222
Bad debts	261,675	-
Bank charges and interest	9,336	240
Dues and subscriptions	49,161	31,725
Research and development	-	31,602
Office and general	366,799	70,359
Professional fees	944,105	512,041
Share-based payments (Notes 10 and 13)	2,540,504	375,000
Subcontractors (Note 10)	3,235,233	596,079
Telecommunications	598,687	34,999
Website	204,560	227,060
	<b>26,806,630</b>	<b>2,334,327</b>
<b>Other losses</b>		
Foreign exchange loss	198,025	87,301
Impairment loss on asset held for sale (Note 15)	223,707	-
Reverse acquisition expense (Note 7)	-	308,990
	<b>421,732</b>	<b>396,291</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (8,675,035)</b>	<b>\$ (2,819,022)</b>

The accompanying notes form an integral part of these consolidated financial statements

**Sports Venture Holdings Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**Years ended December 31, 2021 and 2020**

	Share capital	Warrant reserve	Stock option reserve	Deficit	Total shareholders' equity (deficiency)
<b>Balance as at January 1, 2020</b>	\$ 26,576	\$ -	\$ -	\$ (63,365)	\$ (36,789)
Issuance of common shares in settlement of loan (Note 8)	600,000	-	-	-	600,000
Issuance of common shares, net of issue costs (Note 8)	6,619,676	-	-	-	6,619,676
Share-based payments (Notes 8 and 13)	375,000	-	-	-	375,000
Issuance of broker warrants (Note 8)	(384,335)	384,335	-	-	-
Deemed issuance of shares on reverse acquisition (Note 7)	320,400	-	-	-	320,400
Net loss	-	-	-	(2,819,022)	(2,819,022)
<b>Balance as at December 31, 2020</b>	7,557,317	384,335	-	(2,882,387)	5,059,265
Issuance of common shares, net of issue costs (Note 8)	10,962,153	-	-	-	10,962,153
Share-based payments (Notes 8 and 13)	50,000	-	2,490,504	-	2,540,504
Net loss	-	-	-	(8,675,035)	(8,675,035)
<b>Balance as at December 31, 2021</b>	\$ 18,569,470	\$ 384,335	\$ 2,490,504	\$ (11,557,422)	\$ 9,886,887

The accompanying notes form an integral part of these consolidated financial statements

**Sports Venture Holdings Inc.**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Net loss	\$ (8,675,035)	\$ (2,819,022)
Items not affecting cash:		
Share-based payments expense	2,540,504	375,000
Change in fair value of derivative financial assets	(41,342)	(10,040)
Impairment loss on asset held for sale	223,707	-
Unrealized foreign exchange loss (gain) on cash	81,629	(4,435)
Reverse acquisition expense	-	308,990
	(5,870,537)	(2,149,507)
Net changes in non-cash working capital (Notes 7 and 11)	3,186,351	(129,568)
Cash flows used in operating activities	(2,684,186)	(2,279,075)
<b>Investing activities</b>		
Cash acquired on reverse acquisition (Note 7)	-	52,500
Additions to intangible asset	(3,402,379)	-
Acquisition of license (Note 15)	(447,483)	-
Cash flows provided by (used in) investing activities	(3,849,862)	52,500
<b>Financing activities</b>		
Proceeds from issuance of common shares (Notes 8 and 11)	11,810,017	7,150,076
Costs of issuance of common shares (Note 8)	(847,864)	(530,400)
Proceeds from loan payable (Note 11)	-	600,000
Cash flows provided by financing activities	10,962,153	7,219,676
Unrealized foreign exchange gain (loss) on cash	(81,629)	4,435
Net change in cash	4,346,476	4,997,536
Cash - beginning of year	4,997,536	-
Cash - end of year	\$ 9,344,012	\$ 4,997,536

The accompanying notes form an integral part of these consolidated financial statements

**Sports Venture Holdings Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2021 and 2020**

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**1. Nature of business**

Sports Venture Holdings Inc. (the "Corporation"), operating as Bet99, was incorporated on May 8, 2020 under the laws of the Province of Ontario. The Corporation operates an online sports betting and gaming website serving customers throughout Canada. The registered office is located at 77 King Street West, Suite 700, TD Tower North, Toronto, Ontario, M5K 1G8.

**2. Basis of presentation**

(a) Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments (which include estimated gross gaming revenue on open betting transactions), which are measured at fair value each period, as explained in the accounting policies set out in Note 3.

These consolidated financial statements were approved by the Board of Directors on May 13, 2022, except Note 17, which was approved by the Board of Directors on July 7, 2022.

(b) Basis of consolidation

A subsidiary is an entity controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Corporation's consolidated financial statements comprise the financial statements of the Corporation and its wholly-owned subsidiaries Hockey Holding AG and BQC Consulting GmbH, incorporated in Switzerland, and 1000007698 Ontario Ltd., incorporated in Ontario, Canada. Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated on consolidation except to the extent that unrealized losses provide evidence of impairment.

(c) Functional currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation and all of its subsidiaries.

(d) Estimates and critical judgments by management

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made as appropriate in the year they become known. Items for which actual results may differ significantly from these estimates are described in the following section.

(i) Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome of estimated transactions based on the facts known at the reporting date. When the Corporation anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Corporation becomes aware of this difference.

In addition, when the Corporation incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

**Sports Venture Holdings Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2021 and 2020**

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**2. Basis of presentation (continued)**

(d) Estimates and critical judgments by management (continued)

(ii) Fair value

The Corporation uses estimates and judgments in determining fair value in the context of its financial instruments and non-current assets held for sale. All financial instruments are required to be measured at fair value on initial recognition. Subsequent measurement is at amortized cost or fair value depending on the classifications of the financial instruments. A non-current asset classified as held for sale is measured at the lower of its carrying value and fair value less costs to sell.

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. This is a point-in-time measurement that may change in subsequent reporting periods due to market conditions or other factors.

When available, fair value is determined by reference to the market price of actual transactions between market participants at the measurement date. In the absence of such actual transactions, fair value is determined using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. Fair value determined using these valuation models requires the use of assumptions concerning the timing of future cash flows and a number of other variables. In determining these assumptions, external readily observable market inputs are considered, as applicable. When such data is unavailable, the Corporation uses the best possible estimate. Since the fair values determined by management are based on estimates, they may not be realized in an actual sale or immediate settlement of the instruments.

(iii) Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Notes 8 and 13.

(iv) Provisions for expected credit losses on amounts due from payment processors

The Corporation uses historical observed default rates, adjusted with forward-looking information, to calculate expected credit losses ("ECLs") for amounts due from payment processors. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Corporation's historical credit loss experience and forecasts of economic conditions may also not be representative of actual default rates in the future.

**3. Significant accounting policies**

(a) Financial instruments

The Corporation aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized.

The Corporation's accounting policy for each category of financial instrument is as follows:

(i) Subsequently measured at amortized cost

Financial instruments classified in this category are subsequently measured at amortized cost using the effective interest method. Transaction costs are included in the amount initially recognized. In these consolidated financial statements, cash, due from payment processors and other receivables, trade and other payables and liabilities to players have been classified as subsequently measured at amortized cost.

(ii) Subsequently measured at fair value through profit or loss

Financial instruments classified as subsequently measured at fair value through profit or loss are reported at fair value at each consolidated statement of financial position date, and any change in fair value is recognized in the consolidated statement of operations and comprehensive loss in the period during which the change occurs. In these consolidated financial statements, derivative financial instruments, which represent gross gaming revenue receivable from customers on sportsbook events that have not occurred by year-end, have been classified as subsequently measured at fair value through profit or loss.

**Sports Venture Holdings Inc.**  
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**3. Significant accounting policies (continued)**

(a) Financial instruments (continued)

(iii) Impairment

In accordance with IFRS 9, *Financial instruments*, the Corporation accounts for impairment losses for financial assets subsequently measured at amortized cost using a forward-looking ECL approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Corporation measures ECLs on amounts due from payment processors in a manner that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iv) Fair value hierarchy

All financial instruments measured at fair value after initial recognition are categorized into one of three hierarchy levels. Each level reflects the significance of the inputs used in making the fair value measurements.

Level 1: Fair value is determined by reference to quoted prices in active markets. The Corporation does not have any financial instruments categorized in this hierarchy level.

Level 2: Valuations use inputs based on observable market data, either directly or indirectly, other than the quoted prices. The Corporation does not have any financial instruments categorized in this hierarchy level.

Level 3: Valuations are based on inputs that are not based on observable market data. Derivative financial instruments, which comprise gross gaming revenue receivable from sports betting open positions, are categorized as Level 3 of the fair value hierarchy. The fair value of derivative financial instruments at the period end has been calculated based on expectations as to the results of sporting and other events on which bets are placed using historical win/loss rates. Changes in those expectations and ultimately the actual results when the events occur will result in changes in fair value. There are no reasonably probable changes to assumptions and inputs that would lead to material changes in the fair value methodology although the final value will be determined by future sporting results.

A continuity schedule of financial instruments categorized as level 3 for fair value measurement is as follows:

	Derivative financial assets
<b>Balance as at January 1, 2020</b>	\$ -
Change in fair value	10,040
<b>Balance as at December 31, 2020</b>	10,040
Change in fair value	41,342
<b>Balance as at December 31, 2021</b>	\$ 51,382

(b) Revenue from contracts with customers

The services provided by the Corporation comprise sportsbook betting revenue and gaming revenue consisting of online games and casinos. Revenue from contracts with customers is recognized when control of the Corporation's services are transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those services. The Corporation has concluded that it is the principal in its revenue arrangements because it controls the services before transferring them to the customer.

**Sports Venture Holdings Inc.**  
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**3. Significant accounting policies (continued)**

(b) Revenue from contracts with customers (continued)

Information about the nature and timing of the satisfaction of performance obligations pertaining to the Corporation's main sources of revenue are outlined below:

(i) Sportsbook betting revenue

Revenue from sportsbook betting activities represents the net gain or loss from betting activities in the year plus the gain or loss on the revaluation of open positions at year end and is stated net of the cost of customer promotions and bonuses incurred in the year. These derivative financial instruments are recognized initially at fair value and subsequently at fair value through profit or loss, within the revenue line as this represents the Corporation's principal activity. Customer promotions and bonuses are deducted from sportsbook betting revenue.

(ii) Gaming revenue

Revenue from fixed odds games and the online casinos represents net winnings ("gross gaming revenue"), being amounts staked net of customer winnings, and is stated net of customer promotions and bonuses incurred in the year.

(c) Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are determined based on the difference between the consolidated financial statement carrying amount and the tax basis of assets and liabilities. Any change in the net amount of deferred tax assets and liabilities is included in net loss. Deferred tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable income for the years in which the assets and liabilities will be recovered or settled. Deferred tax assets are recognized when it is probable they will be realized. Deferred tax assets and liabilities are not discounted.

(d) Share capital

Share capital is presented at the fair value of the shares issued. Costs related to the issuance of shares are reported in equity, net of income tax, as a deduction from the issuance proceeds.

(e) Intangible asset

The Corporation's intangible asset consists of an internally generated intangible asset in the form of the source code for a proprietary core platform, which is not yet available for use. The Corporation recognizes expenditures incurred during the research phase of an internally generated intangible asset as an expense in the period incurred. Expenditures incurred during the development phase of an internally generated intangible asset are capitalized if, and only if, the Corporation can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits. This can be demonstrated through the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(f) Foreign currency translation

Transactions in foreign currencies are initially recorded by the Corporation at the spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in net loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

### **3. Significant accounting policies (continued)**

#### (g) Share-based payments

The Corporation issues share-based payments to Directors and partners in the form of stock options and common shares, as compensation for services provided. For common shares issued as compensation for services provided, the fair value of the common shares is determined based on the fair value of the services received in exchange for the common shares.

For stock options granted, the fair value of the services received, and the corresponding increase in equity, are measured indirectly by reference to the fair value of the stock options granted. The fair value of the stock options granted is determined at the grant date using the Black-Scholes valuation model. The services received in a share-based payment transaction are recognized by the Corporation as share-based payments expenses as the services are received (over the vesting period), with a corresponding increase in equity. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Corporation's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

#### (h) Non-current assets held for sale

The Corporation classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

#### (i) Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash generating unit is the higher of fair value less costs to sell or its 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. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

### **4. Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's consolidated financial statements are disclosed below. The Corporation intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### (a) Amendments to IAS 1, *Presentation of Financial Statements*: Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Corporation is currently assessing the impact the amendments will have on current practice.

**4. Standards issued but not yet effective (continued)**

(b) Onerous contracts – costs of fulfilling a contract – amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Corporation will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

(c) IFRS 9, *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Corporation will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Corporation.

(d) Definition of accounting estimates - amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

In February 2021, the IASB issued amendments to IAS 8, in which it introduced a definition of 'accounting estimates.' The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Corporation.

(e) Disclosure of accounting policies - amendments to IAS 1, *Presentation of Financial Statements* and IFRS Practice Statement 2, *Making Materiality Judgements*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Corporation is currently assessing the impact of the amendments to determine the impact they will have on the Corporation's accounting policy disclosures.

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**5. Intangible asset**

A continuity schedule of the Corporation's intangible asset is as follows:

	Internally generated intangible asset
<b>Balance as at January 1, 2020 and 2021</b>	\$ -
Additions	3,402,379
<b>Balance as at December 31, 2021</b>	<b>\$ 3,402,379</b>

As at December 31, 2021, the internally generated intangible asset is not yet available for use and, accordingly, is not being amortized.

**6. Combination of entities under common control and pooling of interests method**

BQC Consulting GmbH ("BQC") was incorporated on November 1, 2019. All of the issued and outstanding common shares of BQC were acquired by the Corporation's founder on December 31, 2019. Hockey Holding AG ("HH") was incorporated on March 5, 2020. All of the issued and outstanding shares of HH were acquired by the Corporation's founder on March 16, 2020. Also on that date, the Corporation's founder contributed his shares of BQC into HH for no consideration.

Before and after the contribution of the BQC shares into HH, the Corporation's founder controlled all of the entities involved. As a result, this transaction represents a combination of entities under common control, which is excluded from the scope of IFRS 3, *Business Combinations*. Accordingly, management has chosen to use the pooling of interests method to account for this transaction.

Under the pooling of interest method:

- The assets and liabilities of the combining parties are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments made are to align accounting policies.
- No 'new' goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining parties. Any difference between the consideration transferred and the acquired net assets is reflected within equity.
- The consolidated statement of operations and loss will reflect the results of the combining parties.

As a result, the consolidated financial statements of the Corporation are presented as if the entities were always combined. Accordingly, the comparative figures in these consolidated financial statements reflect the earnings, assets and liabilities of HH and BQC since the entities were incorporated.

**7. Reverse acquisition**

On June 6, 2020, the Corporation acquired all of the issued and outstanding common shares of HH from a single individual in exchange for the issuance of 6,666,666 common shares of the Corporation, resulting in the former shareholder of HH owning 78.93% of the issued and outstanding common shares of the Corporation immediately after the transaction.

As a result of this transaction, the former shareholder of HH held a majority of the common shares of the Corporation and the Corporation continued HH's existing business. Accordingly, HH was considered to have acquired the Corporation on an accounting basis, and the transaction was accounted for as a reverse acquisition.

At the time of the transaction, the Corporation did not constitute a business as defined in IFRS 3. Therefore, the transaction was accounted for in accordance with IFRS 2, *Share-Based Payment*, where the difference between the consideration given to acquire the Corporation and the net asset value of the Corporation was recognized as an expense. HH, the legal subsidiary, was treated as the accounting parent company and the Corporation, the legal parent, was treated as the accounting subsidiary in these consolidated financial statements. As HH was deemed to be the acquirer for accounting purposes, these consolidated financial statements present the historical financial information of HH to the date of the transaction.

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**7. Reverse acquisition (continued)**

The total consideration was estimated based on a fair value of \$0.18 per common share. The total purchase price described above resulted in a share capital increase of \$320,400, which represented the fair value of the Corporation's 1,780,000 common shares deemed to be issued to the Sports Venture Holdings Inc. shareholders to effect the transaction.

The reverse acquisition was accounted for as follows:

<b>Net assets acquired</b>	
Assets acquired	
Cash	\$ 52,500
Liabilities assumed	
Trade and other payables	(41,090)
<b>Net assets acquired</b>	<b>11,410</b>
<b>Consideration paid</b>	
1,780,000 common shares deemed issued to the Corporation's existing shareholders	320,400
<b>Reverse acquisition expense</b>	<b>\$ 308,990</b>

The fair value of the consideration paid exceeded the fair value of the net assets acquired by \$308,990, which was treated as an expense and was recognized in the consolidated statement of operations and comprehensive loss during the year ended December 31, 2020.

**8. Share capital**

**Authorized:**

Unlimited number of common shares, without par value  
 Unlimited number of special shares, issuable in series

**Issued:**

	2021	2020
16,677,828 Common shares (2020 - 15,055,933)	\$ 18,569,470	\$ 7,557,317

During the year ended December 31, 2021, the Corporation issued 1,621,895 common shares for gross proceeds of \$11,810,017 and incurred costs of \$847,864 that were directly related to the issuance of the common shares and, accordingly, have been recognized as a reduction in share capital.

As described in Note 7, on June 6, 2020, the Corporation acquired all of the issued and outstanding common shares of HH from a single individual in exchange for the issuance of 6,666,666 common shares of the Corporation. As at the date of this transaction, the Corporation had 1,780,000 common shares outstanding, which remained as part of the legal capital of the Corporation but had a \$Nil carrying value as a result of the reverse acquisition. Immediately thereafter, the Corporation issued 3,333,333 common shares in settlement of a \$600,000 loan payable.

During the year ended December 31, 2020, the Corporation issued 1,323,336 common shares for gross proceeds of \$1,957,152.

Also during the year ended December 31, 2020, the Corporation issued 1,702,598 units for gross proceeds of \$5,192,924 and incurred costs of \$530,400 that were directly related to the issuance of the units and, accordingly, have been recognized as a reduction in share capital. Each unit consisted of one common share of the Corporation and one half of a common share purchase warrant. The fair value of the common share purchase warrants, as well as broker warrants issued to the Corporation's broker in respect of the securities offering, of \$384,335 has been recognized within the warrant reserve on the consolidated statement of financial position, with a corresponding reduction in share capital.

The weighted average fair value at the measurement date of the warrants granted during the year ended December 31, 2020, and the significant inputs to the Black-Scholes model that was used to determine their fair values are as follows:

Weighted average fair value	\$ 0.29
Weighted average share price	4.32
Exercise price	3.05 - 4.57
Expected volatility (%)	35.00
Expected dividends (%)	-
Risk-free rate (%)	1.00

During the year ended December 31, 2021, services with a fair value of \$50,000 were provided to the Corporation by a partner in exchange for 5,000 common shares that were transferred from an existing shareholder on behalf of the Corporation to the partner. The fair value of these services was recognized in share-based payments expense in the consolidated statement of operations and comprehensive loss and added to share capital. Finally, during the year ended December 31, 2020, the Corporation issued 250,000 common shares with a total fair value of \$375,000 to a partner in exchange for services provided.

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**9. Provision for income taxes**

A reconciliation between the recovery of income taxes at the statutory income tax rates in Canada (26.5%) and Switzerland (11.85%) and the amount recognized in the consolidated financial statements is as follows:

	2021	2020
Loss before income taxes	\$ (8,675,035)	\$ (2,819,022)
Tax recovery at the statutory income tax rates	(1,453,269)	(458,214)
Effects of permanent differences	772,660	150,766
Valuation allowance	680,609	307,448
	\$ -	\$ -

The main components of deferred income taxes consist of timing differences on the following:

	2021	2020
Non-capital losses carried forward	\$ 1,083,790	\$ 307,448
Intangible assets	(403,181)	-
Less: valuation allowance	(680,609)	(307,448)
	\$ -	\$ -

As at December 31, 2021, the Corporation has the following non-capital losses available for carryforward in Switzerland:

Expiry	2021	2020
2027	\$ 2,136,929	\$ 2,136,929
2028	8,346,944	-
	\$ 10,483,873	\$ 2,136,929

As at December 31, 2021, the Corporation has the following non-capital losses available for carryforward in Canada:

Expiry	2021	2020
2040	\$ 204,611	\$ 204,611
2041	357,274	-
	\$ 561,885	\$ 204,611

**10. Related party transactions**

Included in subcontractors expenses is \$1,848,000 (2020 - \$315,000) paid to the Corporation's key management personnel during the year ended December 31, 2021. Included in share-based payments expense is \$1,972,864 (2020 - \$Nil) as a result of stock options issued to members of the Corporation's key management personnel during the year ended December 31, 2021. As at December 31, 2021, trade and other payables includes \$820,000 (2020 - \$Nil) payable to members of the Corporation's key management personnel.

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**11. Statement of cash flows**

	2021	2020
Increase in due from payment processors and other receivables	\$ (2,689,864)	\$ (448,169)
Increase in prepaid expenses	(3,523,561)	(387,918)
Increase in trade and other payables	6,062,455	363,570
Increase in liabilities to players	3,337,321	342,949
	<b>\$ 3,186,351</b>	<b>\$ (129,568)</b>

During the year ended December 31, 2021, the Corporation settled a loan payable with a carrying value of \$Nil (2020 - \$600,000) through the issuance of common shares, representing a non-cash financing activity that has been excluded from the consolidated statement of cash flows. During the years ended December 31, 2021 and 2020, the Corporation did not have any significant cash flows from interest or dividends received or paid, or cash flows arising from taxes on income.

**12. Financial instruments**

The Corporation is exposed to various risks through its financial instruments. The following is a measure of the Corporation's risk exposure at the consolidated statement of financial position date:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risks relate to its amounts due from payment processors. The maximum credit risk is the carrying value of the amounts due from payment processors, which is \$2,973,385 (2020 - \$430,529) as at December 31, 2021. The Corporation recognizes a loss allowance at each reporting date that is equal to the 12-month ECLs. As at December 31, 2021 and 2020, the Corporation has recognized a loss allowance of \$Nil for ECLs on its amounts due from payment processors.

(b) Currency risk

Currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Corporation's operating and financial results. The Corporation is exposed to currency risk arising from the translation of the following financial instruments denominated in foreign currencies:

	2021	2020
Cash		
United States dollars	\$ 1,156,421	\$ 614
European euros	€ 1,964,712	€ 136,232
Swiss francs	15,029 CHF	17,261 CHF
Great British pounds	£ 52	£ -
Due from payment processors and other receivables		
European euros	€ 780,877	€ 45,190
Trade and other payables		
United States dollars	\$ 80,302	\$ 23,317
European euros	€ 2,176,223	€ 70,181
Swiss francs	27,990 CHF	31,318 CHF
Great British pounds	£ 5,318	£ -

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Corporation's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise.

All trade and other payables, as well as liabilities to players, are current as at December 31, 2021 and 2020.

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**13. Share-based payments**

A continuity schedule of the stock options issued by the Corporation, including the number and weighted average exercise prices ("WAEP") of such options, is as follows:

	2021		2020	
	Number	WAEP	Number	WAEP
<b>Outstanding as at January 1</b>	-	\$ -	-	\$ -
Granted during the year	2,099,252	3.73	-	-
<b>Outstanding as at December 31</b>	2,099,252	\$ 3.73	-	\$ -
<b>Exercisable as at December 31</b>	2,099,252	\$ 3.73	-	\$ -

The stock options outstanding as at December 31, 2021 have a weighted average remaining contractual life of 4.18 years and have exercise prices ranging between \$3.05 and \$10.00 per share.

The weighted average fair value at the measurement date of the stock options granted during the year ended December 31, 2021, and the significant inputs to the Black-Scholes model that was used to determine their fair values are as follows:

Weighted average fair value	\$ 1.19
Weighted average share price	3.73
Exercise price	3.73
Expected volatility (%)	35.00
Expected dividends (%)	-
Risk-free rate (%)	1.00

The expected volatility was determined based on the historical volatility of the common shares of comparable public companies.

During the year ended December 31, 2021, the Corporation recognized share-based payments expense of \$2,490,504 (2020 - \$Nil) related to the issuance of stock options. Also during the year, the Corporation recognized share-based payments expense of \$50,000 (2020 - \$375,000) for common shares received by partners as compensation for services provided. The share-based payments expense was measured at the market price of the services provided in exchange for the common shares.

**14. Revenue from contracts with customers**

The Corporation's gross gaming revenue is comprised of the following:

	2021		2020	
Sportsbook betting revenue	\$ 16,750,515	\$ 421,700		
Gaming revenue	15,717,473	344,921		
	\$ 32,467,988	\$ 766,621		

**15. Non-current asset held for sale**

On April 13, 2021, the Corporation acquired all of the issued and outstanding common shares of Kulumsoft Holding Limited ("Kulumsoft") in exchange for cash consideration of €300,000 (\$447,483). Kulumsoft's sole asset at the time of acquisition was a gaming license issued by the Malta Gaming Authority and, accordingly, this subsidiary did not meet the definition of a business and its acquisition was accounted for as the acquisition of an intangible asset in the form of a Malta gaming license.

Subsequent to the acquisition of Kulumsoft, management of the Corporation made the decision to dispose of this subsidiary as it no longer wished to pursue gaming activities with a Malta gaming license. At the time this decision was made, the subsidiary was available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets, and its sale was highly probable. Accordingly, the Corporation has classified the investment in Kulumsoft as a non-current asset held for sale and has measured it at the lower of its carrying amount and fair value less costs to sell. An impairment loss of \$223,707 was recognized during the year to reduce the carrying amount of the license to its fair value less costs to sell.

**16. Capital management**

The Corporation considers its capital to be its shareholders' equity. As at December 31, 2021, the Corporation's capital was \$9,886,887 (2020 - \$5,059,265). The Corporation's objective when managing its capital is to control its operating costs, while maintaining a low tolerance level for risk.

The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation might obtain financing from its shareholders or through additional private or public placements of share capital. Management reviews its capital management on an ongoing basis.

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**17. Amendment to previously issued consolidated financial statements**

On May 13, 2022, the Corporation's Board of Directors approved the Corporation's consolidated financial statements for the years ended December 31, 2021 and 2020 and those consolidated financial statements were issued.

Subsequent to that date, management determined that the number of common shares outstanding as at December 31, 2021 and 2020 were incorrectly disclosed in the previously issued consolidated financial statements for the years ended December 31, 2021 and 2020. Previously, the Corporation disclosed that 27,061,305 and 12,006,895 common shares were outstanding as at December 31, 2021 and 2020, respectively, however the actual number of common shares outstanding was 16,677,828 and 15,055,933, respectively.

In addition, the Corporation disclosed that 15,049,410 common shares were issued during the year ended December 31, 2021 for gross proceeds of \$12,080,017 and share issuance costs of \$1,117,864, however the actual number of common shares issued was 1,621,895 common shares for gross proceeds of \$11,810,017 and share issuance costs of \$847,864.

The Corporation also disclosed that during the year ended December 31, 2020, the Corporation issued 1,756,696 units (see Note 8) for gross proceeds of \$7,457,150 and unit issuance costs of \$837,474, however the actual number of units issued was 1,702,598 units for gross proceeds of \$5,192,924 and unit issuance costs of \$530,400. The Corporation omitted disclosing that 1,323,336 common shares were issued during the year ended December 31, 2020 for gross proceeds of \$1,957,152 and that, as a result of the reverse acquisition disclosed in Note 6, the 1,780,000 common shares of the Corporation that were outstanding at the date of the reverse acquisition remained as part of the legal capital of the Corporation but had a \$Nil carrying value.

Finally, the 200 common shares that were outstanding as at December 31, 2019, which were actually common shares outstanding in Hockey Holding AG and presented in the consolidated financial statements of the Corporation as a result of the reverse acquisition disclosed in Note 7, were eliminated due to the Corporation being the legal parent. This caused the reduction in the number of common shares outstanding as at December 31, 2020 described above. The disclosure of this was omitted from the Corporation's consolidated financial statements for the year ended December 31, 2020 in error.

The Corporation has amended its consolidated financial statements for the years ended December 31, 2021 and 2020 to correct these errors. This error had no impact on the carrying value of the common shares outstanding as at December 31, 2021 or 2020.

# **Sports Venture Holdings Inc.**

**MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDED  
DECEMBER 31, 2021**

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### MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

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## 1. MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis (“MD&A”) provides a review of the results of operations, financial condition and cash flows for Sports Venture Holdings Inc. on a consolidated basis, for the year ended December 31, 2021 (“F2021”). References to “SVH”, or the “Corporation” in this MD&A refer to Sports Venture Holdings Inc., unless the context requires otherwise.

SVH was incorporated under the name BDJ Holdings, Inc. on April 22, 2020 under the laws of the Province of Ontario, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario). By articles of amendment dated May 8, 2020, the name of the company was amended to “Sports Venture Holdings Inc.”. The registered head office and the office of the books and records of the Corporation is located in Toronto, Ontario.

On June 6, 2020, SVH acquired all of the outstanding common shares of Hockey Holding AG (“HH AG”) pursuant to a Share and Loan Purchase Agreement between SVH, Douglas Honegger (“Honegger”) and Treasure Island Management Ltd. (“TIML”) dated June 6, 2020. Under the terms of the agreement, SVH acquired all outstanding common shares of HH AG from Honegger and a promissory note from TIML, which note evidenced a debt owing by BQC Consulting GmbH (“BQC”), a wholly owned subsidiary of HH AG, to TIML in the principal amount of \$600,000, in exchange for the issuance of SVH Shares.

The consolidated financial information of SVH includes the following entities:

- (i) Hockey Holdings AG, a corporation incorporated in Switzerland, is a wholly owned subsidiary of SVH.
- (ii) BQC Consulting GmbH (“BQC”), a corporation incorporated in Switzerland, is a wholly owned subsidiary of HH AG.
- (iii) 1000007698 Ontario Ltd. (“Canco”), a corporation incorporated in Ontario, Canada, is a wholly owned subsidiary of SVH.

This document should be read in conjunction with the information presented in the audited consolidated financial statements for the years ended December 31, 2021 and 2020 (the “2021 and 2020 financial statements”).

For reporting purposes, the Corporation prepared its consolidated financial statements in Canadian dollars (“CAD”) and, unless otherwise indicated, in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial information contained in this MD&A was derived from the 2021 and 2020 financial statements. Unless otherwise indicated, all references to a specific “note” refer to the notes to the 2021 and 2020 financial statements.

For purposes of this MD&A, the term “gaming license” refers collectively to all of the different licenses, consents, permits, authorizations, and other regulatory approvals that are necessary to be obtained in order for the recipient to lawfully conduct (or be associated with) gaming in a particular jurisdiction.

## **2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A may contain forward-looking information and statements (collectively, “forward-looking statements”) within the meaning of the Canadian securities legislation and applicable securities laws, including financial and operational expectations and projections. These statements, other than statements of historical fact, are based on management’s current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect the Group, its subsidiaries and their respective customers and industries. Although the Corporation and management believe the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such 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”, “would”, “should”, “believe”, “objective”, “ongoing”, “imply” or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Corporation’s stage of development, long-term capital requirements and future ability to fund operations, future developments in the Corporation’s markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Corporation’s operations. Each factor should be considered carefully, and readers are cautioned not to place undue reliance on such forward-looking statements. See “Risk Factors and Uncertainties” section below noting that these factors are not intended to represent a complete list of the factors that could affect the Corporation.

Shareholders and investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might not occur. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Unless otherwise indicated by the Corporation, forward-looking statements in this MD&A describe the Corporation’s expectations as of May 13, 2022 and, accordingly, are subject to change after such date. The Corporation does not undertake to update or revise any forward-looking statements, except in accordance with applicable securities laws.

## **3. LIMITATIONS OF KEY METRICS AND OTHER DATA**

The Corporation’s key metrics are calculated using internal Corporation data. While these numbers are based on what the Corporation believes to be reasonable judgments and estimates of customer numbers for the applicable period of measurement, there are certain challenges and limitations in measuring the usage of its product offerings across its customer base. In addition, the Corporation’s key metrics and

related estimates may differ from estimates published by third parties or from similarly titled metrics of its competitors due to differences in methodology and access to information.

## **Sports Venture Holdings Inc.: Overview and Strategy**

SVH is a holding company of subsidiaries that operate the BET99 brand. SVH's Swiss subsidiary, BQC Consulting GmbH, operates BET99.com and BET99.net. BET99.net, a 100% pure free-play website, is marketed throughout Canada. SVH's other subsidiary, Canco, has made an application for registration as an internet gaming operator with the Alcohol and Gaming Commission of Ontario. Upon approval, Canco will operate and market BET99.ca to residents of Ontario.

BET99 has adopted a hyper localized approach to create a premiere Canadian online sportsbook and casino. Since launching in 2020, BET99 has consistently innovated to create a diverse product and service tailored specifically to the unique nuances of the Canadian market.

Furthermore, the brand has entered into a vast array of unique Canadian Partnerships including UFC Hall of Famer Georges-St-Pierre, NHL All-Star Auston Mathews, two-time Olympian Alysha Newman, the Ottawa Senators, the CF Montreal, the Montreal Alouettes, and many more.

The development, licensing, and protection of intellectual property is a core part of the Corporation's business strategy and is a key element to its success. The intellectual property rights currently provide broad and comprehensive coverage and access for the Corporation's products and services. The Corporation's business practices protect its intellectual property rights in its core business through non-disclosure and confidentiality policies and provisions, the use of appropriate intellectual property ownership and assignment provisions and restrictive covenant agreements with, among others, its contractors, consultants, manufacturers, suppliers, customers and stakeholders. The Corporation actively seeks to protect and enforce its intellectual property rights to prevent unauthorized use by third parties, including through applications for injunctive relief and litigation, as necessary.

SVH continues to invest in building a strong, experienced management team to drive these strategic initiatives.

## **4. OVERVIEW OF 2021**

### **4.1 EXECUTIVE SUMMARY**

#### **Financial performance during the year ended December 31, 2021**

The Corporation incurred a net loss for the year ended December 31, 2021 of \$8.7M (2020 - \$2.8M) and had an accumulated deficit of \$11.6M as at December 31, 2021 (2020 - \$2.9M). As at December 31, 2021, the Corporation had a working capital balance of \$6.3M (2020 - \$5.1M).

## Gross Revenue

The Corporation has two major sources of revenue:

- Sportsbook betting revenue
- Gaming revenue consisting of online games and casinos

The Corporation's gross revenue for the year ended December 31, 2021 increased from the previous year by 4,135% to \$32.5M (2020 – \$0.8M). The Corporation's increase in revenue was primarily due to timing as F2021 reflected a full year of operations given that BET99 launched in July 2020 as well as a significant increase in active players during 2021.

The Corporation's sportsbook betting revenue has increased by 3,872% from \$0.4M to \$16.8M in 2021. Gaming revenue has increased by 4,457% from \$0.3M in 2020 to \$15.7M in 2021.

The Corporation's customer promotions and bonuses has increased by 3,503% from \$0.2M to \$6.9M in 2021. This was mainly attributed to the launch of BET99 in July 2020 as well as additional promotions and bonuses to generate more active players in 2021.

The Corporation's net revenue for the year ended December 31, 2021 increased from the previous year by 4,346% to \$25.6M (2020 – \$0.6M). The Corporation's increase in net revenue was primarily due to timing as BET99 launched in July 2020 as well as a significant increase in active players during 2021.

Gross profit increased compared to the previous year to \$18.6M for the year-ended December 31, 2021 (2020 – gross loss of \$0.1M) while gross margins was 73% (2020 – (15%)). The increase in gross profit is a result of the significant increase in revenues over the period. The rate of increase of the revenues during the period was significantly higher than the rate of increase of the provider usage fees, hosting fees, payment processor fees and platform fees.

## Operating Expenses

	<u>Dec 2021</u>	<u>Dec 2020</u>
<b>Operating expenses</b>		
Advertising and promotion	\$18,596,570	\$455,222
Bad debts	261,675	-
Bank charges and interest	9,336	240
Dues and subscriptions	49,161	31,725
Research and development	-	31,602
Office and general	366,799	70,359
Professional fees	944,105	512,041
Share-based payments	2,540,504	375,000
Subcontractors	3,235,233	596,079
Telecommunications	598,687	34,999
Website	204,560	227,060
	<hr/>	<hr/>
	26,806,630	2,334,327

Operating expenses increased from the previous year by 1,048% to \$26,807,000 (2020 - \$2,334,000) which represents 105% of net revenue (2020 – 406%). The majority of the increase is attributed to timing as BET99 launched in July 2020 while the year-ended December 31, 2021 operating expenses included a full year of operating activities; additional expenses were also incurred to facilitate the Corporation’s growth. In addition, the advertising and promotion expenses increase was also attributed to a high level of marketing and promotion activities to increase brand recognition and new player registrations in fiscal 2021. The bad debts increase of \$261,675 (2020 - \$nil) was in line with the significant increase in revenues and active players. The increase in share-based payments by 577% to \$2,540,000 (2020 - \$375,000) was attributed to stock options issued to key management personnel and partners. The decrease in research and development expenses to \$nil (2020 - \$32,000) and the decrease in website expenses by 10% to \$205,000 (2020 - \$227,000) were both attributed to additional costs incurred in fiscal 2020 to prepare the BET99 platform for launch.

Foreign exchange loss amounted to \$198,000 during the year ended December 31, 2021 (2020 – \$87,000). The foreign exchange loss includes losses from transfers of cash in foreign currencies and unrealized losses from the conversion of monetary assets or liabilities denominated in a currency other than the individual entities’ functional currency of Canadian dollars.

The Corporation incurred net loss of \$8.7M during the year (2020 – \$2.8M), mainly attributable to the increase in operating expenses.

Cash flows used in operating activities for the year ended December 31, 2021 was \$2.7M (2020 - \$2.3M). The increase was primarily attributed to higher payables outstanding as well as liabilities to players at year-end.

Cash flows used in investing activities consists of additions to intangible asset and the acquisition of the Kulumsoft Holding Limited, which resulted in outflow of \$3.8M during the year ended December 31, 2021 (2020 – cash inflow of \$52,500).

Cash flows provided by financing activities consists of proceeds from issuance of common shares reduced by costs of issuance of common shares, resulted in net cash inflow of \$11.0M during the year ended December 31, 2021 (2020 – \$7.2M).

#### Financial position:

Cash as of December 31, 2021 increased significantly to \$9.3M (December 31, 2020 - \$5.0M) primarily due to proceeds from issuance of common shares.

Due from payment processors and other receivables as of December 31, 2021 increased by \$2,690,000 to \$3,165,000 (December 31, 2020 - \$475,000) attributed to the increase in revenue which was driven by the increase in active players and launch of BET99 in July 2020.

As at December 31, 2021, derivative financial assets increased by \$41,000 to \$51,000 (December 31, 2020 - \$10,000), the increase is driven by the increase in sportsbook betting revenue with open positions at December 31, 2021 compared to December 31, 2020.

Prepaid expenses and other assets as of December 31, 2021 increased by \$3.5M to \$3.9M (December 31, 2020 - \$414,000) primarily attributed to increased prepayments relating to marketing and promotions.

Non-current asset held for sale increased to \$223,000 as at December 31, 2021 (December 31, 2020 - \$nil) due to the decision to dispose of its subsidiary Kulumsoft Holding Limited, a subsidiary acquired during the year, as the Corporation no longer wished to pursue gaming activities with a Malta gaming license.

Intangible asset increased to \$3.4M as at December 31, 2021 (December 31, 2020 - \$nil) due to additions made to the Corporations' internally generated intangible asset which is not yet available for use.

Trade and other payables as of December 31, 2021 increased by \$6,063,000 to \$6,557,000 (December 31, 2020 - \$494,000) as result of increased operating expenditures to support the growth of the Corporation.

Liabilities to players as of December 31, 2021 increased by \$3,337,000 to \$3,680,000 (December 31, 2020 - \$343,000) attributed to the increased player activity on the BET99 platform.

### **Subsequent events**

On May 25, 2022 the Corporation announced that it had entered into an arm's length business combination agreement (the "Definitive Agreement") dated May 24, 2022 with Kings Entertainment Group Inc. ("Kings") to combine Kings and the Corporation (the "Business Combination").

In connection with the Business Combination, the Corporation and a to be incorporated wholly-owned subsidiary of Kings will amalgamate to form one company as a wholly-owned subsidiary of Kings. Following completion of the Business Combination, current shareholders of the Corporation will hold approximately 87% of the common shares of the combined company (the "Resulting Issuer") on a fully-diluted treasury method basis.

Additionally, in connection with the Business Combination, Kings has agreed to make available to the Corporation a senior secured non-interest bearing credit facility of up to \$5,000,000. The outstanding balance owing under the credit facility will become immediately due and payable if the Definitive Agreement is terminated with interest thereafter accruing at 18% per annum.

Following completion of the Business Combination, it is anticipated that the Resulting Issuer will operate under the name "Interactive Entertainment Group Inc." or such other name as may be agreed with the intention that the Resulting Issuer shares will be listed and posted for trading on the Canadian Securities Exchange ("CSE").

The Business Combination has been unanimously approved by the Board of Directors of each of Kings and the Corporation. Directors, officers, and other significant shareholders of each of Kings and the Corporation have entered into irrevocable voting and support agreements to vote in favour of the Business Combination representing approximately 30% of the outstanding Kings shares and approximately 53% of the Corporation's shares.

Completion of the Business Combination is subject to several conditions including, but not limited to, the receipt of all necessary regulatory and third-party consents, approvals, and authorizations as may be required in respect of the Business Combination, including from the CSE.

## **Strategic progress**

SVH's strategy includes exclusively focusing on Canadians with a diverse multilingual product offering. It utilizes a proprietary core platform, combined with leading third-party gaming software and content, which allows control over the customer experience, thereby maximizing retention and optimizing the user experience. The BET99 brand is promoted through unique Canadian media partnerships and affiliations.

The Corporation's growth strategy will be implemented based on the following business objectives:

### **(1) Technical Autonomy**

The Corporation runs both the BET99.com and BET99.ca websites, desktop and mobile, on the award winning Dench eGaming Platform ("Dench"). It has acquired the source code of Dench, thus enabling SVH to eliminate platform license fees and take full control of the product roadmap and future development. It is currently anticipated that the Corporation will achieve full technical autonomy by November 15<sup>th</sup>, 2022. Technical autonomy will facilitate greater efficiencies and optimal control to serve the various business functions. The Corporation will continue to invest in its product and technical team to achieve prominence in a rapidly evolving industry.

### **(2) Complete Enhanced Customer Relationship Management ("CRM")**

The Corporation will build on top of the existing proprietary CRM system to significantly enhance existing capabilities. The added features will enable the Corporation to go beyond engagement statistics to truly understand what is motivating the player behaviour. By having greater control over predicting conversion, future value, risk of churn, and reactivation, the Corporation will have better insight on where efforts should be focused. Seamless cross-channel automation will support scaling efforts and empower team members with more actionable insights.

### **(3) Launch Rewards Program**

Attracting new customers while keeping existing customers active are two of the Corporation's critical goals. One of the several initiatives the Corporation will put forward toward achieving these goals is the launch of an innovative rewards program intended to accelerate the loyalty life cycle. The mechanics of this program will be fully automated and completely integrated within the tech stack. Each level will offer its members specific benefits including exclusive offers and gifts. The top three tiers will receive white glove concierge service through a dedicated VIP Host.

### **(4) Integrate ADA's Artificial Intelligence ("AI") Bot Enhanced Capabilities**

The Corporation was one of the early adopters of AI Bot, a chatbot-based platform that automates the customer experience, to serve on the first line of customer service which rapidly improved customer's satisfaction. The Corporation will deploy technical resources to continue to build on existing AI capabilities. The focus is on increasing customer satisfaction by providing tier 1 service through cost effective methods.

## **(5) Launch Native App**

The Corporation will launch mobile apps on both the iOS and Android operating systems. The app will allow users to access functionality comparable to the Corporation's desktop sites and Progressive Web Base Applications in a native mobile format. This native app will provide additional features like geofencing, inter-app functionality and push notifications. The app will result in a more seamless user experience for the Corporation's mobile users and allow the Corporation to convert additional users to its platform through its presence on various app stores.

## **(6) Back & Front-end Improvement**

The Corporation will make upgrades to its "back end" systems – the internal systems underlying the Corporation's various Websites. This will improve the user experience for visitors of the Websites by increasing their responsiveness and allowing the Corporation's staff to address user concerns more effectively. It will also allow the Corporation to scale its operations more effectively by allowing its systems to on-board and support higher numbers of users. Additionally, the upgrades will increase the ease through which the Corporation may comply with the requirements of various gaming licenses from jurisdictions other than Ontario.

## **(7) Additional Market Readiness**

The Corporation deployed cross departmental efforts through the Alcohol and Gaming Commission of Ontario ("AGCO") internet gaming application. Many processes were implemented, existing procedures tweaked, and large amounts of documentation produced, all in order to satisfy the regulators. Every action at each stage of the process was well documented by the Corporation's teams with the foresight of repurposing the majority for the other provincial regulators if those provinces decide to follow suit.

## **(8) Acquire complimentary businesses**

The Corporation intends to engage in an acquisition strategy focused on acquiring businesses and technologies that will complement the Corporation's business. In particular, the Corporation will seek out assets that may assist its marketing strategy and enhance the core product offering. This will include media platforms, content aggregators, existing technical applications, and other B2C operators with an established brand name and customer base, whose operations may be easily integrated with those of the Corporation.

## **Regulatory updates in various geographies**

The Corporation does not provide gaming, betting or lottery products in jurisdictions other than those indicated below.

### Canada

Gaming activities are regulated in Canada under the Criminal Code of Canada ("Code") and provincial regulation. Part IV of the Code addresses "Disorderly Houses, Gaming and Betting". Various sections within Part IV of the Code make the provision of all gambling activities illegal throughout Canada, and

includes a small number of exemptions, the most important of which is section 207. Section 207 of the Code permits a provincial government to “conduct and manage a lottery scheme” within its jurisdiction or in conjunction with other provincial governments. Through Section 207, provincial governments are permitted to provide all types of gambling services (both land-based and online) to its residents.

On the basis of the exemption set out above, provincial governments in Canada have established lottery corporations to provide gambling services to their residents pursuant to special-purpose provincial gaming legislation. Such lottery corporations often subcontract the operation of all of the gambling facilities to registered service suppliers in the private sector. However, the provincial lottery corporations still had limits to what forms of gambling they could offer. Until recently, single-sport betting was not permissible, and as such, a minimum “3-bet” parlay offering was required. This deterred many gamblers from wagering on provincial gaming websites and directed them instead to foreign operators, where these same restrictions may have been of no application. However, on June 22, 2021, the Canadian Parliament passed Bill C-218 which decriminalized single-sport betting and allowed the provincial lottery corporations to offer such type of betting.

In Canada, the British Columbia Lottery Corporation, Ontario Lottery Gaming Corporation, Loto-Québec and the Atlantic Lottery Corporation have created authorized Internet gaming sites to provide online gambling services to their residents. In addition, as described below, the Ontario Government has recently enacted provincial regulations regulating internet gaming in Ontario allowing private operators the right to obtain a license with the AGCO to offer online gaming to residents of Ontario.

BQC, a Swiss company that is wholly-owned by SVH, owns and operates the domain [www.BET99.com](http://www.BET99.com), that operates in all other provinces in Canada outside of Ontario and does not market its gaming offerings in any other jurisdiction.

Currently, the significant international jurisdiction that licenses BQC to do business is the Mohawk Territory of Kahnawake. Kahnawake is a key interactive gaming jurisdiction with a comprehensive interactive gaming policy and regulatory framework. As a result, Kahnawake hosts and licenses many of the industry’s largest operators. BQC holds a Client Provider Authorization interactive gaming license in Kahnawake. The Kahnawake Gaming Commission (“KGC”) is the regulatory body that is responsible for the governance of all gaming activities in Kahnawake by issuing online gaming licenses for the operation of online casino games, games of chance, online sports betting and general games that utilize a random number generator.

## Ontario

As of April 4, 2022, only those operators that have obtained an interactive gaming license from the AGCO can legally operate within Ontario. It is worth noting that as per the AGCO, any applicant-operator that had submitted an application for an interactive gaming license prior to April 4, 2022, such as Canco, may continue to operate in Ontario pending completion of their application process; neither AGCO licensees nor AGCO applicants are not allowed to offer their products elsewhere in Canada.

Companies such as Canco enter into an operator agreement with iGaming Ontario, a subsidiary of the AGCO, to provide online gambling to residents of Ontario.

For a company to obtain an AGCO license, it must first apply for registration with the AGCO. The AGCO requires that an applicant for registration provide full details of the applicant’s corporate structure,

including details concerning any shareholder that holds more than 5% of any type of security (not just voting shares or equity) in a corporation along with an initial application fee of \$100,000; in addition, the AGCO charges the operator 20% of the gross gaming revenue. Disclosure must go up to the level of individual shareholders in all cases although exceptions are made if a company is broadly publicly traded. Every individual shareholder, director and officer of every corporation for which disclosure is made must submit to a full personal disclosure and security clearance. At the AGCO, this process is conducted by the Ontario Provincial Police who are seconded to the AGCO for this purpose, and they are assisted by the Royal Canadian Mounted Police in Canada; a discretionary sum may be requested by the AGCO to cover the costs of these investigations and reviews. Any individuals located outside of Canada must submit security clearances run by the security service in their country (e.g. in the U.S., reports from Homeland Security and the FBI are usually required). Individuals are typically required to submit their income tax returns for previous years as well as information about any types of investigations, charges, or disputes in which they have been involved throughout their lifetime. The AGCO also has the discretion to broaden their investigation to “persons of interest” who are not legally related in any manner to the applicant.

The focus in Ontario requires registrants to comply with a specific set of rules or processes, as laid out in the regulations. The level of control over the flow of funds in all gaming operations is overseen and tightly controlled by the AGCO as are other mission critical components such as the software used in the games and in particular the random number generators.

Canco has undertaken not to accept registrations or deposits for the online gaming operations of [www.BET99.ca](http://www.BET99.ca) from individuals residing outside of Ontario.

#### Other Provinces and Territories in Canada

The law elsewhere in Canada as it relates to online gambling is somewhat uncertain. While there does not exist actual language that specifically governs the legality of online gaming websites, Canadian authorities have loosely interpreted the relevant language found in the Code to apply to them, and in this regard, the law is quite clear in that only provincial governments can legally manage and operate gaming houses, whether land-based or online; this extends to poker, casino and sportsbooks alike.

Operators, other than those licensed by the AGCO, accept Canadian facing business by relying on the “Foreign Operators Principle”, which provides that as long there is no substantial links between the operator and Canada, save for the customer database, (referred to as the “nexus” by Canadian courts), Canadian authorities do not have jurisdiction over them, and therefore, the Code has no application, as discussed further below.

The internet has the unparalleled ability to transcend borders and jurisdictions around the world, something that is not contemplated by the current gaming provisions of the Code. There is no extra-jurisdictional element in the current gaming provisions, thus the Canadian online gaming market remains open to operators that provide access to online sites from around the world. Given this, there is a legal argument that the Code has no jurisdiction to govern the activities of companies that are physically located outside of Canada and that elect to operate under the concept of the Foreign Operator Principle.

In order for the Code to apply to Foreign Operators accepting Canadian customers, they must have a substantial component of their operations linked to or based in Canada to form the requisite degree of

connection to attract criminal liability (i.e. a “*real and substantial link*”) as laid out in Canadian jurisprudence.

The Code, as it relates to gaming, is restricted in its application to activities that take place within Canada, and operations that emanate from outside of the country are not regulated by it. This is what enables gaming operators that are not located within Canada to take comfort in accepting players from the Canadian market as the totality of their operations are located outside of Canada; because such activities are deemed to take place outside of Canada, they cannot be said to be in breach of any of the anti-gaming provisions of the Code.

It is based on the foregoing analysis that BQC operates the domain [www.BET99.com](http://www.BET99.com). Furthermore, as there are no connections between BQC and Canco save for their sole shareholder, SVH, Canco cannot be found to be in violation of either AGCO regulations or of the Code.

## 5. FINANCIAL RESULTS

### 5.1 BASIS OF FINANCIAL DISCUSSION

The financial information presented below has been prepared to examine the results of operations from continuing activities.

The presentation currency of the Corporation is the Canadian dollar, which is the functional currency of the Corporation and all of its subsidiaries.

### 5.2 SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected financial data of the Corporation for the years ended December 31, 2021 and 2020.

	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Total assets	\$20,124	\$5,897
Total non-current financial liabilities	nil	nil
Dividends paid during the period	nil	nil

The financial data has been prepared to conform with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These accounting principles have been applied consistently across for all reporting periods.

### 5.3 OTHER SELECTED FINANCIAL INFORMATION

Additional selected financial information as follows:

<b>CAD 000</b>	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
Revenue	\$ 25,551	\$575
Cost of revenue	6,998	663
Gross profit	18,553	(88)
Gross margin	73%	(15%)

<b>CAD 000</b>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Total assets	\$ 20,124	\$5,897
Total liabilities	10,237	837

#### DUE FROM PAYMENT PROCESSORS OTHER RECEIVABLES, NET

<b>CAD 000</b>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Due from payment processors and other receivables	\$3,165	\$475
Provision for expected credit losses	(0)	(0)
<b>Due from Payment Processors and Other Receivables</b>	<b>3,165</b>	<b>475</b>

#### ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<b>CAD 000</b>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Trade payables	\$ 3,780	\$ 362
Accrued expenses	2,777	132
Liabilities to players	3,680	343
<b>Accounts payable and accrued liabilities</b>	<b>10,237</b>	<b>837</b>

## 5.4 SUMMARY OF QUARTERLY RESULTS

The following table presents the selected financial data for continuing operations for each of the past eight quarters of the Corporation.

CAD 000	2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$ -	\$ -	\$ 37	\$ 538	\$ 2,076	\$ 4,401	\$ 8,120	\$ 10,954
Net income (loss)	(365)	(234)	(641)	(1,579)	(2,700)	(1,244)	1,194	(5,925)

## 5.5 LIQUIDITY AND CAPITAL RESOURCES

The Corporation's principal sources of liquidity are its cash generated from operations and proceeds from issuance of shares. Currently available funds consist primarily of cash on deposit with financial institutions. The Corporation calculates its working capital requirements from continuing operations as follows:

CAD 000	As at December 31, 2021	As at December 31, 2020
Cash	\$ 9,344	\$ 4,998
Due from payment processors and other receivables	3,165	475
Derivative financial assets	51	10
Prepaid expenses	3,938	414
	<u>16,498</u>	<u>5,897</u>
Current liabilities	<u>(10,237)</u>	<u>(837)</u>
<b>Net working capital</b>	<b>6,261</b>	<b>5,060</b>

## MARKET RISK

The Corporation is exposed to market risks, including risks due to changes to foreign currency exchange rates and interest rates.

## FOREIGN CURRENCY RISK

The Corporation is exposed to foreign currency risk, which includes risks related to its operating expenses, assets and liabilities denominated in currencies other than CAD. Consequently, the Corporation believes movements in the foreign currencies in which we transact will impact future operating results. The Corporation has experienced and will continue to experience fluctuations in its net income (loss) as a result of translation gains or losses related to revaluing certain monetary asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded.

## LIQUIDITY RISK

The Corporation is also exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The primary sources of liquidity risk are trade and other payables and liabilities to players. The Corporation's ability to meet its obligations depends on the receipt of funds from its operations. Management monitors its working capital to ensure the obligations under current liabilities are met on timely basis.

### 5.6 CASH FLOW SUMMARY

The cash flow from continuing operations may be summarized as follows:

CAD 000	Years Ended December 31,	
	2021	2020
Operating activities	\$(2,684)	\$(2,279)
Investing activities	(3,850)	53
Financing activities	10,962	7,220
Effect of foreign exchange	(82)	4
<b>Net cash flows provided by continuing operations</b>	<b>4,346</b>	<b>4,998</b>

### 5.7 OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements during the years ended December 2021 and 2020.

## 6 TRANSACTIONS BETWEEN RELATED PARTIES

The Corporation's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions for those in the normal course of business. Transactions between the Corporation and its consolidated entities have been eliminated on consolidation and are not disclosed in this section.

The Corporation's key management personnel are comprised of members of the Board and the executive team. During the year ended December 31, 2020, the Corporation paid \$1,848,000 (2020 - \$315,000) to its key management personnel. Included in share-based payments expense is \$1,972,864 (2020 - \$Nil) as a result of stock options issued to members of the Corporation's key management personnel during the year ended December 31, 2021. As at December 31, 2021, trade and other payables includes \$820,000 (2020 - \$Nil) payable to members of the Corporation's key management personnel.

## 7 DISCLOSURE OF OUTSTANDING SHARE DATA

The number of equity-based instruments granted or issued is summarized as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
16,677,828 Common shares (2020 - 15,055,933)	\$ 18,569,470	\$7,557,317

## 8 CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's consolidated financial statements requires management to make estimates and judgments in applying the Corporation's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of the consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Corporation believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

### **Impairment of financial assets**

#### Judgments made in relation to accounting policies applied

The Corporation measures impairment losses on financial assets that are subsequently measured at amortized cost. Impairment losses are measured based on the expected credit loss ("ECL") model in accordance with IFRS 9, Financial Instruments. The twelve-month or lifetime expected default rates are estimated by management in calculating the expected credit losses.

#### Key sources of estimation uncertainty

In each stage of the ECL impairment model, impairment is determined based on the probability of default, loss given default, and expected exposures at default. The application of the ECL model requires management to apply the following significant judgments, assumptions, and estimations:

- movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on financial assets subsequently measured at amortized cost. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;

- thresholds for significant increase in credit risks based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- forecasts of future economic conditions.

## **Revenue recognition**

### Judgments made in relation to accounting policies applied

Under IFRS 15, *Revenue from contracts with customers*, management is required to determine when the control of services or goods are transferred to customers and estimate the variable considerations included in the contracts. Management exercises judgment in determining the point in time control of services or goods are transferred and applies judgment in determining whether the Corporation acts as principal or agent in its revenue contracts with customers.

### Key sources of estimation

In determining the point in time control of services are transferred, management identifies the performance obligations in the contracts and evaluates the timing of the satisfaction of those performance obligations based on business practices in the industry. In determining the Corporation's role (principal or agent) in its revenue contracts with customers, management considered the operation model and business practices of the industry.

## **Fair value of derivative financial instruments**

### Judgments made in relation to accounting policies applied

The Corporation measures derivative financial instruments, which include estimated gross gaming revenue on open betting transactions at fair value at each consolidated statement of financial position date; any change in fair value is recognized in the consolidated statement of operations and comprehensive loss in the period during which the change occurs. Management exercises judgment in determining the gross gaming revenue margin applied on open bets to calculate the fair value of the derivative financial instruments.

### Key sources of estimation uncertainty

In determining the gross gaming revenue margin applied on open bets, management applies a rate based on its experience from past events. The judgments used to recognize revenue on open betting transactions are based on currently known factors and historical trends which may vary over time.

## **Fair value of share-based payments**

### Judgments made in relation to accounting policies applied

The Corporation measures share-based payment transactions at fair value and management is required to determine the most appropriate valuation model depending on the terms and conditions of the grant. The estimate of fair value also requires determination of the most appropriate inputs to the valuation model.

### Key sources of estimation uncertainty

In determining the fair value of stock options granted, the Black-Scholes valuation model is used at the grant date. Management exercises judgment on inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

## **9 CHANGES IN ACCOUNTING POLICIES**

There have been no changes in the Corporation's accounting policies in any of the reporting periods discussed in this MD&A.

## **10 RISK FACTORS AND UNCERTAINTIES**

Certain factors, listed below, may have a material adverse effect on the Corporation's business, financial condition, and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A and the corresponding consolidated financial statements.

The risks and uncertainties described herein and therein are not the only ones the Corporation may face. Additional risks and uncertainties that the Corporation is unaware of, or that the Corporation currently believes are not material, may also become important factors that could adversely affect the Corporation's business. If any of such risks actually occur, the Corporation's business, financial condition, results of operations, and future prospects could be materially and adversely affected.

### **RELIANCE ON ONTARIO LICENSE**

The Corporation will need to abide by all of the conditions outlined in the Ontario License to operate as a registered internet gaming operator in Ontario with the Alcohol and Gaming Commission of Ontario. As the Ontario Licence is the means by which the Corporation operates in the Ontario marketplace through the BET99.ca website, the failure to maintain the Licence will have a significant adverse impact on the Corporation's operations, future financial results and potential to raise additional financing.

### **ONLINE GAMING INDUSTRY IS HIGHLY REGULATED**

The Corporation, its subsidiaries, and their respective officers, directors, major shareholders, key employees and business partners will be subject to the laws and regulations relating to online gaming of the jurisdictions in which the Corporation may conduct business. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on the Corporation's operations and financial results. In particular, some jurisdictions have introduced regulations that restrict or prohibit online gaming, while others have taken the position that online gaming should be licensed and regulated and have adopted, or are considering adopting, legislation to enable that to happen.

In addition, the Corporation will be subject to the general laws and regulations that apply to all online, digital and e-commerce businesses, such as those related to privacy and personal information, data

security, tax, and consumer protection. The laws and regulations vary in each jurisdiction and future legislative and regulatory action, court decisions, and/or other governmental action, which could be affected by, among other things, political pressures, attitudes and climates, may have a material impact on the Corporation's operations and financial outcomes.

### **THIRD PARTY LICENSES**

The Corporation uses software licensed from third parties. The loss of rights to use this software could increase operating expenses and could adversely affect the Corporation's ability to operate. The termination of any license, or the failure of licensors to adequately maintain or update their products, could delay the Corporation's ability to provide its products, as the Corporation may need to seek to implement alternative technology offered by other sources. This may require unplanned investments by the Corporation. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain third-party technology licenses relating to one or more products or relating to current or future technologies to enhance the Corporation's product offerings. There is a risk that the Corporation will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

### **LOSS OF LICENSES**

The Corporation is subject to certain rules and regulations which will require the Corporation to obtain licenses and authorizations in order to operate its business. The Corporation may be unable to obtain or maintain all necessary registrations, licenses, permits, approvals or exemption permits, and could incur fines or experience delays related to the licensing process, which could adversely affect its operations. The Corporation's delay or failure to obtain or maintain certain licenses, permits, approvals or exemption permits in any jurisdiction may prevent it from distributing its product offerings, increasing its customer base and/or generating revenues. Additionally, gaming regulatory bodies in certain jurisdictions where gaming laws and regulations apply to the Corporation may refuse to issue or renew applicable licenses or restrict or condition the same, based on the historic activities of the Corporation or its current or former directors, officers, employees, major shareholders or business partners, which could adversely affect its operations or financial condition. The Corporation's licenses, authorizations and exemptions may be revoked for a variety of reasons, including the failure by the Corporation's directors, officers or senior management or significant shareholders or other investors to adequately comply with the suitability, information reporting or other requirements of licensing and regulatory authorities. Such revocation or non-renewal may materially adversely affect the Corporation's operations, financial performance, and prospects. The revocation of any such authorization or exemption permit could also result in reputational damage to the Corporation, may cause the Corporation's other licenses to be subject to review and could materially adversely affect the Corporation's operations, financial performance and prospects. Finally, future legislative and regulatory action, and court decisions or other governmental action, may have a material impact on the Corporation's operations and financial results. There can be no assurance that legally enforceable prohibiting legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to the Corporation's business.

## **NEW INDUSTRY**

The Corporation operates its business in a relatively new industry and market. In addition to being subject to general business risks, the Corporation must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the sports betting or online casino industry and market could have a material adverse effect on the Corporation's business, financial conditions and results of operations.

A failure in the demand for the Corporation's services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of the Corporation.

## **INFORMATION SYSTEMS AND CYBERSECURITY RISKS**

The Corporation 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 Corporation 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 the Corporation's financial resources, critical data and information or could result in a loss of control of its technological infrastructure or financial resources.

The Corporation maintains security policies and procedures that include employee protocols with respect to electronic communications and electronic devices, encryption protection of all computers and portable electronic devices and conducts annual cyber-security assessments. The Corporation applies technical and process controls in line with industry-accepted standards and best practices to protect its information, assets and systems. However, due to the variety and 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 Corporation's business, financial condition, and results of operations as well as on the Corporation's reputation.

## **KEY PERSONNEL**

The senior officers and management team of the Corporation along with certain consultants will be critical to its success. The success of the Corporation is dependent to a certain degree upon the skills, discretion and good faith of certain key members of management. It is expected that these individuals will

contribute significantly to the growth and success of the Corporation. In the event of the departure of a member of the management team, including executive officers, the Corporation believes that it will be successful in attracting and retaining qualified successors but there can be no assurance of such success. Recruiting qualified personnel as the Corporation grows is critical to its success. As the Corporation's business activity grows, it will require additional key financial, administrative and technical personnel as well as additional operations staff. If the Corporation is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on future cash flows, earnings, results of operations and the financial condition of the Corporation.

### **LIMITED OPERATING HISTORY**

The limited operating history of the Corporation makes it difficult to evaluate the current business model and future prospects. In light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development with limited operating history, there is a significant risk that the Corporation will not be able to implement or execute its future operational plans, or demonstrate that its business plan is sound; and if the Corporation cannot execute any one of the foregoing or similar matters relating to its operations, the business may fail.

### **RISKS RELATED TO LOCAL REGULATORY REQUIREMENTS**

Regulatory regimes imposed upon gaming providers varies by jurisdiction. Typically, however, most regulatory regimes include the following elements:

- the opportunity to apply for one or more gaming licenses for one or more categories of products, whether as part of a general round of license issuance or as and when the applicant chooses to apply;
- a requirement for gaming license applicants to make detailed and extensive disclosures as to their beneficial ownership, their source of funds, the probity and integrity of certain persons associated with the applicant, the applicant's management competence and structure and business plans, the applicant's proposed geographical territories of operation and the applicant's ability to operate a gaming business in a socially responsible manner in compliance with regulation;
- interviews and assessments by the relevant gaming authority intended to inform a regulatory determination of the suitability of applicants for gaming licenses;
- ongoing reporting and disclosure obligations, both on a periodic and ad hoc basis in response to material issues affecting the business;
- the testing and certification of software and systems, generally designed to confirm such things as the fairness of the gaming products offered by the business, their genuine randomness and ability accurately to generate settlement instructions and recover from outages;
- the need to account for applicable gaming duties and other taxes and levies, such as fees or contributions to bodies that organize the sports on which bets are offered, as well as contributions to the prevention and treatment of problem gaming; and
- social responsibility obligations.

While the Corporation obtains and relies upon external local legal advice and structures its operations with what it considers to be an appropriate degree of prudence in markets where there is no regulatory

and licensing framework it cannot guarantee that such external advice and such measures obviate all risk arising from the Corporation's involvement in such markets. If any changes in local law and regulation, judicial interpretation of local law and regulation, the attitude of local authorities to international e-commerce, political attitudes in individual territories or any defaults, errors or omissions of the Corporation's local business partners and persons associated with them, were to occur, then the Corporation's business could be materially harmed. Furthermore, in some jurisdictions the application of the rule of law, as well as the conventions and expectations of due process in regulatory and administrative behavior, may vary dramatically from North American standards.

## **EVOLVING LAWS AND REGULATIONS REGARDING THE INTERNET, PRIVACY, CONSUMER PROTECTION AND OTHER MATTERS**

In addition to regulations governing online gaming, the Corporation will be subject to a variety of laws and regulations that involve the internet, e-commerce, privacy, and protection of data and personal information, rights of publicity, acceptable content, intellectual property, advertising, marketing, data and information security, electronic contracts and electronic communications, competition, protection of minors, consumer protection, unfair commercial practices, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance, and online payment and payment processing services. The Corporation may introduce new products, expand its activities in certain jurisdictions, or take other actions that may subject it to additional laws, regulations or other government scrutiny. For example, the Corporation will handle, collect, store, retrieve, transmit and use confidential, personal information relating to its customers and personnel for various business purposes, including marketing and financial purposes, and credit card information for processing payments. The Corporation may share this personal or confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of its business, combating fraud or for marketing purposes.

These laws, regulations and legislation, along with other applicable laws and regulations, which in some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations, including pre-existing laws regulating communications and commerce in the context of the internet and e-commerce, are often uncertain, particularly in the new and rapidly evolving industries in which the Corporation will operate, and may be interpreted and applied inconsistently across jurisdictions and inconsistently with its future policies and practices.

These laws and regulations, as well as any changes to the same and any related inquiries, investigations or any other government actions, may be costly to comply with and may delay or impede new product development, result in negative publicity, increase the Corporation's operating costs, require significant management time and attention, and subject it to remedies that may harm its business, including fines or demands or orders that modify or cease certain or all existing business practices, such as limiting its use of personal information to add value for customers, or implement costly and burdensome compliance measures. Any such consequences could adversely affect the Corporation's business, results of operations or financial condition.

## **REGULATORY INVESTIGATIONS**

From time to time, the Corporation and its subsidiaries may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance with laws and other matters. Violation of existing or future regulatory

orders or consent decrees could subject the Corporation to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause the Corporation to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

## **PUBLIC PERCEPTION OF THE PRODUCTS AND SERVICES**

The viability of the Corporation's business plan is dependent on the anticipated progression of market understanding, acceptance and proliferation of consumers of sports betting and online casinos. The Corporation believes that as these products become more accepted, the stigma associated with their use will diminish and as a result, consumer demand will continue to grow. However, the Corporation cannot predict the future growth rate and size of the market. Any negative outlook on the sports betting and online casino industries will adversely affect its business operations. The publication of reports assessing products and services similar to those of the Corporation may be harmful and could have a material adverse effect on the business, financial condition and results of operations, regardless of whether such reports are scientifically supported. Negative public perception on the products of the Corporation could have a negative impact on the sales of the Corporation.

## **INSURANCE RISKS**

The Corporation intends to establish and to maintain commercial liability insurance, including product liability coverage, and property insurance as well as additional directors' and officers' liability insurance. There is no assurance that the insurance to be obtained will be sufficient to cover any claims that are asserted. Additionally, insurance coverage may not be available at all or at adequate levels or on adequate terms to cover potential losses, including on terms that meet commercial requirements. If insurance coverage is inadequate or unavailable, the Corporation may face claims that exceed coverage limits or that are not covered, which could increase costs and adversely affect operating results.

## **THE SPORTS BETTING AND ONLINE CASINO INDUSTRY IS HIGHLY COMPETITIVE**

The sports betting and online casino industry is highly competitive with respect to price, brand and product recognition and new product introductions. Several competitors in the sports betting and online casino industry segment may be larger, more established and possess greater financial, personnel, distribution and other resources. If the Corporation cannot compete effectively, it may be unable to gain or maintain sufficient market share and/or to be profitable.

## **CONSUMER DEMAND**

The products and services of the Corporation must appeal to a broad range of customers, whose preferences cannot be predicted with certainty and are subject to rapid change. Products sold under the brands of the Corporation will need to appeal to customers and are subject to changing customer preferences. If customer products are not successfully received by customers, the Corporation's business, financial condition, results of operations and prospects may be significantly harmed.

## **FAILURE TO RETAIN EXISTING CUSTOMERS OR ADD NEW CUSTOMERS**

The financial performance of the Corporation will be significantly determined by its success in adding, retaining, engaging and monetizing active customers of its product offerings, in particular high-value, net-depositing customers (primarily recreational players). If people do not perceive the Corporation's product offerings as enjoyable, reliable, relevant and trustworthy it may be unable to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. A number of other online gaming and interactive entertainment companies that achieved early popularity have since seen their active customer bases or levels of engagement decline.

If the Corporation is unable to maintain or increase its customer base or engagement, or effectively monetize its customer base's use of its product offerings, its revenue and financial results may be adversely affected. Any decrease in customer retention, growth or engagement could render the Corporation's products less attractive to customers.

## **SUCCESS OF SPORTS BETTING PRODUCTS AND OUTCOMES NOT GUARANTEED**

The sports betting industry is characterized by elements of chance. Accordingly, the Corporation employs theoretical win rates to estimate what a certain type of sports bet, on average, will win or lose in the long run. Net win is impacted by variations in the hold percentage (the ratio of net win to total amount wagered), or actual outcomes. The Corporation uses the hold percentage as an indicator of a sports bet's performance against its expected outcome. Although each sports bet generally performs within a defined statistical range of outcomes, actual outcomes may vary for any given period. In addition to the element of chance, win rates (hold percentages) may also (depending on the game involved) be affected by the spread of limits and factors that are beyond the Corporation's control, such as a customer's skill, experience and behavior, the mix of games played, the financial resources of customers, the volume of bets placed and the amount of time spent gaming. As a result of the variability in these factors, the actual win rates of sports bets may differ from the theoretical win rates estimated and could result in the winnings of the Corporation's customers exceeding those anticipated. The variability of win rates (hold rates) also have the potential to negatively impact Corporation's financial condition, results of operations, and cash flows.

The Corporation's success also depends in part on its ability to anticipate and satisfy customer preferences in a timely manner. The Corporation operates in a dynamic environment characterized by rapidly changing industry and legal standards, and its products are subject to changing consumer preferences that cannot be predicted with certainty. The Corporation need to continually introduce new offerings and identify future product offerings that complement its existing platforms, respond to its customers' needs and improve and enhance its existing platforms to maintain or increase customer engagement and growth of its business. The Corporation may not be able to compete effectively unless its product selection keeps up with trends in the digital sports entertainment and gaming industries, or trends in new gaming products.

## **PANDEMICS AND COVID-19**

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 isolation or quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic

slowdown. Global equity markets have experienced significant volatility and weakness. Such volatility and weakness in the global equity markets may adversely affect the Corporation's ability to raise necessary capital.

Given the ongoing and dynamic nature of the coronavirus outbreak, it is difficult to predict the impact it will have on the Corporation's business. Such factors are beyond the Corporation's control and may cause disruptions in its ability to operate its business. This outbreak, if sustained and uncontrolled, could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows and ultimately its ongoing viability.

### **RISKS RELATED TO INTELLECTUAL PROPERTY**

The success of the Corporation will depend in part upon its ability to protect intellectual property and proprietary technologies and upon the nature and scope of the intellectual property protection held by the Corporation. The ability to compete effectively and to achieve partnerships will depend on the ability of the Corporation to develop and maintain proprietary aspects of its technology and to operate without infringing on the proprietary rights of others. The presence of such proprietary rights of others could severely limit the ability of the Corporation to develop and commercialize products, to conduct existing research and could require financial resources and management attention to protect intellectual property rights, which may be in excess of its ability to raise such funds.

### **PROFITABILITY**

There is no assurance that the Corporation will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Corporation's business development and marketing activities. If the Corporation does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

### **MANAGEMENT OF GROWTH**

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation 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 Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

### **THE COMPANY MAY PRIORITIZE CUSTOMER GROWTH AND ENGAGEMENT OVER SHORT-TERM FINANCIAL RESULTS**

The Corporation may in the future make product and investment decisions that may not prioritize its short-term financial results if it believes that the decisions are consistent with its mission and long-term goals to benefit the aggregate customer experience, improve its financial performance and maximize shareholder value. The Corporation also may take steps that limit distribution of certain product offerings, such as on mobile devices, in the short-term to attempt to ensure the availability of such product offerings to its customers over the long-term. These decisions may not produce the benefits that the Corporation expects, in which case its customer growth and engagement, its relationships with third parties, and its business and results of operations could be harmed.

## **CONFLICTS OF INTEREST**

Directors and officers of the Corporation are or may become directors or officers of other reporting companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the directors and officers of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Corporation and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Corporation, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which one or more directors, or officers, may have a conflict. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Corporation, the degree of risk to which the Corporation may be exposed and its financial position at that time. Other than as indicated, the Corporation has no other procedures or mechanisms to deal with conflicts of interest.

## **LEGAL PROCEEDINGS**

From time to time, the Corporation may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. The Corporation will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Corporation's financial results. In addition litigation can be costly, consume management time and there is no certainty of success.

## **FOREIGN MEMBERS OF MANAGEMENT**

Certain directors and members of management of the Corporation reside outside of Canada. Even though such persons have appointed an agent for service of process in Canada it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

## **GENERAL ECONOMIC CONDITIONS MAY ADVERSELY AFFECT THE CORPORATION'S GROWTH**

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy in general and emerging industries in particular. Many companies continue to be negatively impacted by these market conditions. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Corporation's growth and profitability.

Additionally, the demand for entertainment and leisure activities, including gambling, can be highly sensitive to changes in consumers' disposable income, and thus can be affected by changes in the

economy and consumer tastes, both of which are difficult to predict and beyond the Corporation's control. Unfavourable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and increasing fuel or transportation costs or the perception by customers of weak or weakening economic conditions, may reduce customers' disposable income or result in fewer individuals engaging in entertainment or leisure activities, such as online gambling. Economic and geopolitical uncertainties, including those related to the COVID-19 pandemic, and variants of the COVID-19 virus may further amplify such risks. As a result, the Corporation cannot ensure that demand for its product offerings will remain constant. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities, such as online gambling. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could adversely affect the demand for the Corporation's product offerings, reducing its cash flows and revenues. If the Corporation experiences a significant unexpected decrease in demand for its product offerings, its business may be harmed.

#### **MONEY LAUNDERING/FRAUDULENT ACTIVITY IN ONLINE TRANSACTIONS**

Online transactions may be subject to sophisticated schemes or collusion to defraud, launder money or other illegal activities. There is a risk that the Corporation's products or systems may be used for those purposes by the Corporation's customers. There is also a risk that the Corporation will be subject to fraudulent activities by its employees. Any exposure to fraud and/or money laundering could subject the Corporation to financial losses, business disruption and reputational damage. In addition, there is a risk that the Corporation may be subject to investigation and sanctions by a regulator and/or to civil and criminal liability if the Corporation has failed to comply with its legal obligations relating to the reporting of money laundering or other offences. The Corporation has implemented policies and procedures designed to minimize the risk of fraud and money laundering, including monitoring of deposits and withdrawals activity. However, there can be no guarantee that these policies and procedures will be effective in all cases.

#### **RISKS RELATED TO TECHNICAL INFRASTRUCTURE AND DISRUPTION IN SERVICES**

The Corporation's reputation and ability to attract, retain and serve its customers will depend in part upon the reliable performance and availability of its product offerings and its underlying technical infrastructure. The Corporation will devote significant resources to network and data security. However, the Corporation's systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to its business. If the Corporation's product offerings are unavailable when customers attempt to access them, or if they do not load as quickly as expected, customers may not use them as often in the future, or at all. If the Corporation's customer base and engagement continue to grow, and the amount and types of product offerings continue to grow and evolve, it will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy its customers' needs. Such infrastructure expansion may be complex, and unanticipated delays in completing these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of the Corporation's product offerings. In addition, there may be issues related to this

infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after the Corporation has started to fully use the underlying equipment or software, that could further degrade the customer experience or increase its costs. As such, the Corporation could fail to continue to effectively scale and grow its technical infrastructure to accommodate increased demands.

In addition, the Corporation's business may be subject to interruptions, delays or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, cyber-attacks or other catastrophic events. The Corporation has contingency plans in place to prevent or mitigate the impact of these events. However, if such an event were to occur, customers may be subject to service disruptions or outages and the Corporation may not be able to recover its technical infrastructure and customer information in a timely manner to restart or provide its product offerings, which may adversely affect its financial results.

A substantial portion of the Corporation's network infrastructure will be provided by third parties, including internet service providers and other technology-based service providers. The Corporation requires its technology-based service providers to implement cyber-attack-resilient systems and processes. However, if internet service providers experience service interruptions, including because of cyber-attacks, communications over the internet may be interrupted and impair the Corporation's ability to conduct business. Internet service providers and other technology-based service providers may in the future roll out upgraded or new mobile or other telecommunications services which may not be successful and thus may impact the ability of the Corporation's customers to access its product offerings. In addition, the Corporation's ability to process e-commerce transactions depends on bank processing and credit card systems. To prepare for system problems, the Corporation will continuously seek to strengthen and enhance its facilities and the capabilities of its system infrastructure and support. Nevertheless, there can be no assurance that the internet infrastructure or the Corporation's own network systems will continue to be able to meet the demand placed on it by the continued growth of the internet, the overall online gaming and interactive entertainment industries and the Corporation's customers. Any difficulties these providers face, including the potential of certain network traffic receiving priority over other traffic (i.e., lack of net neutrality), may adversely affect the Corporation's business, and it exercises little control over these providers, which increases its vulnerability to problems with the services they provide. Any system failure as a result of reliance on third parties, such as network, software or hardware failure, including as a result of cyber-attacks, which causes a loss of the Corporation's customers' property or personal information or a delay or interruption in its online services and products and e-commerce services, including its ability to handle existing or increased traffic, could result in a loss of anticipated revenue, interruptions to its product offerings, cause it to incur significant legal, remediation and notification costs, degrade the customer experience and cause customers to lose confidence in its product offerings, any of which could have a material adverse effect on its business, revenues, operating results and financial condition.

**Sports Venture Holdings Inc.**  
**Condensed Interim Consolidated Financial Statements**  
**For the three and six-month periods ended June 30, 2022**  
**(Unaudited)**

**Sports Venture Holdings Inc.**  
**Condensed Interim Consolidated Financial Statements**  
**For the three and six-month periods ended June 30, 2022**  
**(Unaudited)**

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**Sports Venture Holdings Inc.**  
**Condensed Interim Consolidated Statement of Financial Position**  
**As at June 30, 2022**  
**(Unaudited)**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>		
Current		
Cash	\$ 7,797,645	\$ 9,344,012
Due from payment processors and other receivables	3,157,117	3,164,907
Derivative financial assets (Note 3(b))	20,619	51,382
Prepaid expenses	544,272	3,937,626
	11,519,653	16,497,927
Non-current asset held for sale	223,776	223,776
Intangible asset	3,778,964	3,402,379
	\$ 15,522,393	\$ 20,124,082
<b>Liabilities</b>		
Current		
Trade and other payables	\$ 7,718,495	\$ 6,556,925
Liabilities to players	4,126,580	3,680,270
	11,845,075	10,237,195
<b>Shareholders' Equity</b>		
Share capital (Note 4)	18,569,470	18,569,470
Warrant reserve	384,335	384,335
Other share-based payments reserve	2,579,898	2,490,504
Deficit	(17,856,385)	(11,557,422)
	3,677,318	9,886,887
	\$ 15,522,393	\$ 20,124,082

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

These condensed interim consolidated financial statements are approved by the Directors:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Sports Venture Holdings Inc.****Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**

For the three and six-month periods ended June 30, 2022

(Unaudited)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2022	2021	2022	2021
<b>Revenue from contracts with customers</b>				
Gross gaming revenue (Note 7)	\$ 15,190,994	\$ 6,146,607	\$ 30,561,904	\$ 9,070,977
Less: customer promotions and bonuses	(3,503,239)	(1,743,893)	(6,489,266)	(2,591,765)
	11,687,755	4,402,714	24,072,638	6,479,212
<b>Cost of revenue</b>				
Provider usage fees	1,780,949	947,654	3,732,949	1,464,250
Hosting fees	81,388	25,353	158,902	47,867
Payment processor fees	1,249,988	528,618	2,485,799	782,643
Platform fees	6,141	12,592	12,567	97,538
	3,118,466	1,514,217	6,390,217	2,392,298
Gross profit	8,569,289	2,888,497	17,682,421	4,086,914
<b>Expenses</b>				
Advertising and promotion	9,145,168	5,158,655	18,333,229	6,532,645
Bad debts	192,730	-	766,088	-
Bank charges and interest	1,438	735	1,613	735
Dues and subscriptions	115,115	12,035	280,512	20,561
Insurance	70,188	-	70,188	-
Office and general	270,332	79,240	431,810	121,017
Professional fees	407,040	226,848	651,243	251,941
Share-based payments (Note 5)	89,394	-	89,394	1,860,174
Subcontractors (Note 5)	1,183,980	550,323	2,146,474	978,246
Telecommunications	213,897	151,407	410,475	256,099
Website	52,849	45,179	108,049	93,516
	11,742,131	6,224,422	23,289,075	10,114,934
<b>Other losses</b>				
Foreign exchange loss	239,603	6,024	692,309	14,251
<b>Net loss and comprehensive loss</b>	<b>\$ (3,412,445)</b>	<b>\$ (3,341,949)</b>	<b>\$ (6,298,963)</b>	<b>\$ (6,042,271)</b>

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

**Sports Venture Holdings Inc.**  
**Condensed Interim Consolidated Statement of Changes in Equity**  
**For the six-month period ended June 30, 2022**  
**(Unaudited)**

	Share capital	Warrant reserve	Other share- based payments reserve	Deficit	Total shareholders' equity
<b>Balance as at January 1, 2022</b>	\$ 18,569,470	\$ 384,335	\$ 2,490,504	\$ (11,557,422)	\$ 9,886,887
Share-based payments	-	-	89,394	-	89,394
Net loss	-	-	-	(6,298,963)	(6,298,963)
<b>Balance as at June 30, 2022</b>	\$ 18,569,470	\$ 384,335	\$ 2,579,898	\$ (17,856,385)	\$ 3,677,318

	Share capital	Warrant reserve	Other share- based payments reserve	Deficit	Total shareholders' equity
<b>Balance as at January 1, 2021</b>	\$ 7,557,317	\$ 384,335	\$ -	\$ (2,882,387)	\$ 5,059,265
Issuance of common shares, net of issue costs	810,016	-	-	-	810,016
Share-based payments	-	-	1,860,174	-	1,860,174
Net loss	-	-	-	(6,042,271)	(6,042,271)
<b>Balance as at June 30, 2021</b>	\$ 8,367,333	\$ 384,335	\$ 1,860,174	\$ (8,924,658)	\$ 1,687,184

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

**Sports Venture Holdings Inc.**  
**Condensed Interim Consolidated Statement of Cash Flows**  
**For the six-month period ended June 30, 2022**  
**(Unaudited)**

	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Net loss	\$ (6,298,963)	\$ (6,042,271)
Items not affecting cash:		
Share-based payments expense	89,394	1,860,174
Change in fair value of derivative financial assets	30,763	8,164
Unrealized foreign exchange loss on cash	156,736	13,376
	(6,022,070)	(4,160,557)
Net changes in non-cash working capital (Note 6)	5,009,024	81,688
Cash flows used in operating activities	(1,013,046)	(4,078,869)
<b>Investing activities</b>		
Additions to intangible asset	(376,585)	-
Acquisition of license	-	(447,549)
Cash flows used in investing activities	(376,585)	(447,549)
<b>Financing activity</b>		
Proceeds from issuance of common shares	-	810,016
Cash flows provided by financing activity	-	810,016
Unrealized foreign exchange loss on cash	(156,736)	(13,376)
Net change in cash	(1,546,367)	(3,729,778)
Cash - beginning of period	9,344,012	4,997,536
<b>Cash - end of period</b>	<b>\$ 7,797,645</b>	<b>\$ 1,267,758</b>

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

**Sports Venture Holdings Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six-month periods ended June 30, 2022**  
**(Unaudited)**

**1. Nature of business**

Sports Venture Holdings Inc. (the "Corporation"), operating as Bet99, was incorporated on May 8, 2020 under the laws of the Province of Ontario. The Corporation operates an online sports betting and gaming website serving customers throughout Canada. The registered office is located at 77 King Street West, Suite 700, TD Tower North, Toronto, Ontario, M5K 1G8.

**2. Basis of presentation**

These condensed interim consolidated financial statements for the three and six-month periods ended June 30, 2022 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements. The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Corporation's annual consolidated financial statements for the year ended December 31, 2021.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors of the Corporation on August 25, 2022.

**3. Significant accounting policies**

(a) Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements in accordance with IAS 34 requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses during the period. These estimates and assumptions are based on historical experience, expectations of the future, and other relevant factors and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of uncertainty are the same as those applied and described in the Corporation's annual audited consolidated financial statements for the year ended December 31, 2021.

(b) Fair value hierarchy

All financial instruments measured at fair value after initial recognition are categorized into one of three hierarchy levels. Each level reflects the significance of the inputs used in making the fair value measurements.

Level 1: Fair value is determined by reference to quoted prices in active markets. The Corporation does not have any financial instruments categorized in this hierarchy level.

Level 2: Valuations use inputs based on observable market data, either directly or indirectly, other than the quoted prices. The Corporation does not have any financial instruments categorized in this hierarchy level.

Level 3: Valuations are based on inputs that are not based on observable market data. Derivative financial instruments, which comprise gross gaming revenue receivable from sports betting open positions, are categorized as Level 3 of the fair value hierarchy. The fair value of derivative financial instruments at the period end has been calculated based on expectations as to the results of sporting and other events on which bets are placed using historical win/loss rates. Changes in those expectations and ultimately the actual results when the events occur will result in changes in fair value. There are no reasonably probable changes to assumptions and inputs that would lead to material changes in the fair value methodology although the final value will be determined by future sporting results.

A continuity schedule of financial instruments categorized as level 3 for fair value measurement is as follows:

	Derivative financial assets
<b>Balance as at January 1, 2021</b>	\$ 10,040
Change in fair value	(8,164)
<b>Balance as at June 30, 2021</b>	\$ 1,876
<b>Balance as at January 1, 2022</b>	\$ 51,382
Change in fair value	(30,763)
<b>Balance as at June 30, 2022</b>	\$ 20,619

**Sports Venture Holdings Inc.****Notes to the Condensed Interim Consolidated Financial Statements  
For the three and six-month periods ended June 30, 2022  
(Unaudited)****4. Share capital****Authorized:**

Unlimited number of common shares, without par value

Unlimited number of special shares, issuable in series

<b>Issued:</b>	June 30, 2022	December 31 2021
16,677,828 Common shares (December 31, 2021 - 16,677,828)	\$ 18,569,470	\$ 18,569,470

**5. Related party transactions**

Included in subcontractors expenses is \$268,500 and \$444,000 (2021 - \$337,500 and \$466,000) paid to the Corporation's key management personnel during the three and six-month periods ended June 30, 2022, respectively. Included in share-based payments expense is \$Nil and \$Nil (2021 - \$Nil and \$1,796,343) as a result of stock options issued to members of the Corporation's key management personnel during the three and six-month periods ended June 30, 2022, respectively. As at June 30, 2022, trade and other payables includes \$Nil (December 31, 2021 - \$820,000) payable to members of the Corporation's key management personnel.

**6. Statement of cash flows**

	Six-month period ended June 30,	
	2022	2021
Decrease (increase) in due from payment processors and other receivables	\$ 7,790	\$ (2,094,334)
Decrease (increase) in prepaid expenses	3,393,354	(1,031,990)
Increase in trade and other payables	1,161,570	1,359,750
Increase in liabilities to players	446,310	1,848,262
	\$ 5,009,024	\$ 81,688

**7. Revenue from contracts with customers**

The Corporation's gross gaming revenue is comprised of the following:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2022	2021	2022	2021
Sportsbook betting revenue	\$ 6,281,108	\$ 2,756,844	\$ 12,626,403	\$ 4,267,477
Gaming revenue	8,909,886	3,389,763	17,935,501	4,803,500
	\$ 15,190,994	\$ 6,146,607	\$ 30,561,904	\$ 9,070,977

**Sports Venture Holdings Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six-month periods ended June 30, 2022**  
**(Unaudited)**

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**8. Significant events and transactions**

On May 25, 2022 the Corporation announced that it had entered into an arm's length business combination agreement (the "Definitive Agreement") dated May 24, 2022 with Kings Entertainment Group Inc. ("Kings") to combine Kings and the Corporation (the "Business Combination").

In connection with the Business Combination, the Corporation and a to be incorporated wholly-owned subsidiary of Kings will amalgamate to form one company as a wholly-owned subsidiary of Kings. Following completion of the Business Combination, current shareholders of the Corporation will hold approximately 87% of the common shares of the combined company (the "Resulting Issuer") on a fully-diluted treasury method basis. The Business Combination will close immediately following completion of the amalgamation.

Additionally, in connection with the Business Combination, Kings has agreed to make available to the Corporation a senior secured non-interest bearing credit facility of up to \$5,000,000. The outstanding balance owing under the credit facility will become immediately due and payable if the Definitive Agreement is terminated with interest thereafter accruing at 18% per annum.

Following completion of the Business Combination, it is anticipated that the Resulting Issuer will operate under the name "Interactive Entertainment Group Inc." or such other name as may be agreed with the intention that the Resulting Issuer shares will be listed and posted for trading on the Canadian Securities Exchange ("CSE").

The Business Combination has been unanimously approved by the Board of Directors of each of Kings and the Corporation. Directors, officers, and other significant shareholders of each of Kings and the Corporation have entered into irrevocable voting and support agreements to vote in favour of the Business Combination representing approximately 30% of the outstanding Kings shares and approximately 53% of the Corporation's shares.

Completion of the Business Combination is subject to several conditions including, but not limited to, the receipt of all necessary regulatory and third-party consents, approvals, and authorizations as may be required in respect of the Business Combination, including from the CSE. As of the date of authorization of these condensed interim consolidated financial statements, the Business Combination has not closed. Accordingly, the initial accounting for the Business Combination, including an assessment of which entity is the acquirer, which entity is the acquiree, and whether the acquiree meets the definition of a business in International Financial Reporting Standard 3, *Business Combinations* ("IFRS 3"), has not been made at the time that the condensed interim consolidated financial statements were authorized for issue. Accordingly, none of the IFRS 3 disclosures required for a business combination have been made.

# **Sports Venture Holdings Inc.**

**MANAGEMENT DISCUSSION & ANALYSIS FOR THE THREE AND SIX-MONTH PERIODS ENDED  
JUNE 30, 2022**

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### MANAGEMENT DISCUSSION & ANALYSIS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022

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## 1. MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis (“MD&A”) provides a review of the results of operations, financial condition and cash flows for Sports Venture Holdings Inc. on a consolidated basis, for the three-month period ended June 30, 2022 (“Q2 2022”) and six-month period ended June 30, 2022. References to “SVH”, or the “Corporation” in this MD&A refer to Sports Venture Holdings Inc., unless the context requires otherwise.

SVH was incorporated under the name BDJ Holdings, Inc. on April 22, 2020 under the laws of the Province of Ontario, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario). By articles of amendment dated May 8, 2020, the name of the company was amended to “Sports Venture Holdings Inc.”. The registered head office and the office of the books and records of the Corporation is located in Toronto, Ontario.

On June 6, 2020, SVH acquired all of the outstanding common shares of Hockey Holding AG (“HH AG”) pursuant to a Share and Loan Purchase Agreement between SVH, Douglas Honegger (“Honegger”) and Treasure Island Management Ltd. (“TIML”) dated June 6, 2020. Under the terms of the agreement, SVH acquired all outstanding common shares of HH AG from Honegger and a promissory note from TIML, which note evidenced a debt owing by BQC Consulting GmbH (“BQC”), a wholly owned subsidiary of HH AG, to TIML in the principal amount of \$600,000, in exchange for the issuance of SVH Shares.

The consolidated financial information of SVH includes the following entities:

- (i) Hockey Holdings AG, a corporation incorporated in Switzerland, is a wholly owned subsidiary of SVH.
- (ii) BQC Consulting GmbH (“BQC”), a corporation incorporated in Switzerland, is a wholly owned subsidiary of HH AG.
- (iii) 1000007698 Ontario Ltd. (“Canco”), a corporation incorporated in Ontario, Canada, is a wholly owned subsidiary of SVH.

This document should be read in conjunction with the information presented in the unaudited condensed interim consolidated financial statements for the three and six-month periods ended June 30, 2022 (the “Interims”).

For reporting purposes, the Corporation prepared its consolidated financial statements in Canadian dollars (“CAD”) and, unless otherwise indicated, in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial information contained in this MD&A was derived from the Interims. Unless otherwise indicated, all references to a specific “note” refer to the notes to the Interims.

For purposes of this MD&A, the term “gaming license” refers collectively to all of the different licenses, consents, permits, authorizations, and other regulatory approvals that are necessary to be obtained in order for the recipient to lawfully conduct (or be associated with) gaming in a particular jurisdiction.

## 2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking information and statements (collectively, “forward-looking statements”) within the meaning of the Canadian securities legislation and applicable securities laws, including financial and operational expectations and projections. These statements, other than statements of historical fact, are based on management’s current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect the Group, its subsidiaries and their respective customers and industries. Although the Corporation and management believe the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such 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”, “would”, “should”, “believe”, “objective”, “ongoing”, “imply” or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Corporation’s stage of development, long-term capital requirements and future ability to fund operations, future developments in the Corporation’s markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Corporation’s operations. Each factor should be considered carefully, and readers are cautioned not to place undue reliance on such forward-looking statements. See “Risk Factors and Uncertainties” section below noting that these factors are not intended to represent a complete list of the factors that could affect the Corporation.

Shareholders and investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might not occur. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Unless otherwise indicated by the Corporation, forward-looking statements in this MD&A describe the Corporation’s expectations as of August 25, 2022 and, accordingly, are subject to change after such date. The Corporation does not undertake to update or revise any forward-looking statements, except in accordance with applicable securities laws.

### **3. LIMITATIONS OF KEY METRICS AND OTHER DATA**

The Corporation's key metrics are calculated using internal Corporation data. While these numbers are based on what the Corporation believes to be reasonable judgments and estimates of customer numbers for the applicable period of measurement, there are certain challenges and limitations in measuring the usage of its product offerings across its customer base. In addition, the Corporation's key metrics and related estimates may differ from estimates published by third parties or from similarly titled metrics of its competitors due to differences in methodology and access to information.

#### **Sports Venture Holdings Inc.: Overview and Strategy**

SVH is a holding company of subsidiaries that operate the BET99 brand. SVH's Swiss subsidiary, BQC Consulting GmbH, operates BET99.com and BET99.net. BET99.net, a 100% pure free-play website, is marketed throughout Canada. SVH's other subsidiary, Canco, has made an application for registration as an internet gaming operator with the Alcohol and Gaming Commission of Ontario. Upon approval, Canco will operate and market BET99.ca to residents of Ontario.

BET99 has adopted a hyper localized approach to create a premiere Canadian online sportsbook and casino. Since launching in 2020, BET99 has consistently innovated to create a diverse product and service tailored specifically to the unique nuances of the Canadian market.

Furthermore, the brand has entered into a vast array of unique Canadian Partnerships including UFC Hall of Famer Georges-St-Pierre, NHL All-Star Auston Mathews, two-time Olympian Alysha Newman, Live Nation, the Ottawa Senators, the CF Montreal, the Montreal Alouettes, Julianna Pena, Ric Flair and many more.

The development, licensing, and protection of intellectual property is a core part of the Corporation's business strategy and is a key element to its success. The intellectual property rights currently provide broad and comprehensive coverage and access for the Corporation's products and services. The Corporation's business practices protect its intellectual property rights in its core business through non-disclosure and confidentiality policies and provisions, the use of appropriate intellectual property ownership and assignment provisions and restrictive covenant agreements with, among others, its contractors, consultants, manufacturers, suppliers, customers and stakeholders. The Corporation actively seeks to protect and enforce its intellectual property rights to prevent unauthorized use by third parties, including through applications for injunctive relief and litigation, as necessary.

SVH continues to invest in building a strong, experienced management team to drive these strategic initiatives.

### **4. OVERVIEW OF THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2022**

#### **4.1 EXECUTIVE SUMMARY**

##### **Financial performance in the three and six-month periods ended June 30, 2022**

The Corporation incurred a net loss for the three-month period ended June 30, 2022 of \$3,412,000 (three-month period ended June 30, 2021 - \$3,342,000) and had an accumulated deficit of \$17,856,000 at June

30, 2022 (December 31, 2021 - \$11,557,000). During the six-month period ended June 30, 2022, the Corporation incurred a net loss of \$6,299,000 (six-month period ended June 30, 2021 - \$6,042,000). As at June 30, 2022, the Corporation had a negative working capital balance of \$325,000 (December 31, 2021 – positive working capital balance of \$6,261,000).

### Gross Revenue

The Corporation has two major sources of revenue:

- Sportsbook betting revenue
- Gaming revenue consisting of online games and casinos

The Corporation's gross revenue for the three-month period ended June 30, 2022 increased from the same period in the previous year by 147% to \$15.2M (three-month period ended June 30, 2021 – \$6.1M). For the six-month period ended June 30, 2022, gross revenues increased by 237% to \$30.6M from \$9.1M in the comparative 2021 period. The Corporation's increase in revenue was primarily driven by a significant increase in active players.

The Corporation's sportsbook betting revenue has increased by 128% from \$2.8M in Q2 2021 to \$6.3M in Q2 2022. During the six-month period ended June 30, 2022, sportsbook betting revenue increased by 196% to \$12.6M (six-month period ended June 30, 2021 - \$4.3M). Gaming revenue has increased by 163% from \$3.4M in Q2 2021 to \$8.9M in Q2 2022. For the six-month period ended June 30, 2022, gaming revenue increased by 273% to \$17.9M (six-month period ended June 30, 2021 - \$4.8M).

The Corporation's customer promotions and bonuses has increased by 101% from \$1.7M in Q2 2021 to \$3.5M in Q2 2022. For the six-month period ended June 30, 2022, customer promotion and bonuses increased by \$3.9M, or 150%, to \$6.5M as compared to the same period in 2021. This was mainly attributed to additional promotions and bonuses to generate more active players in the three and six-month periods ended June 30, 2022 and to increase player activity on the website. As a percentage of gross revenue, customer promotions and bonuses decreased from 28% of gross revenues in Q2 2021 to 23% in Q2 2022 and decreased to 21% for the six-month period ended June 30, 2022 from 29% in the comparative period.

For the three and six-month period ended June 30, 2022, the Corporation's net revenue increased by 165% to \$11.7M and by 272% to \$24.1M, respectively, from the comparative periods in 2021 (three-month period ended June 30, 2021 - \$4.4M and six-month period ended June 30, 2021 - \$6.5M). The Corporation's increase in net revenue in both periods was primarily due a significant increase in active players.

Compared to the same periods in the previous year, gross profit increased by 197% to \$8.6M and by 333% to \$17.7M during the three and six-month periods ended June 30, 2022, respectively (three-month period ended June 30, 2021 – \$2.9M and six-month period ended June 30, 2021 - \$4.1M). Gross margins were 73% of net revenue during both the three-and six-month period ended June 30, 2022 (three-month period ended June 30, 2021 – 66% and six-month period ended June 30, 2021 – 63%). The increase in gross profit is a result of the significant increase in revenues over the period. The rate of increase of the revenues during the period was significantly higher than the rate of increase of the provider usage fees, hosting fess, payment processor fees and platform fees as there were cost reductions resulting from higher transaction volumes.

## Operating Expenses

	<b>Three-month period ended</b>		<b>Six-month period ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Operating expenses</b>				
Advertising and promotion	\$9,145,168	\$5,158,655	\$18,333,229	\$6,532,645
Bad debts	192,730	-	766,088	-
Bank charges and interest	1,438	735	1,613	735
Dues and subscriptions	115,115	12,035	280,512	20,561
Insurance	70,188	-	70,188	-
Office and general	270,332	79,240	431,810	121,017
Professional fees	407,040	226,848	651,243	251,941
Share-based payments	89,394	-	89,394	1,860,174
Subcontractors	1,183,980	550,323	2,146,474	978,246
Telecommunications	213,897	151,407	410,475	256,099
Website	52,849	45,179	108,049	93,516
	<b>11,742,131</b>	<b>6,224,422</b>	<b>23,289,075</b>	<b>10,144,934</b>

During the three-month period ended June 30, 2022, operating expenses increased from the same period in the previous year by 89% to \$11.7M (Q2 2021 - \$6.2M) which represents 100% of net revenue (Q2 2021 – 141%). Operating expenses increased by \$13.1M, or 130%, from \$10.1M during the six-months ended June 30, 2021 to \$23.3M for the same period in 2022. Main movements in the year were driven by the following:

- A. **Advertising and promotion** increased by 77% to \$9,145,000 in Q2 2022 (Q2 2021 - \$5,159,000) and by 181% to \$18,333,000 during the six-month period ended June 30, 2022 (six-month period ended June 30, 2021 - \$6,533,000). The increase in both periods is attributed to a high level of marketing and promotion activities to increase brand recognition and new player registrations during the quarter.
- B. **Bad debts** increased from \$nil during the three and six-month periods ended June 30, 2021 to \$193,000 and \$766,000 during the three-and six-month periods ended June 30, 2022, respectively. The increase in bad debts in both periods is in line with the significant increase in revenues and active players.
- C. **Dues and subscriptions** expenses increased by 857% in Q2 2022 to \$115,000 (Q2 2021 - \$12,000). For the six-month period ended June 30, 2022, dues and subscriptions increased by \$260,000, or 1,264%, from the comparative period in the prior year to \$281,000. The increase in both periods was primarily due to additional fees incurred in relation to applying for the Ontario gaming license.

- D. **Insurance** increased from \$nil during the three and six-month periods ended June 30, 2021 to \$70,000 during both the three and six-month periods ended June 30, 2022. The increase was due to expense general liability insurance obtained in relation to the Ontario gaming license.
- E. **Office and general** expenses increased by 241% to \$270,000 in Q2 2022 (Q2 2021 - \$79,000) and by 257% to \$432,000 in the six-months ended June 30, 2022 (six-months ended June 30, 2021 - \$121,000) due to higher bank processing fees and recruiting fees in both periods.
- F. **Professional fees** increased by 79% to \$407,000 in Q2 2022 (Q2 2021 - \$227,000). During the six-month period ended June 30, 2022, the professional charges increased by 158% to \$651,000 (six-month period ended June 30, 2021 - \$252,000). For both the three and six-month periods ended June 30, 2022, the increase was primarily due to an increase in accounting and audit fees as well as compliance related expenditures, offset by a decrease in legal fees.
- G. **Share-based payments** for the three and six-month period ended June 30, 2022 were \$89,000 (three-month period ended June 30, 2021 - \$nil and six-month period ended June 30, 2021 - \$1,860,000) and were attributed to share-based payments given to brand ambassadors.
- H. **Subcontractors** expenses increased by 115% to \$1,184,000 in Q2 2022 (Q2 2021 - \$550,000) and by 119% to \$2,146,000 during the six-month period ended June 30, 2022 (six-month period ended June 30, 2021 - \$978,000). The increase in both periods is attributed to the increase in the number of subcontractors engaged by the Corporation to facilitate its growth.
- I. **Telecommunications** expenses increased by 41% to \$214,000 in Q2 2022 (Q2 2021 - \$151,000) and by 60% to \$410,000 in the six-months ended June 30, 2022 (six-months ended June 30, 2021 - \$256,000) due to increased call centre related costs to meet higher customer service requirements driven by more active players.

Foreign exchange loss amounted to \$239,000 and \$692,000 during the three and six-month period ended June 30, 2022, respectively (Q2 2021 - \$6,000 and six-month period ended June 30, 2021 - \$14,000). The foreign exchange loss includes losses from transfers of cash in foreign currencies and unrealized losses from the conversion of monetary assets and liabilities denominated in a currency other than the individual entities' functional currency of Canadian dollars.

The Corporation incurred a net loss of \$3.4M during the three-month period ended June 30, 2022 (Q2 2021 – \$3.3M). The net loss for the six-month period ended June 30, 2022 was \$6.3M (six-month period ended June 30, 2021 - \$6.0M). Overall, the increase in operating expenses and cost of revenue were in line with the growth of the Corporation and the increase in revenues. Foreign exchange loss contributed to the increase in net loss.

Cash flows used in operating activities for the six-month period ended June 30, 2022 were \$1.0M (six-month period ended June 30, 2021 - \$4.1M).

Cash flows used in investing activities consists of additions to the intangible asset, which resulted in an outflow of \$377,000 during the six-month period ended June 30, 2022 (six-month period ended June 30, 2021 – cash outflow of \$448,000 related to acquisition of license).

There were no cash flows provided by financing activities during the six-month period ended June 30, 2022 (six-month period ended June 30, 2021 – cash inflow of \$810,000).

Financial position:

Cash as of June 30, 2022 decreased to \$7,798,000 (December 31, 2021 - \$9,344,000) primarily due to \$1,013,000 in cash flows used in operating activities, \$377,000 in cash used to invest in intangible assets during the period, and \$157,000 in unrealized foreign exchange losses on cash.

Due from payment processors and other receivables as of June 30, 2022 remained relatively consistent at \$3,157,000 as compared to \$3,165,000 as of December 31, 2021.

As at June 30, 2022, derivative financial assets decreased by \$30,000 to \$21,000 (December 31, 2021 - \$51,000), the decrease is driven by the decrease in sportsbook betting revenue with open positions at June 30, 2022 as compared to December 31, 2021.

Prepaid expenses and other assets as of June 30, 2022 decreased by \$3.4M to \$0.5M (December 31, 2021 - \$3.9M) primarily attributed to the airing of television advertisements during the six-month period ended June 30, 2022 that were previously prepaid. The Corporation did not enter into any significant television advertising or other marketing agreements that required significant upfront prepayment during the period.

Non-current asset held for sale remained unchanged at \$223,000 as of June 30, 2022 (December 31, 2021 - \$223,000).

The intangible asset increased to \$3.8M on June 30, 2022 (December 31, 2021 - \$3.4M) due to additions made to the Corporations' internally generated intangible asset which is not yet available for use.

Trade and other payables as of June 30, 2022 increased by \$1.1 to \$7.7M (December 31, 2021 - \$6.6M) primarily due to timing of payments made to vendors.

Liabilities to players as of June 30, 2022 increased by \$0.4M to \$4.1M (December 31, 2021 - \$3.7M) attributed to the timing of player withdrawals and gaming activity.

Other share-based payments reserve as at June 30, 2022 was \$2.6M, representing an increase of \$0.1M as compared to \$2.5M as at December 31, 2021. The increase is attributed to share-based payments given to brand ambassadors.

## **Strategic progress**

SVH's strategy includes exclusively focusing on Canadians with a diverse multilingual product offering. It utilizes a proprietary core platform, combined with leading third-party gaming software and content, which allows control over the customer experience, thereby maximizing retention and optimizing the user experience. The BET99 brand is promoted through unique Canadian media partnerships and affiliations.

The Corporation's growth strategy will be implemented based on the following business objectives:

### **(1) Technical Autonomy**

The Corporation runs both the BET99.com and BET99.ca websites, desktop and mobile, on the award winning Dench eGaming Platform ("Dench"). It has acquired the source code of Dench, thus enabling SVH to eliminate platform license fees and take full control of the product roadmap and future development. It is currently anticipated that the Corporation will achieve full technical autonomy by November 15<sup>th</sup>, 2022. Technical autonomy will facilitate greater efficiencies and optimal control to serve the various business functions. The Corporation will continue to invest in its product and technical team to achieve prominence in a rapidly evolving industry.

### **(2) Complete Enhanced Customer Relationship Management ("CRM")**

The Corporation will build on top of the existing proprietary CRM system to significantly enhance existing capabilities. The added features will enable the Corporation to go beyond engagement statistics to truly understand what is motivating the player behaviour. By having greater control over predicting conversion, future value, risk of churn, and reactivation, the Corporation will have better insight on where efforts should be focused. Seamless cross-channel automation will support scaling efforts and empower team members with more actionable insights.

### **(3) Launch Rewards Program**

Attracting new customers while keeping existing customers active are two of the Corporation's critical goals. One of the several initiatives the Corporation will put forward toward achieving these goals is the launch of an innovative rewards program intended to accelerate the loyalty life cycle. The mechanics of this program will be fully automated and completely integrated within the tech stack. Each level will offer its members specific benefits including exclusive offers and gifts. The top three tiers will receive white glove concierge service through a dedicated VIP Host.

### **(4) Integrate ADA's Artificial Intelligence ("AI") Bot Enhanced Capabilities**

The Corporation was one of the early adopters of AI Bot, a chatbot-based platform that automates the customer experience, to serve on the first line of customer service which rapidly improved customer's satisfaction. The Corporation will deploy technical resources to continue to build on existing AI capabilities. The focus is on increasing customer satisfaction by providing tier 1 service through cost effective methods.

## **(5) Launch Native App**

The Corporation will launch mobile apps on both the iOS and Android operating systems. The app will allow users to access functionality comparable to the Corporation's desktop sites and Progressive Web Base Applications in a native mobile format. This native app will provide additional features like geofencing, inter-app functionality and push notifications. The app will result in a more seamless user experience for the Corporation's mobile users and allow the Corporation to convert additional users to its platform through its presence on various app stores.

## **(6) Back & Front-end Improvement**

The Corporation will make upgrades to its "back end" systems – the internal systems underlying the Corporation's various Websites. This will improve the user experience for visitors of the Websites by increasing their responsiveness and allowing the Corporation's staff to address user concerns more effectively. It will also allow the Corporation to scale its operations more effectively by allowing its systems to on-board and support higher numbers of users. Additionally, the upgrades will increase the ease through which the Corporation may comply with the requirements of various gaming licenses from jurisdictions other than Ontario.

## **(7) Additional Market Readiness**

The Corporation deployed cross departmental efforts through the Alcohol and Gaming Commission of Ontario ("AGCO") internet gaming application. Many processes were implemented, existing procedures tweaked, and large amounts of documentation produced, all in order to satisfy the regulators. Every action at each stage of the process was well documented by the Corporation's teams with the foresight of repurposing the majority for the other provincial regulators if those provinces decide to follow suit.

## **(8) Acquire complimentary businesses**

The Corporation intends to engage in an acquisition strategy focused on acquiring businesses and technologies that will complement the Corporation's business. In particular, the Corporation will seek out assets that may assist its marketing strategy and enhance the core product offering. This will include media platforms, content aggregators, existing technical applications, and other B2C operators with an established brand name and customer base, whose operations may be easily integrated with those of the Corporation.

## **Regulatory updates in various geographies**

The Corporation does not provide gaming, betting or lottery products in jurisdictions other than those indicated below.

### Canada

Gaming activities are regulated in Canada under the Criminal Code of Canada ("Code") and provincial regulation. Part IV of the Code addresses "Disorderly Houses, Gaming and Betting". Various sections within Part IV of the Code make the provision of all gambling activities illegal throughout Canada, and includes a small number of exemptions, the most important of which is section 207. Section 207 of the

Code permits a provincial government to “conduct and manage a lottery scheme” within its jurisdiction or in conjunction with other provincial governments. Through Section 207, provincial governments are permitted to provide all types of gambling services (both land-based and online) to its residents.

On the basis of the exemption set out above, provincial governments in Canada have established lottery corporations to provide gambling services to their residents pursuant to special-purpose provincial gaming legislation. Such lottery corporations often subcontract the operation of all of the gambling facilities to registered service suppliers in the private sector. However, the provincial lottery corporations still had limits to what forms of gambling they could offer. Until recently, single-sport betting was not permissible, and as such, a minimum “3-bet” parlay offering was required. This deterred many gamblers from wagering on provincial gaming websites and directed them instead to foreign operators, where these same restrictions may have been of no application. However, on June 22, 2021, the Canadian Parliament passed Bill C-218 which decriminalized single-sport betting and allowed the provincial lottery corporations to offer such type of betting.

In Canada, the British Columbia Lottery Corporation, Ontario Lottery Gaming Corporation, Loto-Québec and the Atlantic Lottery Corporation have created authorized Internet gaming sites to provide online gambling services to their residents. In addition, as described below, the Ontario Government has recently enacted provincial regulations regulating internet gaming in Ontario allowing private operators the right to obtain a license with the AGCO to offer online gaming to residents of Ontario.

BQC, a Swiss company that is wholly-owned by SVH, owns and operates the domain [www.BET99.com](http://www.BET99.com), that operates in all other provinces in Canada outside of Ontario and does not market its gaming offerings in any other jurisdiction.

Currently, the significant international jurisdiction that licenses BQC to do business is the Mohawk Territory of Kahnawake. Kahnawake is a key interactive gaming jurisdiction with a comprehensive interactive gaming policy and regulatory framework. As a result, Kahnawake hosts and licenses many of the industry’s largest operators. BQC holds a Client Provider Authorization interactive gaming license in Kahnawake. The Kahnawake Gaming Commission (“KGC”) is the regulatory body that is responsible for the governance of all gaming activities in Kahnawake by issuing online gaming licenses for the operation of online casino games, games of chance, online sports betting and general games that utilize a random number generator.

## Ontario

As of April 4, 2022, only those operators that have obtained an interactive gaming license from the AGCO can legally operate within Ontario. It is worth noting that as per the AGCO, any applicant-operator that had submitted an application for an interactive gaming license prior to April 4, 2022, such as Canco, may continue to operate in Ontario pending completion of their application process; neither AGCO licensees nor AGCO applicants are not allowed to offer their products elsewhere in Canada.

Companies such as Canco enter into an operator agreement with iGaming Ontario, a subsidiary of the AGCO, to provide online gambling to residents of Ontario.

For a company to obtain an AGCO license, it must first apply for registration with the AGCO. The AGCO requires that an applicant for registration provide full details of the applicant’s corporate structure, including details concerning any shareholder that holds more than 5% of any type of security (not just

voting shares or equity) in a corporation along with an initial application fee of \$100,000; in addition, the AGCO charges the operator 20% of the gross gaming revenue. Disclosure must go up to the level of individual shareholders in all cases although exceptions are made if a company is broadly publicly traded. Every individual shareholder, director and officer of every corporation for which disclosure is made must submit to a full personal disclosure and security clearance. At the AGCO, this process is conducted by the Ontario Provincial Police who are seconded to the AGCO for this purpose, and they are assisted by the Royal Canadian Mounted Police in Canada; a discretionary sum may be requested by the AGCO to cover the costs of these investigations and reviews. Any individuals located outside of Canada must submit security clearances run by the security service in their country (e.g. in the U.S., reports from Homeland Security and the FBI are usually required). Individuals are typically required to submit their income tax returns for previous years as well as information about any types of investigations, charges, or disputes in which they have been involved throughout their lifetime. The AGCO also has the discretion to broaden their investigation to “persons of interest” who are not legally related in any manner to the applicant.

The focus in Ontario requires registrants to comply with a specific set of rules or processes, as laid out in the regulations. The level of control over the flow of funds in all gaming operations is overseen and tightly controlled by the AGCO as are other mission critical components such as the software used in the games and in particular the random number generators.

Canco has undertaken not to accept registrations or deposits for the online gaming operations of [www.BET99.ca](http://www.BET99.ca) from individuals residing outside of Ontario.

#### Other Provinces and Territories in Canada

The law elsewhere in Canada as it relates to online gambling is somewhat uncertain. While there does not exist actual language that specifically governs the legality of online gaming websites, Canadian authorities have loosely interpreted the relevant language found in the Code to apply to them, and in this regard, the law is quite clear in that only provincial governments can legally manage and operate gaming houses, whether land-based or online; this extends to poker, casino and sportsbooks alike.

Operators, other than those licensed by the AGCO, accept Canadian facing business by relying on the “Foreign Operators Principle”, which provides that as long there is no substantial links between the operator and Canada, save for the customer database, (referred to as the “nexus” by Canadian courts), Canadian authorities do not have jurisdiction over them, and therefore, the Code has no application, as discussed further below.

The internet has the unparalleled ability to transcend borders and jurisdictions around the world, something that is not contemplated by the current gaming provisions of the Code. There is no extra-jurisdictional element in the current gaming provisions, thus the Canadian online gaming market remains open to operators that provide access to online sites from around the world. Given this, there is a legal argument that the Code has no jurisdiction to govern the activities of companies that are physically located outside of Canada and that elect to operate under the concept of the Foreign Operator Principle.

In order for the Code to apply to Foreign Operators accepting Canadian customers, they must have a substantial component of their operations linked to or based in Canada to form the requisite degree of connection to attract criminal liability (i.e. a “*real and substantial link*”) as laid out in Canadian jurisprudence.

The Code, as it relates to gaming, is restricted in its application to activities that take place within Canada, and operations that emanate from outside of the country are not regulated by it. This is what enables gaming operators that are not located within Canada to take comfort in accepting players from the Canadian market as the totality of their operations are located outside of Canada; because such activities are deemed to take place outside of Canada, they cannot be said to be in breach of any of the anti-gaming provisions of the Code.

It is based on the foregoing analysis that BQC operates the domain [www.BET99.com](http://www.BET99.com). Furthermore, as there are no connections between BQC and Canco save for their sole shareholder, SVH, Canco cannot be found to be in violation of either AGCO regulations or of the Code.

## 5. FINANCIAL RESULTS

### 5.1 BASIS OF FINANCIAL DISCUSSION

The financial information presented below has been prepared to examine the results of operations from continuing activities.

The presentation currency of the Corporation is the Canadian dollar, which is the functional currency of the Corporation and all of its subsidiaries.

### 5.2 SELECTED QUARTERLY FINANCIAL INFORMATION

The following is selected financial data of the Corporation for the three and six-month periods ended June 30, 2022 and 2021.

CAD 000	Three-month period ended June 30		Six-month period ended June 30	
	2022	2021	2022	2021
Revenue	\$11,688	\$4,403	\$24,073	\$6,479
Net loss from continuing operations	(3,412)	(3,342)	(6,299)	(6,042)
			<b>As at June 30, 2022</b>	<b>As at December 31, 2021</b>
Total assets			\$15,522	\$20,124
Total non-current financial liabilities			nil	nil
Dividends paid during the period			nil	nil

The financial data has been prepared to conform with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These accounting principles have been applied consistently across for all reporting periods.

### 5.3 OTHER SELECTED FINANCIAL INFORMATION

Additional selected financial information as follows:

CAD 000	Three-month period ended		Six-month period ended	
	June 30		June 30	
	2022	2021	2022	2021
Revenue	\$11,688	\$4,403	\$24,073	\$6,479
Cost of revenue	(3,412)	(3,342)	(6,299)	(6,042)
Gross profit	8,569	2,888	17,682	4,087
Gross margin	73%	66%	73%	63%

CAD 000	As at	As at
	June 30, 2022	December 31, 2021
Total assets	\$15,522	\$ 20,124
Total liabilities	11,845	10,237

### DUE FROM PAYMENT PROCESSORS AND OTHER RECEIVABLES, NET

CAD 000	As at	As at
	June 30, 2022	December 31, 2021
Due from payment processors and other receivables	\$3,157	\$3,165
Provision for expected credit losses	(0)	(0)
<b>Due from Payment Processors and Other Receivables</b>	<b>3,157</b>	<b>3,165</b>

### ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

CAD 000	As at	As at
	June 30, 2022	December 31, 2021
Trades payables	\$5,950	\$ 3,780
Accrued expenses	1,769	2,777
Liabilities to players	4,127	3,680
<b>Accounts payable and accrued liabilities</b>	<b>11,845</b>	<b>10,237</b>

## 5.4 SUMMARY OF QUARTERLY RESULTS

The following table presents the selected financial data for continuing operations for each of the past eight quarters of the Corporation.

CAD 000	2020		2021				2022	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	\$ 37	\$ 538	\$ 2,076	\$ 4,403	\$ 8,119	\$ 10,953	\$ 12,385	\$ 11,688
Net income (loss)	(641)	(1,579)	(2,700)	(3,342)	1,109	(3,742)	(2,887)	(3,412)

## 5.5 LIQUIDITY AND CAPITAL RESOURCES

The Corporation's principal sources of liquidity are its cash generated from operations and proceeds from issuance of shares. Currently available funds consist primarily of cash on deposit with financial institutions. The Corporation calculates its working capital requirements from continuing operations as follows:

CAD 000	As at June 30, 2022	As at December 31, 2021
Cash	\$ 7,798	\$ 9,344
Due from payment processors and other receivables	3,157	3,165
Derivative financial assets	21	51
Prepaid expenses	544	3,938
	11,520	16,498
Current liabilities	(11,845)	(10,237)
<b>Net working capital</b>	<b>(325)</b>	<b>6,261</b>

## MARKET RISK

The Corporation is exposed to market risks, including risks due to changes to foreign currency exchange rates and interest rates.

## FOREIGN CURRENCY RISK

The Corporation is exposed to foreign currency risk, which includes risks related to its operating expenses, assets and liabilities denominated in currencies other than CAD. Consequently, the Corporation believes movements in the foreign currencies in which it transacts will impact future operating results. The Corporation has experienced and will continue to experience fluctuations in its net loss as a result of translation gains or losses related to revaluing certain monetary asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded.

## LIQUIDITY RISK

The Corporation is also exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The primary sources of liquidity risk are trade and other payables and liabilities to players. The Corporation's ability to meet its obligations depends on the receipt of funds from its operations. Management monitors its working capital to ensure the obligations under current liabilities are met on timely basis.

## CASH FLOW SUMMARY

The cash flow from continuing operations may be summarized as follows:

	<b>Six-month period ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Operating activities	\$ (1,013)	\$(4,079)
Investing activities	(376)	(448)
Financing activities	-	810
Unrealized foreign exchange loss on cash	(157)	(13)
<b>Net cash flows used in continuing operations</b>	<b>(1,546)</b>	<b>(3,730)</b>

## 5.6 OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements during the three-month period ended June 30, 2022.

## 6 TRANSACTIONS BETWEEN RELATED PARTIES

The Corporation's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions for those in the normal course of business. Transactions between the Corporation and its consolidated entities have been eliminated on consolidation and are not disclosed in this section.

The Corporation's key management personnel are comprised of members of the Board and the executive team. During the three and six-month periods ended June 30, 2022, the Corporation paid \$268,500 and \$444,000, respectively (three-month period ended June 30, 2021 – \$337,500 and six-month period ended June 30, 2021 - \$466,000), to its key management personnel. Included in share-based payments expense is \$nil and \$nil (Q2 2021 - \$nil and six-month period ended June 30, 2021 - \$1.8M) as a result of stock options issued to members of the Corporation's key management personnel during the three and six-month periods ended June 30, 2022. As at June 30, 2022, trade and other payables includes \$nil (December 31, 2021 - \$820,000) payable to members of the Corporation's key management personnel.

## 7 DISCLOSURE OF OUTSTANDING SHARE DATA

The number of equity-based instruments granted or issued is summarized as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
16,677,828 Common shares (December 31, 2021 - 16,677,828)	\$ 18,569,470	\$ 18,569,470

## 8 CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's consolidated financial statements requires management to make estimates and judgments in applying the Corporation's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of the consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Corporation believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

### **Impairment of financial assets**

#### Judgments made in relation to accounting policies applied

The Corporation measures impairment losses on financial assets that are subsequently measured at amortized cost. Impairment losses are measured based on the expected credit loss ("ECL") model in accordance with IFRS 9, Financial Instruments. The twelve-month or lifetime expected default rates are estimated by management in calculating the expected credit losses.

#### Key sources of estimation uncertainty

In each stage of the ECL impairment model, impairment is determined based on the probability of default, loss given default, and expected exposures at default. The application of the ECL model requires management to apply the following significant judgments, assumptions, and estimations:

- movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on financial assets subsequently measured at amortized cost. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;

- thresholds for significant increase in credit risks based on changes in probability of default over the expected life of the instrument relative to initial recognition; and forecasts of future economic conditions.

## **Revenue recognition**

### Judgments made in relation to accounting policies applied

Under IFRS 15, *Revenue from contracts with customers*, management is required to determine when the control of services or goods are transferred to customers and estimate the variable considerations included in the contracts. Management exercises judgment in determining the point in time control of services or goods are transferred and applies judgment in determining whether the Corporation acts as principal or agent in its revenue contracts with customers.

### Key sources of estimation

In determining the point in time control of services are transferred, management identifies the performance obligations in the contracts and evaluates the satisfaction of performance obligation time point based on business practice in the industry. In determining the Corporation's role (principal or agent) in its revenue contracts with customers, management considered the operation model and business practice of the industry.

## **Fair value of derivative financial instruments**

### Judgments made in relation to accounting policies applied

The Corporation measures derivative financial instruments, which include estimated gross gaming revenue on open betting transactions at fair value at each consolidated statement of financial position date; any change in fair value is recognized in the consolidated statement of operations and comprehensive loss in the period during which the change occurs. Management exercises judgment in determining the gross gaming revenue margin applied on open bets to calculate the fair value of the derivative financial instruments.

### Key sources of estimation uncertainty

In determining the gross gaming revenue margin applied on open bets, management applies a rate based on its experience from past events. The judgments used to recognize revenue on open betting transactions are based on currently known factors and historical trends which may vary over time.

## **Fair value of share-based payments**

### Judgments made in relation to accounting policies applied

The Corporation measures share-based payment transactions at fair value and management is required to determine the most appropriate valuation model depending on the terms and conditions of the grant. The estimate of fair value also requires determination of the most appropriate inputs to the valuation model.

### Key sources of estimation uncertainty

In determining the fair value of stock options granted, the Black-Scholes valuation model is used at the grant date. Management exercises judgment on inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

## **9 CHANGES IN ACCOUNTING POLICIES**

There have been no changes in the Corporation's accounting policies in any of the reporting periods discussed in this MD&A.

## **10 RISK FACTORS AND UNCERTAINTIES**

Certain factors, listed below, may have a material adverse effect on the Corporation's business, financial condition, and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A and the corresponding consolidated financial statements.

The risks and uncertainties described herein and therein are not the only ones the Corporation may face. Additional risks and uncertainties that the Corporation is unaware of, or that the Corporation currently believes are not material, may also become important factors that could adversely affect the Corporation's business. If any of such risks actually occur, the Corporation's business, financial condition, results of operations, and future prospects could be materially and adversely affected.

### **RELIANCE ON ONTARIO LICENSE**

The Corporation will need to abide by all of the conditions outlined in the Ontario License to operate as a registered internet gaming operator in Ontario with the Alcohol and Gaming Commission of Ontario. As the Ontario License is the means by which the Corporation operates in the Ontario marketplace through the BET99.ca website, the failure to maintain the License will have a significant adverse impact on the Corporation's operations, future financial results and potential to raise additional financing.

### **ONLINE GAMING INDUSTRY IS HIGHLY REGULATED**

The Corporation, its subsidiaries, and their respective officers, directors, major shareholders, key employees and business partners will be subject to the laws and regulations relating to online gaming of the jurisdictions in which the Corporation may conduct business. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on the Corporation's operations and financial results. In particular, some jurisdictions have introduced regulations that restrict or prohibit online gaming, while others have taken the position that online gaming should be licensed and regulated and have adopted, or are considering adopting, legislation to enable that to happen.

In addition, the Corporation will be subject to the general laws and regulations that apply to all online, digital and e-commerce businesses, such as those related to privacy and personal information, data security, tax, and consumer protection. The laws and regulations vary in each jurisdiction and future legislative and regulatory action, court decisions, and/or other governmental action, which could be

affected by, among other things, political pressures, attitudes and climates, may have a material impact on the Corporation's operations and financial outcomes.

### **THIRD PARTY LICENSES**

The Corporation uses software licensed from third parties. The loss of rights to use this software could increase operating expenses and could adversely affect the Corporation's ability to operate. The termination of any license, or the failure of licensors to adequately maintain or update their products, could delay the Corporation's ability to provide its products, as the Corporation may need to seek to implement alternative technology offered by other sources. This may require unplanned investments by the Corporation. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain third-party technology licenses relating to one or more products or relating to current or future technologies to enhance the Corporation's product offerings. There is a risk that the Corporation will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

### **LOSS OF LICENSES**

The Corporation is subject to certain rules and regulations which will require the Corporation to obtain licenses and authorizations in order to operate its business. The Corporation may be unable to obtain or maintain all necessary registrations, licenses, permits, approvals or exemption permits, and could incur fines or experience delays related to the licensing process, which could adversely affect its operations. The Corporation's delay or failure to obtain or maintain certain licenses, permits, approvals or exemption permits in any jurisdiction may prevent it from distributing its product offerings, increasing its customer base and/or generating revenues. Additionally, gaming regulatory bodies in certain jurisdictions where gaming laws and regulations apply to the Corporation may refuse to issue or renew applicable licenses or restrict or condition the same, based on the historic activities of the Corporation or its current or former directors, officers, employees, major shareholders or business partners, which could adversely affect its operations or financial condition. The Corporation's licenses, authorizations and exemptions may be revoked for a variety of reasons, including the failure by the Corporation's directors, officers or senior management or significant shareholders or other investors to adequately comply with the suitability, information reporting or other requirements of licensing and regulatory authorities. Such revocation or non-renewal may materially adversely affect the Corporation's operations, financial performance, and prospects. The revocation of any such authorization or exemption permit could also result in reputational damage to the Corporation, may cause the Corporation's other licenses to be subject to review and could materially adversely affect the Corporation's operations, financial performance and prospects. Finally, future legislative and regulatory action, and court decisions or other governmental action, may have a material impact on the Corporation's operations and financial results. There can be no assurance that legally enforceable prohibiting legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to the Corporation's business.

## **NEW INDUSTRY**

The Corporation operates its business in a relatively new industry and market. In addition to being subject to general business risks, the Corporation must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the sports betting or online casino industry and market could have a material adverse effect on the Corporation's business, financial conditions and results of operations.

A failure in the demand for the Corporation's services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of the Corporation.

## **INFORMATION SYSTEMS AND CYBERSECURITY RISKS**

The Corporation 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 Corporation 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 the Corporation's financial resources, critical data and information or could result in a loss of control of its technological infrastructure or financial resources.

The Corporation maintains security policies and procedures that include employee protocols with respect to electronic communications and electronic devices, encryption protection of all computers and portable electronic devices and conducts annual cyber-security assessments. The Corporation applies technical and process controls in line with industry-accepted standards and best practices to protect its information, assets and systems. However, due to the variety and 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 Corporation's business, financial condition, and results of operations as well as on the Corporation's reputation.

## **KEY PERSONNEL**

The senior officers and management team of the Corporation along with certain consultants will be critical to its success. The success of the Corporation is dependent to a certain degree upon the skills, discretion and good faith of certain key members of management. It is expected that these individuals will

contribute significantly to the growth and success of the Corporation. In the event of the departure of a member of the management team, including executive officers, the Corporation believes that it will be successful in attracting and retaining qualified successors but there can be no assurance of such success. Recruiting qualified personnel as the Corporation grows is critical to its success. As the Corporation's business activity grows, it will require additional key financial, administrative and technical personnel as well as additional operations staff. If the Corporation is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on future cash flows, earnings, results of operations and the financial condition of the Corporation.

### **LIMITED OPERATING HISTORY**

The limited operating history of the Corporation makes it difficult to evaluate the current business model and future prospects. In light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development with limited operating history, there is a significant risk that the Corporation will not be able to implement or execute its future operational plans, or demonstrate that its business plan is sound; and if the Corporation cannot execute any one of the foregoing or similar matters relating to its operations, the business may fail.

### **RISKS RELATED TO LOCAL REGULATORY REQUIREMENTS**

Regulatory regimes imposed upon gaming providers varies by jurisdiction. Typically, however, most regulatory regimes include the following elements:

- the opportunity to apply for one or more gaming licenses for one or more categories of products, whether as part of a general round of license issuance or as and when the applicant chooses to apply;
- a requirement for gaming license applicants to make detailed and extensive disclosures as to their beneficial ownership, their source of funds, the probity and integrity of certain persons associated with the applicant, the applicant's management competence and structure and business plans, the applicant's proposed geographical territories of operation and the applicant's ability to operate a gaming business in a socially responsible manner in compliance with regulation;
- interviews and assessments by the relevant gaming authority intended to inform a regulatory determination of the suitability of applicants for gaming licenses;
- ongoing reporting and disclosure obligations, both on a periodic and ad hoc basis in response to material issues affecting the business;
- the testing and certification of software and systems, generally designed to confirm such things as the fairness of the gaming products offered by the business, their genuine randomness and ability accurately to generate settlement instructions and recover from outages;
- the need to account for applicable gaming duties and other taxes and levies, such as fees or contributions to bodies that organize the sports on which bets are offered, as well as contributions to the prevention and treatment of problem gaming; and
- social responsibility obligations.

While the Corporation obtains and relies upon external local legal advice and structures its operations with what it considers to be an appropriate degree of prudence in markets where there is no regulatory

and licensing framework it cannot guarantee that such external advice and such measures obviate all risk arising from the Corporation's involvement in such markets. If any changes in local law and regulation, judicial interpretation of local law and regulation, the attitude of local authorities to international e-commerce, political attitudes in individual territories or any defaults, errors or omissions of the Corporation's local business partners and persons associated with them, were to occur, then the Corporation's business could be materially harmed. Furthermore, in some jurisdictions the application of the rule of law, as well as the conventions and expectations of due process in regulatory and administrative behavior, may vary dramatically from North American standards.

## **EVOLVING LAWS AND REGULATIONS REGARDING THE INTERNET, PRIVACY, CONSUMER PROTECTION AND OTHER MATTERS**

In addition to regulations governing online gaming, the Corporation will be subject to a variety of laws and regulations that involve the internet, e-commerce, privacy, and protection of data and personal information, rights of publicity, acceptable content, intellectual property, advertising, marketing, data and information security, electronic contracts and electronic communications, competition, protection of minors, consumer protection, unfair commercial practices, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance, and online payment and payment processing services. The Corporation may introduce new products, expand its activities in certain jurisdictions, or take other actions that may subject it to additional laws, regulations or other government scrutiny. For example, the Corporation will handle, collect, store, retrieve, transmit and use confidential, personal information relating to its customers and personnel for various business purposes, including marketing and financial purposes, and credit card information for processing payments. The Corporation may share this personal or confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of its business, combating fraud or for marketing purposes.

These laws, regulations and legislation, along with other applicable laws and regulations, which in some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations, including pre-existing laws regulating communications and commerce in the context of the internet and e-commerce, are often uncertain, particularly in the new and rapidly evolving industries in which the Corporation will operate, and may be interpreted and applied inconsistently across jurisdictions and inconsistently with its future policies and practices.

These laws and regulations, as well as any changes to the same and any related inquiries, investigations or any other government actions, may be costly to comply with and may delay or impede new product development, result in negative publicity, increase the Corporation's operating costs, require significant management time and attention, and subject it to remedies that may harm its business, including fines or demands or orders that modify or cease certain or all existing business practices, such as limiting its use of personal information to add value for customers, or implement costly and burdensome compliance measures. Any such consequences could adversely affect the Corporation's business, results of operations or financial condition.

## **REGULATORY INVESTIGATIONS**

From time to time, the Corporation and its subsidiaries may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance with laws and other matters. Violation of existing or future regulatory

orders or consent decrees could subject the Corporation to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause the Corporation to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

## **PUBLIC PERCEPTION OF THE PRODUCTS AND SERVICES**

The viability of the Corporation's business plan is dependent on the anticipated progression of market understanding, acceptance and proliferation of consumers of sports betting and online casinos. The Corporation believes that as these products become more accepted, the stigma associated with their use will diminish and as a result, consumer demand will continue to grow. However, the Corporation cannot predict the future growth rate and size of the market. Any negative outlook on the sports betting and online casino industries will adversely affect its business operations. The publication of reports assessing products and services similar to those of the Corporation may be harmful and could have a material adverse effect on the business, financial condition and results of operations, regardless of whether such reports are scientifically supported. Negative public perception on the products of the Corporation could have a negative impact on the sales of the Corporation.

## **INSURANCE RISKS**

The Corporation intends to establish and to maintain commercial liability insurance, including product liability coverage, and property insurance as well as additional directors' and officers' liability insurance. There is no assurance that the insurance to be obtained will be sufficient to cover any claims that are asserted. Additionally, insurance coverage may not be available at all or at adequate levels or on adequate terms to cover potential losses, including on terms that meet commercial requirements. If insurance coverage is inadequate or unavailable, the Corporation may face claims that exceed coverage limits or that are not covered, which could increase costs and adversely affect operating results.

## **THE SPORTS BETTING AND ONLINE CASINO INDUSTRY IS HIGHLY COMPETITIVE**

The sports betting and online casino industry is highly competitive with respect to price, brand and product recognition and new product introductions. Several competitors in the sports betting and online casino industry segment may be larger, more established and possess greater financial, personnel, distribution and other resources. If the Corporation cannot compete effectively, it may be unable to gain or maintain sufficient market share and/or to be profitable.

## **CONSUMER DEMAND**

The products and services of the Corporation must appeal to a broad range of customers, whose preferences cannot be predicted with certainty and are subject to rapid change. Products sold under the brands of the Corporation will need to appeal to customers and are subject to changing customer preferences. If customer products are not successfully received by customers, the Corporation's business, financial condition, results of operations and prospects may be significantly harmed.

## **FAILURE TO RETAIN EXISTING CUSTOMERS OR ADD NEW CUSTOMERS**

The financial performance of the Corporation will be significantly determined by its success in adding, retaining, engaging and monetizing active customers of its product offerings, in particular high-value, net-depositing customers (primarily recreational players). If people do not perceive the Corporation's product offerings as enjoyable, reliable, relevant and trustworthy it may be unable to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. A number of other online gaming and interactive entertainment companies that achieved early popularity have since seen their active customer bases or levels of engagement decline.

If the Corporation is unable to maintain or increase its customer base or engagement, or effectively monetize its customer base's use of its product offerings, its revenue and financial results may be adversely affected. Any decrease in customer retention, growth or engagement could render the Corporation's products less attractive to customers.

## **SUCCESS OF SPORTS BETTING PRODUCTS AND OUTCOMES NOT GUARANTEED**

The sports betting industry is characterized by elements of chance. Accordingly, the Corporation employs theoretical win rates to estimate what a certain type of sports bet, on average, will win or lose in the long run. Net win is impacted by variations in the hold percentage (the ratio of net win to total amount wagered), or actual outcomes. The Corporation uses the hold percentage as an indicator of a sports bet's performance against its expected outcome. Although each sports bet generally performs within a defined statistical range of outcomes, actual outcomes may vary for any given period. In addition to the element of chance, win rates (hold percentages) may also (depending on the game involved) be affected by the spread of limits and factors that are beyond the Corporation's control, such as a customer's skill, experience and behavior, the mix of games played, the financial resources of customers, the volume of bets placed and the amount of time spent gaming. As a result of the variability in these factors, the actual win rates of sports bets may differ from the theoretical win rates estimated and could result in the winnings of the Corporation's customers exceeding those anticipated. The variability of win rates (hold rates) also has the potential to negatively impact Corporation's financial condition, results of operations, and cash flows.

The Corporation's success also depends in part on its ability to anticipate and satisfy customer preferences in a timely manner. The Corporation operates in a dynamic environment characterized by rapidly changing industry and legal standards, and its products are subject to changing consumer preferences that cannot be predicted with certainty. The Corporation need to continually introduce new offerings and identify future product offerings that complement its existing platforms, respond to its customers' needs and improve and enhance its existing platforms to maintain or increase customer engagement and growth of its business. The Corporation may not be able to compete effectively unless its product selection keeps up with trends in the digital sports entertainment and gaming industries, or trends in new gaming products.

## **PANDEMICS AND COVID-19**

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 isolation or quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic

slowdown. Global equity markets have experienced significant volatility and weakness. Such volatility and weakness in the global equity markets may adversely affect the Corporation's ability to raise necessary capital.

Given the ongoing and dynamic nature of the coronavirus outbreak, it is difficult to predict the impact it will have on the Corporation's business. Such factors are beyond the Corporation's control and may cause disruptions in its ability to operate its business. This outbreak, if sustained and uncontrolled, could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows and ultimately its ongoing viability.

#### **RISKS RELATED TO INTELLECTUAL PROPERTY**

The success of the Corporation will depend in part upon its ability to protect intellectual property and proprietary technologies and upon the nature and scope of the intellectual property protection held by the Corporation. The ability to compete effectively and to achieve partnerships will depend on the ability of the Corporation to develop and maintain proprietary aspects of its technology and to operate without infringing on the proprietary rights of others. The presence of such proprietary rights of others could severely limit the ability of the Corporation to develop and commercialize products, to conduct existing research and could require financial resources and management attention to protect intellectual property rights, which may be in excess of its ability to raise such funds.

#### **PROFITABILITY**

There is no assurance that the Corporation will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Corporation's business development and marketing activities. If the Corporation does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

#### **MANAGEMENT OF GROWTH**

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation 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 Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

#### **THE COMPANY MAY PRIORITIZE CUSTOMER GROWTH AND ENGAGEMENT OVER SHORT-TERM FINANCIAL RESULTS**

The Corporation may in the future make product and investment decisions that may not prioritize its short-term financial results if it believes that the decisions are consistent with its mission and long-term goals to benefit the aggregate customer experience, improve its financial performance and maximize shareholder value. The Corporation also may take steps that limit distribution of certain product offerings, such as on mobile devices, in the short-term to attempt to ensure the availability of such product offerings to its customers over the long-term. These decisions may not produce the benefits that the Corporation expects, in which case its customer growth and engagement, its relationships with third parties, and its business and results of operations could be harmed.

## **CONFLICTS OF INTEREST**

Directors and officers of the Corporation are or may become directors or officers of other reporting companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the directors and officers of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Corporation and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Corporation, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which one or more directors, or officers, may have a conflict. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Corporation, the degree of risk to which the Corporation may be exposed and its financial position at that time. Other than as indicated, the Corporation has no other procedures or mechanisms to deal with conflicts of interest.

## **LEGAL PROCEEDINGS**

From time to time, the Corporation may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. The Corporation will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Corporation's financial results. In addition litigation can be costly, consume management time and there is no certainty of success.

## **FOREIGN MEMBERS OF MANAGEMENT**

Certain directors and members of management of the Corporation reside outside of Canada. Even though such persons have appointed an agent for service of process in Canada it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

## **GENERAL ECONOMIC CONDITIONS MAY ADVERSELY AFFECT THE CORPORATION'S GROWTH**

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy in general and emerging industries in particular. Many companies continue to be negatively impacted by these market conditions. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Corporation's growth and profitability.

Additionally, the demand for entertainment and leisure activities, including gambling, can be highly sensitive to changes in consumers' disposable income, and thus can be affected by changes in the

economy and consumer tastes, both of which are difficult to predict and beyond the Corporation's control. Unfavourable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and increasing fuel or transportation costs or the perception by customers of weak or weakening economic conditions, may reduce customers' disposable income or result in fewer individuals engaging in entertainment or leisure activities, such as online gambling. Economic and geopolitical uncertainties, including those related to the COVID-19 pandemic, variants of the COVID-19 virus, and Russia's invasion of Ukraine may further amplify such risks. As a result, the Corporation cannot ensure that demand for its product offerings will remain constant. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities, such as online gambling. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could adversely affect the demand for the Corporation's product offerings, reducing its cash flows and revenues. If the Corporation experiences a significant unexpected decrease in demand for its product offerings, its business may be harmed.

#### **MONEY LAUNDERING/FRAUDULENT ACTIVITY IN ONLINE TRANSACTIONS**

Online transactions may be subject to sophisticated schemes or collusion to defraud, launder money or other illegal activities. There is a risk that the Corporation's products or systems may be used for those purposes by the Corporation's customers. There is also a risk that the Corporation will be subject to fraudulent activities by its employees. Any exposure to fraud and/or money laundering could subject the Corporation to financial losses, business disruption and reputational damage. In addition, there is a risk that the Corporation may be subject to investigation and sanctions by a regulator and/or to civil and criminal liability if the Corporation has failed to comply with its legal obligations relating to the reporting of money laundering or other offences. The Corporation has implemented policies and procedures designed to minimize the risk of fraud and money laundering, including monitoring of deposits and withdrawals activity. However, there can be no guarantee that these policies and procedures will be effective in all cases.

#### **RISKS RELATED TO TECHNICAL INFRASTRUCTURE AND DISRUPTION IN SERVICES**

The Corporation's reputation and ability to attract, retain and serve its customers will depend in part upon the reliable performance and availability of its product offerings and its underlying technical infrastructure. The Corporation will devote significant resources to network and data security. However, the Corporation's systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to its business. If the Corporation's product offerings are unavailable when customers attempt to access them, or if they do not load as quickly as expected, customers may not use them as often in the future, or at all. If the Corporation's customer base and engagement continue to grow, and the amount and types of product offerings continue to grow and evolve, it will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy its customers' needs. Such infrastructure expansion may be complex, and unanticipated delays in completing these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the

quality of the Corporation's product offerings. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after the Corporation has started to fully use the underlying equipment or software, that could further degrade the customer experience or increase its costs. As such, the Corporation could fail to continue to effectively scale and grow its technical infrastructure to accommodate increased demands.

In addition, the Corporation's business may be subject to interruptions, delays or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, cyber-attacks or other catastrophic events. The Corporation has contingency plans in place to prevent or mitigate the impact of these events. However, if such an event were to occur, customers may be subject to service disruptions or outages and the Corporation may not be able to recover its technical infrastructure and customer information in a timely manner to restart or provide its product offerings, which may adversely affect its financial results.

A substantial portion of the Corporation's network infrastructure will be provided by third parties, including internet service providers and other technology-based service providers. The Corporation requires its technology-based service providers to implement cyber-attack-resilient systems and processes. However, if internet service providers experience service interruptions, including because of cyber-attacks, communications over the internet may be interrupted and impair the Corporation's ability to conduct business. Internet service providers and other technology-based service providers may in the future roll out upgraded or new mobile or other telecommunications services which may not be successful and thus may impact the ability of the Corporation's customers to access its product offerings. In addition, the Corporation's ability to process e-commerce transactions depends on bank processing and credit card systems. To prepare for system problems, the Corporation will continuously seek to strengthen and enhance its facilities and the capabilities of its system infrastructure and support. Nevertheless, there can be no assurance that the internet infrastructure or the Corporation's own network systems will continue to be able to meet the demand placed on it by the continued growth of the internet, the overall online gaming and interactive entertainment industries and the Corporation's customers. Any difficulties these providers face, including the potential of certain network traffic receiving priority over other traffic (i.e., lack of net neutrality), may adversely affect the Corporation's business, and it exercises little control over these providers, which increases its vulnerability to problems with the services they provide. Any system failure as a result of reliance on third parties, such as network, software or hardware failure, including as a result of cyber-attacks, which causes a loss of the Corporation's customers' property or personal information or a delay or interruption in its online services and products and e-commerce services, including its ability to handle existing or increased traffic, could result in a loss of anticipated revenue, interruptions to its product offerings, cause it to incur significant legal, remediation and notification costs, degrade the customer experience and cause customers to lose confidence in its product offerings, any of which could have a material adverse effect on its business, revenues, operating results and financial condition.

**EXHIBIT C**

**PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER**

**DRAFT**



**Kings Entertainment Group Inc.**  
(CSE: JKPT) (OTC: JKPTF)

**Unaudited Pro Forma Consolidated Financial Statements**

*As at, and for the three-month and six-month periods ended, June 30, 2022 and for the year ended December 31, 2021*

**Kings Entertainment Group Inc.**  
**Pro Forma Consolidated Statement of Operations and Comprehensive Loss**  
**Year ended December 31, 2021**  
*(in Canadian Dollars)*  
(Unaudited)

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**Kings Entertainment Group Inc.**  
**Pro Forma Consolidated Statement of Operations and Comprehensive Loss**  
**Three-month period ended June 30, 2022**  
*(in Canadian Dollars)*  
(Unaudited)

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**Kings Entertainment Group Inc.**  
**Pro Forma Consolidated Statement of Operations and Comprehensive Loss**  
**Six-month period ended June 30, 2022**  
*(in Canadian Dollars)*  
(Unaudited)

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**Kings Entertainment Group Inc.**  
**Pro Forma Consolidated Statement of Financial Position**  
**As at June 30, 2022**  
*(in Canadian Dollars)*  
(Unaudited)

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**Kings Entertainment Group Inc.**  
**Notes to the Pro Forma Consolidated Financial Statements**  
**Three-month and six-month periods ended June 30, 2022**  
*(in Canadian Dollars)*  
(Unaudited)

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**1. Incorporation and basis of presentation**

Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.) ("**KEG**" or the "**Corporation**") was incorporated on February 27, 2020 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The head office and registered and records office of the Corporation is located at Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

Sports Venture Holdings Inc. ("**SVH**"), operating as Bet99, was incorporated on May 8, 2020 under the laws of the Province of Ontario. SVH operates an online sports betting and gaming website serving customers throughout Canada. The registered office is located at 77 King Street West, Suite 700, TD Tower North, Toronto, Ontario, M5K 1G8.

On May 25, 2022 the Corporation announced that it had entered into an arm's length business combination agreement (the "**Definitive Agreement**") dated May 24, 2022 with SVH to combine SVH and the Corporation (the "**Business Combination**").

When completed, the Business Combination will constitute a "Fundamental Change" of the Corporation, as such term is defined in the Canadian Securities Exchange (the "**CSE**") policies and is subject to compliance with all necessary regulatory and other approvals and certain other terms and conditions.

The pro forma consolidation financial statements assume that for accounting purposes, SVH is considered the accounting acquirer and the Corporation is considered the acquired company. The acquisition of the Corporation is also assumed to be a business combination pursuant to International Financial Reporting Standard 3, *Business Combinations* ("**IFRS 3**") and the Business Combination is assumed to be accounted for as a reverse takeover of the publicly traded company. Accordingly, the acquisition of the Corporation is accounted at the fair value of the consideration transferred by the accounting acquirer, which is the fair value of the equity instruments of SVH that SVH would have had to issue to the owners of the Corporation to effect the Business Combination. The difference between the net assets acquired and the fair value of the consideration granted will be treated as goodwill. For the purposes of the pro forma consolidated financial statements, no fair value adjustments have been made to the assets and liabilities of the Corporation; instead, the net assets of the Corporation are assumed to approximate their fair value.

Under the terms of the Business Combination, the Corporation will consolidate its shares on a 20 for 1 basis (the "**Consolidation**"). Following the completion of the Consolidation, the Corporation will issue common shares, options and warrants for every SVH common share, option or warrant exchanging all of these equity instruments using an exchange ratio of 1.5536 (being 31.0725 pre-Consolidation shares) (the "**Exchange Ratio**").

**Kings Entertainment Group Inc.**  
**Notes to the Pro Forma Consolidated Financial Statements**  
**Three-month and six-month periods ended June 30, 2022**  
*(in Canadian Dollars)*  
(Unaudited)

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The unaudited pro-forma consolidated financial statements include all adjustments necessary for fair presentation with the exception of determining the fair value of the net assets acquired of the Corporation, and the resulting calculation of goodwill. As described above, the carrying values of the net assets of the Corporation are assumed to approximate their fair values for the purposes of the pro forma consolidated financial statements. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of SVH and the Corporation, as management does not anticipate any material costs or cost savings as a result of this Business Combination.

The unaudited pro forma consolidated financial statements have been prepared by management and include information from:

- a) The audited consolidated financial statements of the Corporation for the years ended December 31, 2021 and 2020;
- b) The audited consolidated financial statements of SVH for the years ended December 31, 2021 and 2020;
- c) The unaudited interim consolidated financial statements of the Corporation as at, and for the three-month and six-month periods ended, June 30, 2022; and
- d) The unaudited condensed interim consolidated financial statements of SVH as at, and for the three-month and six-month periods ended, June 30, 2022.

The unaudited pro forma consolidated financial statements have been prepared for illustration purposes only and may not be indicative of the combined results or financial position had the Business Combination been in effect at the date indicated. The Business Combination is presumed to have occurred on June 30, 2022.

The pro forma adjustments presented herein are preliminary and are based on available financial information and certain estimates and assumptions. Management believes that such assumptions provide a reasonable basis for presenting all the significant effects of the Business Combination, and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied to the unaudited pro forma consolidated financial statements. The actual adjustments to the consolidated financial statements of the Corporation will differ from the pro forma adjustments herein.

**Kings Entertainment Group Inc.**  
**Notes to the Pro Forma Consolidated Financial Statements**  
**Three-month and six-month periods ended June 30, 2022**  
*(in Canadian Dollars)*  
(Unaudited)

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**2. Accounting policies**

The accounting policies used in the preparation of these unaudited pro forma consolidated financial statements are consistent with those described in the consolidated financial statements of the Corporation and SVH. The Corporation has conducted a review of the accounting policies of the Corporation and SVH and has not identified any differences in accounting policies that were applied historically by these entities. Additional accounting policies related to the Business Combination will be included in the KEG and SVH consolidated financial statements on a go forward basis.

**3. Pro forma assumptions and adjustments**

The unaudited pro forma consolidated financial statements give effect to the following assumptions and adjustments:

- a) Prior to completion of the Business Combination, the Corporation plans to issue 21,620,053 pre-Consolidation common shares to key advisors of the Corporation (the “**Advisor Shares**”) as advisory fees conditional upon closing the transaction. The fair value of the Advisor Shares were calculated using the closing share price on June 30, 2022 of \$0.185.
- b) Prior to completion of the Business Combination, the Corporation will Consolidate its shares on a 20 for 1 basis. There are currently 68,463,500 shares outstanding. Subsequent to the issuance of the Advisor Shares, the Corporation will have 90,083,553 shares outstanding, which will result in there being 4,504,178 post-Consolidation shares issued and outstanding. While the rights of the holders of the KEG broker warrants and stock options are unaffected by the Business Combination, the Consolidation will affect the quantity of the outstanding warrants and options, on the same basis. There are currently 1,067,880 broker warrants outstanding, which will result in there being 53,394 post-Consolidation warrants issued and outstanding. There are currently 10,012,000 stock options outstanding, which will result in there being 500,600 post-Consolidation stock options issued and outstanding.

**Kings Entertainment Group Inc.**  
**Notes to the Pro Forma Consolidated Financial Statements**  
**Three-month and six-month periods ended June 30, 2022**  
*(in Canadian Dollars)*  
(Unaudited)

c) The fair value of the consideration transferred in the Business Combination is as follows:

	<b>June 30, 2022</b>
Fair value of common shares deemed to be issued to the current shareholders of KEG (See 3(d) below)	\$ 16,665,456
Fair value of the KEG broker warrants (See 3(e) below)	31,300
Fair value of the KEG stock options (See 3(e) below)	1,263,400
<b>Total fair value of consideration</b>	<b>\$ 17,960,156</b>
Less: net assets of the Corporation	5,072,539
<b>Goodwill</b>	<b>\$ 12,887,617</b>

The net assets of the Corporation as at June 30, 2022, prior to the Business Combination, were:

	<b>June 30, 2022</b>
Cash	\$ 5,630,658
Accounts receivable	193,290
Due from processors, net	947,970
Government remittances recoverable	89,394
Prepaid expenses and other assets	372,474
Property and equipment	4,237
Deferred income tax assets	26,956
Due from related parties	586,093
Accounts payable and accrued liabilities	(1,985,761)
Income taxes payable	(203,766)
Government remittances payable	(66,793)
Deferred revenue	(407,079)
Due to related parties	(115,133)
<b>Net assets of the Corporation</b>	<b>\$ 5,072,539</b>

d) In calculating the fair value of the consideration in (c), the fair value of the common shares is calculated by first determining the number of common shares SVH would have had to issue to give the owners of the Corporation the same percentage equity interest in the combined entity that results from the reverse acquisition. As at June 30, 2022 SVH had 17,553,244 common shares issued and outstanding. After the completion of the Business Combination, the current shareholders of the Corporation (including shares issued to KEG key advisors in connection with the Business Combination) will own approximately 14.18% of the combined entity (90,083,553 shares / (90,083,553 shares + 545,421,419 shares)), which means that 2,899,150 shares of SVH would need to be issued. Applying the Exchange Ratio results in an equivalent 90,083,548 (2,899,150 common shares x 31.0724) common shares of KEG. As the quoted price of KEG

**Kings Entertainment Group Inc.**  
**Notes to the Pro Forma Consolidated Financial Statements**  
**Three-month and six-month periods ended June 30, 2022**  
*(in Canadian Dollars)*  
(Unaudited)

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shares on June 30, 2022 was \$0.185 per common share, this results in a fair value of \$16,665,456 (90,083,548 x \$0.185).

**Kings Entertainment Group Inc.**  
**Notes to the Pro Forma Consolidated Financial Statements**  
**Three-month and six-month periods ended June 30, 2022**  
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(Unaudited)

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- e) The remaining fair value of the consideration in (c) is comprised of the KEG broker warrants and stock options. These equity instruments are treated as being part of the non-controlling interest in the Corporation and are measured at their market-based measure. The KEG broker warrants were valued under existing terms with a volatility of 116%, interest rate of 3.09%, an exercise price of \$0.50, expected life of 0.85 years, and price of the underlying share of \$0.185. The KEG stock options were valued under existing terms with a volatility of 116%, interest rate of 3.10%, an exercise price of \$0.50, expected life of 4.57 years, and price of the underlying share of \$0.185.
- f) Pursuant to the Business Combination, the former SVH shareholders will be issued 27,271,071 post-Consolidation common shares (being 545,421,419 pre-Consolidation common shares) of the combined company (the “**Resulting Issuer**”) at a deemed value of \$0.21 per share. The former SVH shareholders will own approximately 85.82% of the outstanding Resulting Issuer shares (undiluted) following completion of the Business Combination. The Business Combination is expected to be accounted for as a reverse take-over.
- g) The Resulting Issuer’s unaudited pro forma consolidated financial statements are presented in Canadian Dollars (“**CAD**”), which is the expected presentation currency of the Resulting Issuer after the completion of the Business Combination. As a result, the Corporation’s consolidated financial statements, which are presented in United States Dollars (“**USD**”) have been converted into CAD to reflect the expected presentation currency. Specifically, the pro forma consolidated statements of operations and comprehensive loss for the year ended December 31, 2021 and the three-month and six-month periods ended June 30, 2022 have been converted into CAD using the average exchange rate in effect during the respective reporting periods. The pro forma consolidated statement of financial position as at June 30, 2022 has been converted into CAD at the spot exchange rate in effect at that date.
- h) For the purpose of calculating goodwill resulting from the reverse acquisition, the fair value of the Corporation’s net identifiable have been assumed to equal their carrying values as at June 30, 2022. As such, the calculated value of goodwill does not represent the actual goodwill that will be recorded upon completion of the Business Combination. A formal valuation as at the date of Business Combination will be required to determine the fair value of the net identifiable assets acquired, and the resulting amount of goodwill.

**Kings Entertainment Group Inc.**  
**Notes to the Pro Forma Consolidated Financial Statements**  
**Three-month and six-month periods ended June 30, 2022**

(in Canadian Dollars)  
(Unaudited)

- i) The Corporation's revenue is comprised of lottery procurement revenue and online casino and scratchcard revenue. SVH's revenue is comprised of sportsbook betting revenue and gaming revenue, the latter of which consists of casino games. To combine similar revenue streams, the pro forma consolidated statements of operations and comprehensive loss for the year ended December 31, 2021 and three-month and six-month periods ended June 30, 2022 have been adjusted to present SVH's gaming revenue on the same line as the Corporation's online casino and scratchcard revenue. The actual presentation of the various revenue streams may differ subsequent to the Business Combination in the consolidation financial statements of the Resulting Issuer.

**4. Pro forma share capital**

After giving effect to the pro forma assumptions in Note 3, the pro forma share capital of the Corporation has been determined as follows:

	<b>Notes</b>	<b>Number of shares</b>	<b>Amount (\$)</b>
Corporation common shares issued and outstanding as of June 30, 2022	3(b)	68,463,500	18,755,907
Shares issued to KEG key advisors in connection with the Business Combination	3(a)	21,620,053	3,999,710
Elimination of the Corporation's shares to effect a 20 to 1 consolidation	3(b)	(85,579,375)	-
Elimination of the Corporation's share capital as a result of the reverse acquisition	3(c)	-	(22,755,617)
Inclusion of the value of SVH's share capital as a result of the reverse acquisition	3(c)	-	18,569,470
Fair value of common shares deemed to be issued to KEG shareholders in connection with the reverse acquisition	3(c)	-	16,665,456
Shares issued to SVH shareholders in connection with the Business Combination	3(f)	27,271,071	-
		<b>31,775,249</b>	<b>\$ 35,234,926</b>

**5. Income tax**

The expected effective tax rate of the Resulting Issuer is 26.50%.

## CERTIFICATE OF KINGS

Pursuant to a resolution duly passed by its Board of Directors, Kings, hereby applies for the listing of the above-mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Kings. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario

this ● day of ●, 2022.

*<signed> Steve Budin*

Steve Budin, Chief Executive Officer

*<signed> Kelvin Lee*

Kelvin Lee, Chief Financial Officer

*<signed> ●*

●, Director

*<signed> ●*

●, Director

**CERTIFICATE OF SVH**

The foregoing contains full, true and plain disclosure of all material information relating to SVH. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario

this • day of •, 2022.

<signed> Jared Beber

Jared Beber, Chief Executive Officer

<signed> Waishim Tse

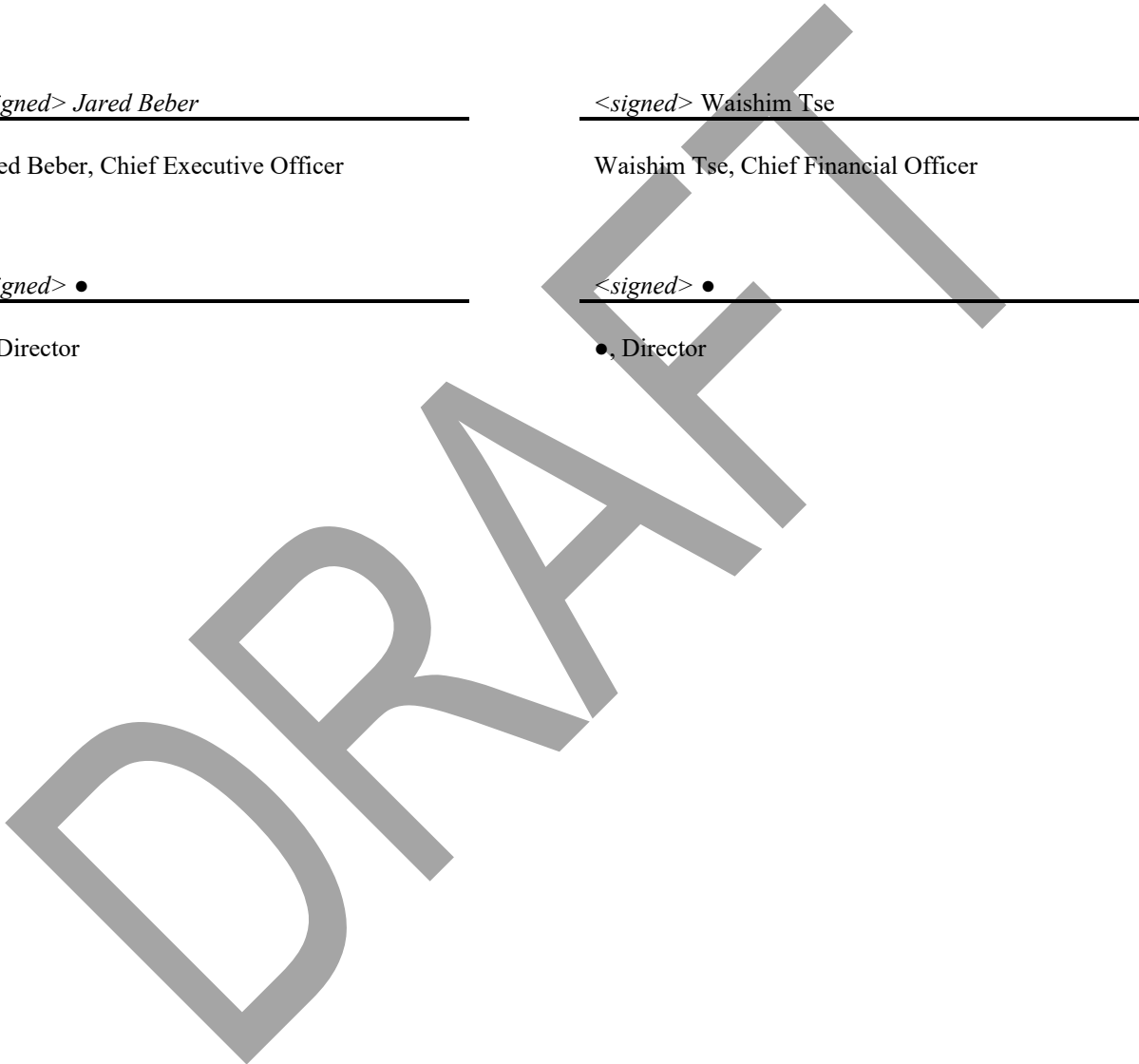
Waishim Tse, Chief Financial Officer

<signed> •

•, Director

<signed> •

•, Director



**SCHEDULE "C"**  
**FAIRNESS OPINION OF CORMARK SECURITIES INC.**

See attached.

May 24, 2022

**Kings Entertainment Group Inc.**

505 Burrard Street, Suite 1570  
Vancouver, British Columbia  
V7X 1M5

**To the Board of Directors:**

Cormark Securities Inc. ("Cormark Securities") understands that Kings Entertainment Group Inc. ("KEG" or the "Company") is contemplating entering into a definitive agreement (the "Agreement") with Sports Venture Holdings Inc. ("SVH") whereby KEG intends to acquire all of the issued and outstanding common shares of SVH (the "SVH Shares") pursuant to a three-corner amalgamation, resulting in the reverse takeover of SVH (the "Transaction"). Pursuant to the terms of the Transaction, holders of SVH Shares (the "SVH Shareholders") will be entitled to receive common shares of KEG (the "KEG Shares") per SVH Share at a share exchange ratio of 31.0724 (the "Agreement SER"), prior to any share consolidation that the Company may complete in connection with the Transaction. The Agreement SER was calculated based on an in-the-money ("ITM") equity value ownership split, whereby holders of KEG Shares (the "KEG Shareholders") will represent approximately 12.5% of the resulting issuer (the "Resulting Issuer") and SVH Shareholders will represent approximately 87.5% of the Resulting Issuer on an ITM equity basis. Certain KEG Shareholders and SVH Shareholders, who collectively own or control approximately 30% of the issued and outstanding KEG Shares and approximately 53% of the issued and outstanding SVH Shares, respectively, will be signing voting support agreements pursuant to which such holders have agreed to, among other things, vote their KEG Shares or SVH Shares, as applicable, in favour of the Transaction.

On March 8, 2022, Cormark Securities was initially contacted regarding a potential advisory assignment in connection with the Transaction, we began working on the Transaction on the date contacted, and we were formally engaged by the Company pursuant to an engagement agreement dated May 20, 2022 (the "Engagement Agreement"). Pursuant to the Engagement Agreement, Cormark Securities was engaged to provide advice and assistance to the Company in connection with the Transaction, including providing an opinion to the Board of Directors of KEG (the "Board of Directors") as to the fairness, from a financial point of view, of the Transaction to KEG Shareholders (the "Fairness Opinion"). On May 24, 2022, at the request of the Board of Directors, Cormark Securities orally delivered the Fairness Opinion to the Board of Directors.

The Fairness Opinion is attached as "Schedule A" for reference.

Yours very truly,

A handwritten signature in cursive script that reads "Cormark Securities Inc.".

**CORMARK SECURITIES INC.**

**Schedule "A"**  
**Fairness Opinion Letter**

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May 24, 2022

**Kings Entertainment Group Inc.**

505 Burrard Street, Suite 1570  
Vancouver, British Columbia  
V7X 1M5

**To the Board of Directors:**

Cormark Securities Inc. ("Cormark Securities") understands that Kings Entertainment Group Inc. ("KEG" or the "Company") is contemplating entering into a definitive agreement (the "Agreement") with Sports Venture Holdings Inc. ("SVH") whereby KEG intends to acquire all of the issued and outstanding common shares of SVH (the "SVH Shares") pursuant to a three-corner amalgamation, resulting in the reverse takeover of SVH (the "Transaction"). Pursuant to the terms of the Transaction, holders of SVH Shares (the "SVH Shareholders") will be entitled to receive common shares of KEG (the "KEG Shares") per SVH Share at a share exchange ratio of 31.0724 (the "Agreement SER"), prior to any share consolidation that the Company may complete in connection with the Transaction. The Agreement SER was calculated based on an in-the-money ("ITM") equity value ownership split, whereby holders of KEG Shares (the "KEG Shareholders") will represent approximately 12.5% of the resulting issuer (the "Resulting Issuer") and SVH Shareholders will represent approximately 87.5% of the Resulting Issuer on an ITM equity basis. Certain KEG Shareholders and SVH Shareholders, who collectively own or control approximately 30% of the issued and outstanding KEG Shares and approximately 53% of the issued and outstanding SVH Shares, respectively, will be signing voting support agreements pursuant to which such holders have agreed to, among other things, vote their KEG Shares or SVH Shares, as applicable, in favour of the Transaction.

The above description is summary in nature. The specific terms and conditions of the Agreement and the Transaction will be more fully described in a management information circular (the "Circular") that will be mailed by the Company to KEG Shareholders in connection with a special meeting of KEG Shareholders to be held to consider and, if deemed advisable, approve, among other things, the Transaction.

**CORMARK SECURITIES' ENGAGEMENT**

On March 8, 2022, Cormark Securities was initially contacted regarding a potential advisory assignment in connection with the Transaction, we began working on the Transaction on the date contacted, and we were formally engaged by the Company pursuant to an engagement agreement dated May 20, 2022 (the "Engagement Agreement"). Pursuant to the Engagement Agreement, Cormark Securities was engaged to provide advice and assistance to the Company in connection with the Transaction, including providing an opinion to the Board of Directors of KEG (the "Board of Directors") as to the fairness, from a financial point of view, of the Transaction to KEG Shareholders (the "Fairness Opinion"). The terms of the Engagement Agreement provide that Cormark Securities is to be paid an advisory fee which is contingent upon the outcome of the Transaction as well as a non-creditable fixed fee for delivering the Fairness Opinion, which became payable on the Opinion Date (as defined below) and is not contingent, in whole or in part, upon conclusion reached in the Fairness of the Opinion or the outcome of the Transaction. In addition, Cormark Securities is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Company in certain circumstances, against certain expenses, losses, claims, actions, damages and liabilities which may arise, directly or indirectly, from services performed by Cormark Securities under the Engagement Agreement. The fees paid to Cormark Securities in connection with the Engagement Agreement are not financially material to Cormark Securities.

On May 24, 2022, at the request of the Board of Directors, Cormark Securities orally delivered the Fairness Opinion to the Board of Directors based upon and subject to the scope of review, analyses, assumptions, limitations, qualifications and other matters described herein. This Fairness Opinion provides the same opinion, in writing, as that given orally by Cormark Securities on May 24, 2022 (the “Opinion Date”). Subject to the terms of the Engagement Agreement, Cormark Securities consents to the inclusion of the Fairness Opinion, in its entirety, in the Circular, along with a summary thereof, in a form acceptable to Cormark Securities, and to the filing thereof by the Company with the applicable Canadian securities regulatory authorities. Except as contemplated herein, the Fairness Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without the express prior written consent of Cormark Securities. Cormark Securities understands that the Fairness Opinion will be for the use of the Board of Directors and will be one factor, among others, that the Board of Directors will consider in determining whether to approve and recommend the Transaction.

## **CREDENTIALS OF CORMARK SECURITIES**

Cormark Securities is an independent Canadian investment dealer providing investment research, equity sales and trading and investment banking services to a broad range of institutions and corporations. Cormark Securities has participated in a significant number of transactions involving public and private companies and has extensive experience in preparing fairness opinions.

The Fairness Opinion expressed herein represents the opinion of Cormark Securities and its form and content have been approved for release by a committee of its directors and officers, each of whom is experienced in merger, acquisition, divestiture, fairness opinion and capital market matters.

## **INDEPENDENCE OF CORMARK SECURITIES**

Neither Cormark Securities, nor any of its affiliates, is an insider, associate, or affiliate of the Company, or any of their respective affiliates or associates (as those terms are defined in the *Securities Act* (Ontario)).

With the exception of the services outlined in the Engagement Agreement, Cormark Securities has not participated in financings or provided any financial advisory services to KEG, SVH, or any of their respective affiliates or associates.

Cormark Securities acts as a trader and dealer, both as principal and agent, in all major financial markets and, as such, may have had, may have, and may in the future have, positions in the securities of KEG or SVH and, from time-to-time, may have executed or may execute transactions on behalf of such entities or other clients for which it may have received or may receive compensation.

As an investment dealer, Cormark Securities conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Transaction, KEG, SVH or any of their respective affiliates or associates.

Other than as noted above, there are no understandings, agreements or commitments involving Cormark Securities and KEG, SVH or any of their respective affiliates or associates with respect to any future business dealings. Cormark Securities may in the future, in the ordinary course of business, seek to perform financial advisory or investment banking services from time-to-time with KEG, SVH or any of their respective affiliates or associates.

The fee payable to Cormark Securities in connection with the Fairness Opinion is not contingent, in whole or in part, on the conclusion reached in the Fairness Opinion or the outcome of the Transaction.

## **SCOPE OF REVIEW**

In connection with rendering the Fairness Opinion, Cormark Securities has reviewed and relied upon

(without verifying or attempting to verify independently the completeness or accuracy thereof) or carried out, among other things, the following:

1. A copy of the non-binding letter of intent entered into by KEG and SVH dated April 13, 2022;
2. A copy of the executed Agreement dated May 24, 2022;
3. Public filings submitted by KEG to securities commissions or similar regulatory authorities including annual reports, audited annual financial statements, management information circulars and interim financial statements;
4. Audited annual financial statements and interim financial statements of SVH;
5. Press releases issued by KEG and SVH through commercial newswires;
6. Certain internal financial, operational, corporate and other information prepared or provided by the management of KEG and SVH, including internal operating and financial projections prepared by KEG and SVH management;
7. Review of documents uploaded by KEG and SVH into their respective data rooms;
8. Discussions with senior management of KEG and SVH with respect to the information referred to herein and other issues considered by Cormark Securities to be relevant, including but not limited to (i) multiple discussions with KEG senior management members throughout the Transaction process, and (ii) a discussion with SVH senior management members on May 3, 2022;
9. Public information relating to the business, operations, financial performance and equity trading history of KEG and other selected public issuers considered by Cormark Securities to be relevant;
10. Public information with respect to other transactions of a comparable nature considered by Cormark Securities to be relevant;
11. Selected investment research reports published by equity research analysts and industry sources regarding KEG, SVH and other public companies to the extent considered by Cormark Securities to be relevant; and
12. Such other economic, financial market, industry and corporate information, investigations and analyses as Cormark Securities considered necessary or appropriate in the circumstances

Cormark Securities was not engaged to conduct due diligence on KEG, SVH, or any other party on behalf of the Company or the Board of Directors. However, as noted above, Cormark Securities reviewed such materials (including documents uploaded by KEG and SVH into their respective data rooms) as it considered necessary or appropriate in the circumstances.

Cormark Securities received a signed representation letter (as more fully described below) from Steven Budin, Chief Executive Officer of KEG, dated May 24, 2022.

Cormark Securities has not, to the best of its knowledge, been denied access by the Company to any information requested by Cormark Securities. Cormark Securities did not meet with the auditors of the Company and has assumed the accuracy, completeness and fair presentation of, and has relied upon, without independent verification, the consolidated financial statements of the Company and the reports of the auditors thereon.

## **PRIOR VALUATIONS**

The Company has represented to Cormark Securities that there are no prior valuations (as defined in Canadian Securities Administrators' Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*) relating to KEG or any of its subsidiaries or any of their respective material assets or liabilities which have been prepared in the past twenty-four-month period and which have not been provided to Cormark Securities.

## **ASSUMPTIONS AND LIMITATIONS**

In preparing the Fairness Opinion, Cormark Securities has assumed that: (i) the parties to the Agreement will comply in all material respects with all of the material terms of the Agreement; and (ii) the Transaction will be consummated in accordance with the terms and conditions of the Agreement without any adverse waiver or amendment of any material term or condition thereof.

Cormark Securities has not been asked to prepare and has not prepared a formal valuation of the Company or any of its respective securities or assets, and the Fairness Opinion should not be construed as such. Cormark Securities has, however, conducted such analyses as it considered necessary in the circumstances. In addition, the Fairness Opinion is not, and should not be construed as, advice as to the price at which the KEG Shares may trade at any future date. Cormark Securities was similarly not engaged to review any legal, tax or accounting aspects of the Transaction. Cormark Securities has relied upon, without independent verification or investigation, the assessment by the Company and its legal, tax, regulatory and accounting advisors with respect to legal, tax, regulatory and accounting matters. In addition, the Fairness Opinion does not address the relative merits of the Transaction as compared to any other transaction involving the Company or the prospects or likelihood of any alternative transaction or any other possible transaction involving the Company, its assets or its securities. The Fairness Opinion is limited to the fairness, from a financial point of view, of the Transaction to KEG Shareholders, and not the strategic or legal merits of the Transaction. The Fairness Opinion does not provide assurance that the best possible price or transaction was obtained. Nothing contained herein is to be construed as a legal interpretation, an opinion on any contract or document, or a recommendation to invest or divest.

The Fairness Opinion has been provided for the exclusive use of the Board of Directors. The Fairness Opinion may not be used by any other person or relied upon by any other person without the express prior written consent of Cormark Securities. Cormark Securities will not be held liable for any losses sustained by any person should the Fairness Opinion be circulated, distributed, published, reproduced or used contrary to the provisions of this paragraph.

The Fairness Opinion is rendered as of the Opinion Date on the basis of securities markets, economic and general business and financial conditions prevailing on that date. It must be recognized that fair market value, and hence fairness from a financial point of view, changes from time-to-time, not only as a result of internal factors, but also because of external factors such as changes in the economy, competition and changes in consumer/investor preferences. Cormark Securities disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to Cormark Securities' attention after the Opinion Date. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the Opinion Date, Cormark Securities reserves the right to change, modify or withdraw the Fairness Opinion.

With the approval of the Company and as is provided for in the Engagement Agreement, Cormark Securities has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources or provided to it or adopted by or on behalf of the Company and its directors, officers, agents and advisors or otherwise as it relates to the Company and its subsidiaries (the "Information") and as it relates to SVH and its subsidiaries (the "SVH Information"), respectively, and Cormark Securities has assumed that the Information and SVH Information did not omit to state any material fact or any fact necessary to be stated to make that Information or SVH Information not misleading. The Fairness Opinion is conditional upon the completeness, accuracy

and fair presentation of such Information and SVH Information including as to the absence of any undisclosed material fact or change. Subject to the exercise of professional judgment and except as expressly described herein, Cormark Securities has not attempted to independently verify or investigate the completeness, accuracy or fair presentation of any of the Information or SVH Information.

With respect to financial and operating forecasts, projections, financial models, estimates and/or budgets provided to Cormark Securities and used in the analyses supporting the Fairness Opinion, Cormark Securities has noted that projecting future results of any company is inherently subject to uncertainty. Cormark Securities has assumed that such forecasts, projections, financial models, estimates and/or budgets were reasonably prepared consistent with industry practice on a basis reflecting the best currently available assumptions, estimates and judgments of management of the Company as to the future financial performance of the Company and are (or were at the time and continue to be) reasonable in the circumstances. In rendering the Fairness Opinion, Cormark Securities expresses no view as to the reasonableness of such forecasts, projections, financial models, estimates and/or budgets or the assumptions on which they are based.

The Chief Executive Officer of the Company has made certain representations to Cormark Securities in the Certificate with the intention that Cormark Securities may rely thereon in connection with the preparation of the Fairness Opinion, including that: (a) with the exception of the forecasts, projections, estimates or budgets of the Company and SVH, the Information and, to the knowledge of the Chief Executive Officer of the Company, the SVH Information provided by, or on behalf, of the Company or any of its subsidiaries or its representatives and agents to Cormark Securities for the purpose of preparing the Fairness Opinion was, at the date such information was provided to Cormark Securities, and is now, complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company or any of its subsidiaries, SVH or any of its subsidiaries or the Transaction and did not and does not omit to state a material fact in respect of the Company and its subsidiaries, SVH and its subsidiaries, or the Transaction necessary to make the Information and, to the knowledge of the Chief Executive Officer of the Company, the SVH information, not misleading in light of the circumstances under which it was provided, respectively (except to the extent that any such Information or SVH Information has been superseded by Information or SVH Information subsequently delivered to Cormark Securities); (b) since the dates on which the Information and SVH Information was provided to Cormark Securities, other than as disclosed in writing to Cormark Securities or publically disclosed, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries or, to the knowledge of the Chief Executive Officer of the Company, SVH or any of its subsidiaries, and no material change has occurred in the Information or, to the knowledge of the Chief Executive of the Company, the SVH Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion; (c) with respect to any portions of the Information or, to the knowledge of the Chief Executive of the Company, the SVH Information, that constitute forecasts, projections, estimates and/or budgets of the Company and SVH, respectively, such forecasts, projections, estimates and/or budgets (i) were prepared using the probable courses of actions to be taken or events reasonably expected to occur during the period covered thereby, (ii) were prepared using the assumptions identified therein, which in the reasonable belief of the management of the Company or SVH, as applicable, are (or were at the time of preparation and continue to be) reasonable in the circumstances, (iii) were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company or SVH, as applicable, as to matters covered thereby at the time thereof, (iv) reasonably present the views of such management of the financial prospects and forecasted performance of the Company and its subsidiaries and, to the knowledge of the Chief Executive Officer of the Company, SVH and its subsidiaries, and are consistent with historical operating experience of the Company and its subsidiaries and, to the knowledge of the Chief Executive Officer of the Company, SVH and its subsidiaries, and (v) are not, in the reasonable belief of the management of the Company, misleading in any material respect in light of the assumptions used or in light of any developments since the time of their preparation; (d) since the dates on which the Information and SVH Information was provided to Cormark Securities by the Company, no material transaction has been entered into by the Company or any of its subsidiaries or, to the knowledge of the Chief Executive Officer of the Company, SVH or any of its subsidiaries, and neither the Company or

any of its subsidiaries nor, to the knowledge of the Chief Executive Officer of the Company, SVH or any of its subsidiaries has any material plans to enter into a material transaction, other than the Transaction, which has not been disclosed to Cormark Securities or generally disclosed; and (e) to the knowledge of the Chief Executive Officer of the Company, except as disclosed to Cormark Securities, there are no actions, suits, proceedings or inquiries pending or threatened against or affecting either the Company or its subsidiaries or, to the knowledge of the Chief Executive Officer of the Company, SVH or its subsidiaries, at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially affects the Company or its subsidiaries or, to the knowledge of the Chief Executive Officer of the Company, SVH and its subsidiaries, or the value of any of their respective securities.

In its analyses and in preparing the Fairness Opinion, Cormark Securities has made numerous assumptions with respect to expected industry performance, general business and economic conditions and other matters, many of which are beyond the control of Cormark Securities or any party involved in the Transaction.

This Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the Opinion Date and the condition and prospects, financial and otherwise, of the Company and its affiliates, as they were reflected in the Information and as they have been represented to Cormark Securities in discussions with management of the Company.

Cormark Securities believes that the Fairness Opinion must be considered and reviewed as a whole and that selecting portions of the analyses or factors considered by Cormark Securities, without considering all the analyses and factors together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

#### **APPROACH TO FINANCIAL FAIRNESS**

In connection with the Fairness Opinion, Cormark Securities has performed a variety of financial and comparative analyses. In arriving at the Fairness Opinion, Cormark Securities has not attributed any particular weight to any specific analysis or factor, but rather has made qualitative judgments based on its experience in rendering such opinions and on the circumstances and information as a whole.

#### **FAIRNESS OPINION**

Based upon and subject to the foregoing and such other matters as Cormark Securities considered relevant, it is the opinion of Cormark Securities that, as of the Opinion Date, the Transaction is fair, from a financial point of view, to KEG Shareholders.

Yours very truly,

*Cormark Securities Inc.*

**CORMARK SECURITIES INC.**

**SCHEDULE "D"**  
**KINGS ENTERTAINMENT GROUP INC. AUDIT COMMITTEE CHARTER**

See attached.

# **KINGS ENTERTAINMENT GROUP INC. CHARTER OF THE AUDIT COMMITTEE**

## **PURPOSE AND PRIMARY RESPONSIBILITY**

1. This charter sets out the Audit Committee's purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the "**Board**") of Kings Entertainment Group Inc. (the "**Company**"), annual evaluation and compliance with this charter.
2. The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

## **MEMBERSHIP**

3. At least a majority of the Audit Committee must be comprised of independent directors of the Company as defined in sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), provided that should the Company become listed on a more senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.
4. The Audit Committee will consist of at least two members, all of whom shall be financially literate, provided that an Audit Committee member who is not financially literate may be appointed to the Audit Committee if such member becomes financially literate within a reasonable period of time following his or her appointment. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, the Audit Committee will consist of at least three members, all of whom shall meet the experience and financial literacy requirements of such exchange and of NI 52-110.
5. The members of the Audit Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Audit Committee) by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Audit Committee on ceasing to be an independent director.
6. The Chair of the Audit Committee will be appointed by the Board.

## **AUTHORITY**

7. In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:
  - (i) engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;
  - (ii) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and
  - (iii) incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which expenses will be paid for by the Company.

## DUTIES AND RESPONSIBILITIES

8. The duties and responsibilities of the Audit Committee include:
- (i) recommending to the Board the external auditor to be nominated by the Board;
  - (ii) recommending to the Board the compensation of the external auditor to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services;
  - (iii) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);
  - (iv) overseeing the work of the external auditor;
  - (v) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to the Company;
  - (vi) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;
  - (vii) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;
  - (viii) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;
  - (ix) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Company and its subsidiaries;
  - (x) reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;
  - (xi) reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies prior to such information being disclosed;
  - (xii) reviewing the external auditor's report to the shareholders on the Company's annual financial statements;

- (xiii) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;
- (xiv) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements that such information is fairly presented;
- (xv) overseeing the adequacy of the Company's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;
- (xvi) reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;
- (xvii) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;
- (xviii) satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;
- (xix) resolving disputes between management and the external auditor regarding financial reporting;
- (xx) establishing procedures for:
  - 1. the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and
  - 2. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (xxi) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (xxii) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;
- (xxiii) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;
- (xxiv) establishing procedures for:
  - 3. reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage;

4. reviewing activities, organizational structure, and qualifications of the Chief Financial Officer (“CFO”) and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;
5. obtaining reasonable assurance as to the integrity of the Chief Executive Officer (“CEO”) and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company;
6. reviewing fraud prevention policies and programs, and monitoring their implementation;
7. reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Company’s compliance with laws and regulations having a material impact on the financial statements including:
  - (I) Tax and financial reporting laws and regulations;
  - (II) Legal withholding requirements;
  - (III) Environmental protection laws and regulations; and
  - (IV) Other laws and regulations which expose directors to liability;

9. A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

10. On an annual basis the Audit Committee shall review and assess the adequacy of this charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee charter to the Board for its approval.

## MEETINGS

11. The quorum for a meeting of the Audit Committee is a majority of the members of the Audit Committee.

12. The Chair of the Audit Committee shall be responsible for leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Audit Committee will also maintain regular liaison with the CEO, CFO, and the lead external audit partner.

13. The Audit Committee will meet in camera separately with each of the CEO and the CFO of the Company at least annually to review the financial affairs of the Company.

14. The Audit Committee will meet with the external auditor of the Company in camera at least once each year, at such time(s) as it deems appropriate, to review the external auditor’s examination and report.

15. The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Audit Committee.

16. Each of the Chair of the Audit Committee, members of the Audit Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Audit Committee call a

meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

**REPORTS**

17. The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's examinations and recommendations.

18. The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

**MINUTES**

19. The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

**ANNUAL PERFORMANCE EVALUATION**

20. The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the Charter, to determine the effectiveness of the Committee.