Gamelancer Media Corp.

(formerly, Gamelancer Gaming Corp., Wondr Gaming Corp. and Transglobe Internet and Telecom Co. Ltd.)

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

To the Shareholders of Gamelancer Media Corp.:

Opinion

We have audited the consolidated financial statements of Gamelancer Media Corp. (formerly, Gamelancer Gaming Corp., Wondr Gaming Corp. and Transglobe Internet and Telecom Co. Ltd.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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 the Company as at December 31, 2022 and December 31, 2021, 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Acquisitions

Key Audit Matter Description

As described in Notes 2 and 9 to the consolidated financial statements, during 2022, the Company completed two acquisitions accounted for as business combinations, which, in aggregate, amounted to $38,126,492 in total consideration. The identifiable assets acquired and the liabilities assumed are measured at fair value as of the acquisition date. Where the net of the fair value of the assets acquired and liabilities assumed is less than the fair value of consideration transferred, the difference is accounted for as goodwill. In assessing fair value of the acquired assets, management used various valuation techniques involving significant judgement and subjectivity.

We considered this to be a key audit matter due to the complexity of the transactions, which included valuation of the acquired intangible assets. This resulted in a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating the audit evidence related to management's estimates. As such, an increased extent of audit effort was required, which included the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures over management's valuation techniques in determining fair value of the acquired assets and in determining goodwill for each of the two acquisitions. Our audit work in relation to this included, but was not restricted to, the following:

- Analyzed the signed purchase agreements to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations.
- Tested the mathematical accuracy of management's valuation models and supporting calculations.
- Evaluated the fair value of the consideration transferred.
- Evaluated the reasonableness of key assumptions in management's models, including testing of historical financial results which were used as a basis for future projections.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the acquisition in the notes to the consolidated financial statements.
- With the assistance of internal valuation specialists, evaluated the reasonableness of management's model, through assessing the appropriateness of valuation models used and testing the significant assumptions and inputs by:
    - Comparing to externally available industry and economic trends;
    - Evaluating budgets and forecasts for future operations; and
    - Comparing against guideline companies within the same industry.

Impairment Analysis of Goodwill and Long-Lived Assets

Key Audit Matter Description

We draw attention to Notes 2, 3, 7 and 11 to the consolidated financial statements. The Company has recorded goodwill, pr operty and equipment, and intangibles assets of $46,957,393 as of December 31, 2022. The Company performs impairment testing for goodwill and long-lived assets on an annual basis or more frequently when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated rec overable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs of dispos al. In determining the estimated recoverable amounts using a discounted cash flow model, the Company’s significant assum ptions include future cash flows based on expected operating results, long-term growth rates and the discount rate. We co nsidered this a key audit matter due to the significant judgment made by management in estimating the recoverable amou nt for goodwill and long-lived assets and a high degree of auditor judgment, subjectivity and effort in performing procedur es and evaluating audit evidence relating to management’s estimates. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to impairment of goodwill and long-lived assets. Our audit work in relation to this included, but was not restricted to, the following:

- Performed a retrospective review to compare management's assumptions in prior year expected future cash flows to the actual results to assess the Company's budgeting process.
- Evaluated the reasonableness of key assumptions in the impairment model, including future cash flows based on expected operating results, long-term growth rates and the discount rate.
- Tested the mathematical accuracy of management's impairment model and supporting calculations.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements.
- With the assistance of internal valuation specialists, evaluated the reasonableness of the Company's impairment model, which included:
    - Evaluating the reasonableness of the discount rates by comparing the Company's weighted average cost of capital against publicly available market data;
    - Developing a range of independent estimates and comparing those to the discount rate selected by management; and
    - Performing a sensitivity analysis by developing a range of independent estimates of growth rates and weighted average cost of capital.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ratan Kumar Verma.

MNP LLP

Toronto, Ontario
May 1, 2023

Chartered Professional Accountants
Licensed Public Accountants

Gamelancer Media Corp.
(formerly, Gamelancer Gaming Corp., Wondr Gaming Corp. and Transglobe Internet and Telecom Co. Ltd.)
Consolidated Statements of Financial Position
As at December 31, 2022 and December 31, 2021
(Expressed in Canadian dollars)

	December 31, 2022	December 31, 2021
	$	$
Assets		
Current assets		
Cash	**556,804**	3,752,581
Restricted cash	**7,440**	-
Receivables (Note 5)	**1,754,518**	367,327
Inventory	**87,983**	-
Prepaid expenses and deposits	**145,102**	303,428
	2,551,847	4,423,336
Restricted cash	**50,000**	50,000
Deposits	**4,425**	4,425
Property and equipment	**1,726**	4,645
Right-of-use asset (Note 6)	**-**	22,291
Intangible assets (Note 7)	**19,196,989**	1,114,760
Goodwill (Note 11)	**27,758,678**	2,228,451
	49,563,665	7,847,908
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**3,267,950**	1,619,923
Income tax payable (Note 14)	**75,091**	-
Deferred revenue	**-**	46,305
Due to related parties	**302,079**	10,500
Lease liability (Note 6)	**-**	20,999
Deferred consideration (Note 10)	**3,346,209**	-
Contingent consideration liability (Note 10)	**962,006**	-
	7,953,336	1,697,727
Debenture units (Note 13)	**3,989,337**	-
Deferred tax liability (Note 14)	**5,271,145**	-
	9,260,482	-
Shareholders' Equity		
Common shares (Note 15)	**49,070,665**	16,915,434
Warrant reserve (Note 16)	**2,517,444**	804,722
Share-based benefits reserve (Note 17)	**1,718,304**	388,467
Accumulated other comprehensive loss	**1,546,841**	(163,245)
Deficit	**(22,503,406)**	(11,795,197)
	32,349,848	6,150,181
	49,563,665	7,847,908

General information and going concern (Note 1)
Significant events (Note 24)
Contingent liabilities (Note 25)
Events after the reporting period (Note 26)

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

Gamelancer Media Corp.
(formerly, Gamelancer Gaming Corp., Wondr Gaming Corp. and Transglobe Internet and Telecom Co. Ltd.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Years ended December 31, 2022	2021
	$	$
Revenues	**3,564,211**	186,919
Cost of sales	**1,219,558**	79,650
Gross margin	**2,344,653**	107,269
Expenses		
Consultants and subcontractors	**2,830,507**	1,859,497
Share-based payments (Note 19)	**2,189,892**	691,020
Professional fees	**1,472,103**	756,265
General and administrative	**1,703,775**	820,581
Advertising and promotion	**1,623,113**	394,368
Salaries, wages and benefits	**745,676**	626,451
Depreciation and amortization (Notes 6 and 7)	**1,679,706**	82,414
Foreign exchange loss	**93,819**	7,912
Finance costs, net (Note 20)	**273,396**	196,951
Listing expense (Note 24)	**-**	3,179,576
Research and development	**-**	893,560
Impairment loss on intangible assets (Note 7)	**987,592**	170,000
Loss on revaluation of contingent consideration (Note 10)	**40,027**	-
Loss on revaluation of conversion option liability (Note 12)	**-**	8,000
	13,639,606	9,686,595
Net loss before income taxes	**(11,294,953)**	(9,579,326)
Income taxes		
Current	**(75,091)**	-
Deferred	**661,835**	-
Net loss	**(10,708,209)**	(9,579,326)
Other comprehensive income		
Item that may be reclassified subsequently to loss:		
Exchange difference on translating foreign operations	**2,310,653**	-
Fair value loss on investment in a private company	**-**	(163,245)
Deferred tax	**(600,567)**	-
Total comprehensive income (loss)	**(8,998,123)**	(9,742,571)
Basic and diluted loss per share	**(0.03)**	(0.07)
Weighted average number of common shares outstanding	**369,389,628**	138,519,774

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

Gamelancer Media Corp.

(formerly, Gamelancer Gaming Corp., Wondr Gaming Corp. and Transglobe Internet and Telecom Co. Ltd.)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

	Common shares	Warrant reserve	Share-based benefits reserve	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
	$	$	$	$	$	$
Balance, December 31, 2020	2,495,714	13,400	-	(2,215,871)	-	293,243
Issue of common shares and warrants on conversion of subscription receipts (Note 15(i))	8,377,385	440,915	-	-	-	8,818,300
Issue of Finders' Units for services received in connection with the private placement of subscription receipts (Note 16(i))	-	132,233	-	-	-	132,233
Issue of warrants for services received in connection with the private placement of Units (Note 16(ii))	-	3,200	-	-	-	3,200
Issue of common shares for consulting services received (Note 15(ii))	20,000	-	-	-	-	20,000
Issue of warrants for consulting services received (Note 16(iii))	-	259,945	-	-	-	259,945
Issue of common shares on reverse takeover to shareholders of Transglobe Internet and Telecom Co. Ltd. (Note 24)	3,156,295	-	-	-	-	3,156,295
Issue of common shares on acquisition of Enterprise Gaming Canada Inc. (Note 8)	1,097,460	-	-	-	-	1,097,460
Issue of common shares on acquisition of Hot Dot Media Inc. (Note 9)	2,229,760	-	-	-	-	2,229,760
Issue of common shares on conversion of convertible debentures (Notes 12, 15)	355,179	-	-	-	-	355,179
Issue of common shares for payment of accrued interest on convertible debentures (Notes 12, 15)	15,479	-	-	-	-	15,479
Share-based compensation (Note 15(iii) and Note 17)	22,608	-	388,467	-	-	411,075
Transaction costs:						
- paid in cash (Note 15(iv))	(728,825)	(38,359)	-	-	-	(767,184)
- paid in warrants (Note 15(iv))	(125,621)	(6,612)	-	-	-	(132,233)
Net loss and total comprehensive loss	-	-	-	(9,579,326)	(163,245)	(9,742,571)
Balance, December 31, 2021	16,915,434	804,722	388,467	(11,795,197)	(163,245)	6,150,181
Private placement of common shares and warrants (Note 15(v))	8,734,603	1,265,397	-	-	-	10,000,000
Issue of common shares on acquisition of JoyBox Media Inc. (Note 9)	427,000	-	-	-	-	427,000
Issue of common shares on the acquisition of Gamelancer, Inc. (Note	21,589,293	-	-	-	-	21,589,293
Issue of warrants for services received in connection with the private placement (Note 16(iv))	-	97,993	-	-	-	97,993
Issue of common shares for advisory services received (Note 15(vi))	360,000	-	-	-	-	360,000
Issue of warrants for consulting services received (Note 16(iii))	-	129,903	-	-	-	129,903
Share-based compensation (Note 17)	-		1,769,837	-	-	1,769,837
Issue of warrants with debenture units (Note 16)	-	387,346	-	-	-	387,346
Deferred tax arising on recognition of warrants issued in connection with private placement of debentures (Note 14)	-	(102,647)	-	-	-	(102,647)
Issue of common shares on exercise of stock options (Note 15(vii))	1,440,000	-	(440,000)	-	-	1,000,000
Issue of common shares on exercise of warrants (Note 15)	24,420	(4,884)	-	-	-	19,536
Issuance costs:						
- paid in cash (Note 15(viii))	(334,566)	(47,912)	-	-	-	(382,478)
- paid in warrants (Note 15(viii))	(85,519)	(12,474)	-	-	-	(97,993)
Net loss and total comprehensive loss	-	-	-	(10,708,209)	1,710,086	(8,998,123)
Balance, December 31, 2022	**49,070,665**	**2,517,444**	**1,718,304**	**(22,503,406)**	**1,546,841**	**32,349,848**

Gamelancer Media Corp.
(formerly, Gamelancer Gaming Corp., Wondr Gaming Corp. and Transglobe Internet and Telecom Co. Ltd.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Year ended December 31, 2022	2021
	$	$
Cash flows used in operating activities		
Net loss	**(10,708,209)**	(9,579,326)
Adjustments for:		
Listing expense (Note 24)	**-**	3,179,576
Share-based payments (Note 19)	**2,189,892**	691,020
Finance costs, net (Note 20)	**273,396**	196,951
Impairment loss on intangible assets (Note 7)	**987,593**	170,000
Depreciation and amortization (Notes 6 and 7)	**1,679,706**	82,414
Unrealized foreign exchange loss	**93,819**	-
Loss on revaluation of conversion option liability (Note 12)	**-**	8,000
Loss on revaluation of contingent consideration (Note 10)	**40,027**	-
Provision (benefit) for deferred taxes	**(661,835)**	-
Issue of warrants for services received in connection with the private placement of Unit	**-**	128
	(6,105,611)	(5,251,237)
Changes in non-cash working capital items:		
Receivables	**(883,142)**	(336,650)
Inventory	**(87,983)**	-
Prepaid expenses and deposits	**158,326**	(156,217)
Accounts payable and accrued liabilities	**1,414,212**	1,057,813
Income tax payable	**75,091**	-
Deferred revenue	**(46,305)**	46,305
	(5,475,412)	(4,639,986)
Finance costs paid	**(11,724)**	(26,638)
Interest received	**3,405**	3,819
	(5,483,731)	(4,662,805)
Cash flows used in investing activities		
Restricted cash	**(7,440)**	(50,000)
Repayment of deferred consideration	**(3,373,250)**	-
Additions to property and equipment	**(1,373)**	(4,645)
Payments for intangible assets (Note 7)	**(252,263)**	-
Repayment of advances received from related parties	**-**	(3,672)
Inventory acquired in connection with business combinations - Gamelancer, Inc.	**87,983**	-
Net cash (outflow) / inflow from acquisition of subsidiary:		
- Enterprise Gaming Canada Inc. (Note 8)	**-**	2,410
- Hot Dot Media Inc. (Note 9)	**-**	7,678
- Gamelancer, Inc. (Note 9)	**(8,922,141)**	-
- JoyBox Media Inc. (Note 9)	**(131,526)**	-
	(12,600,010)	(48,229)
Cash flows provided from financing activities		
Private placement of common shares and warrants (Note 15(v))	**10,097,993**	-
Proceeds from exercise of stock options (Note 15(vii))	**1,000,000**	-
Proceeds from exercise of warrants (Note 15 (ix))	**19,536**	-
Proceeds from issue of subscription receipts (Note 15(i))	**-**	8,818,300
Proceeds from issue of Units (Note 12)	**-**	1,000,000
Proceeds from issue of Debenture Units (Note 13)	**4,291,274**	-
Repayment of convertible debentures (Note 12)	**-**	(700,000)
Issuance costs (Note 15(viii))	**(480,471)**	(767,184)
Lease payments (Note 6)	**(22,800)**	(45,600)
Transaction costs	**-**	(105,600)
	14,905,532	8,199,916
Net (decrease) / increase in cash	**(3,178,209)**	3,488,882
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(17,568)**	-
Cash, beginning of period	**3,752,581**	263,699
Cash, end of period	**556,804**	3,752,581

1. General information and going concern

General information

Gamelancer Media Corp. (formerly, Gamelancer Gaming Corp., Wondr Gaming Corp. and Transglobe Internet and Telecom Co. Ltd.) (the "Company" or "Gamelancer") was incorporated under the laws of the Province of British Columbia on June 24, 1999. The Company's principal place of business is 405-120 Carlton St., Toronto, Ontario, Canada. Gamelancer is a publicly traded company, listed on the Canadian Securities Exchange ("CSE"). Effective April 21, 2022, in connection with the acquisition of Gamelancer, Inc., the Company changed its name to Gamelancer Gaming Corp. and its CSE ticker symbol was changed to "GMNG". Effective September 27, 2022, the Company then changed its name to Gamelancer Media Corp.

As described in Note 21, the Company completed a reverse takeover transaction on May 3, 2021, pursuant to an agreement between 1Wondr Gaming Corporation and Transglobe Internet and Telecom Co. Ltd. ("Transglobe"). Pursuant to the reverse takeover transaction, 1Wondr Gaming Corporation amalgamated with a newly incorporated, wholly-owned subsidiary of Transglobe formed solely for the purpose of facilitating the reverse takeover transaction. Subsequently, Transglobe changed its name to Wondr Gaming Corp. The historical operations, assets and liabilities of 1Wondr Gaming Corporation are included as the comparative figures as at December 31, 2021 which is deemed to be the continuing entity for financial reporting purposes.

Gamelancer Media Corp. is a development stage technology and entertainment company providing direct advertising services to brands over its social media channels, with future programmatic advertising services planned as well as plans to build and acquire assets focused on esports loyalty and rewards programs to unite the global gaming community.

Going concern

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations for the foreseeable future. The Company incurred a loss from operations of $10,708,209 for the year ended December 31, 2022 and has an accumulated deficit of $22,503,406 as at December 31, 2022. The Company has a working capital deficiency of $5,401,489 at December 31, 2022. To-date, the Company has funded its operations principally through the issuance debt and equity securities. The availability of such funding in the future is subject to uncertainty. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management acknowledges that there is a significant uncertainty over the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on the Company's ability to pay its liabilities; new funding to fund operations; cost savings associated with managing operating expense levels, other equity and/or debt financings, as well as the Company's ability to maintain sufficient working capital from operations. It cannot be determined at this time whether these objectives will be realized.

Management believes that the use of the going concern assumption is appropriate for these consolidated financial statements. If the Company were unable to continue its operations, adjustments to the carrying amounts and classification of assets and liabilities may be necessary. Such adjustments could be material to the consolidated financial statements.

2. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issuance by the board of directors on May 1, 2023.

Global outbreak of COVID-19 (coronavirus)

The COVID-19 pandemic has had adverse financial impacts on the global economy and financial markets. The conflict in Ukraine and the transition to higher inflationary environments have also contributed to increased global economic and financial volatility; however, there has been no significant impact on the Company's results and management continues to monitor for any potential impacts on the operations and financial position of the Company.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. All financial information is presented in Canadian dollars, except share and per share amounts or as otherwise noted. The functional currency of the Company and each of its subsidiaries is the Canadian dollar, except for Wondr Gaming USA Corp. and Gamelancer, Inc. for which the functional currency is the U.S. dollar.

The principal accounting policies are set out below.

Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries:

Subsidiary	Domicile and country of incorporation
Wondr Gaming Corp.	Ontario, Canada
Enterprise Gaming Canada Inc.	Quebec, Canada
Hot Dot Media Inc.	Ontario, Canada
JoyBox Media Inc.	British Columbia, Canada
Gamelancer, Inc.	Delaware, United States of America
Wondr Gaming USA Corp.	Delaware, United States of America (incorporated on August 30, 2021)

On May 31, 2021, the Company acquired 100% of the issued and outstanding common shares of Enterprise Gaming Canada Inc. (“EGCI”) (Note 8). On June 4, 2021, the Company acquired 100% of the issued and outstanding common shares of Hot Dot Media Inc. (“HDM”) (Note 9). On March 1, 2022, the Company acquired 100% of the issued and

2. Significant accounting policies *(continued from previous page)*

Basis of consolidation (continued from previous page)

outstanding common shares of JoyBox Media Inc. ("JoyBox") (Note 9). On April 14, 2022, the Company acquired 100% of the issued and outstanding common shares of Gamelancer Inc. (Note 9).

Each subsidiary is fully consolidated from the date of acquisition, which is when the Company obtains control, and continues to be consolidated until the date when such control ceases. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and can use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate changes to one or more of the three elements of control listed above. The subsidiaries' financial statements are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2. Significant accounting policies *(continued from previous page)*

Business Combinations (continued from previous page)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

2. Significant accounting policies *(continued from previous page)*

Foreign currencies

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. The functional currency of the Company and each of its subsidiaries is the Canadian dollar, except for Wondr Gaming USA Corp. for which the functional currency is the U.S. dollar.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

Revenue

The core principle of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company accounts for a contract with a customer when it has approval and commitment from all parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the promised goods and services is transferred to customers, and in an amount that reflects the consideration the Company is contractually due in exchange for those goods and services.

The Company's current revenue stream consists of direct advertising revenue over its various social media channels. Contracts have a fixed term with a defined fee for services provided. Revenue is recognized as services are provided over the defined contractual flight term.

Deferred development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

2. Significant accounting policies *(continued from previous page)*

Deferred development costs

The amount initially recognized for deferred development costs is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

The Company's deferred development costs include the cost of materials and services used and consumed in developing its gaming rewards and loyalty platform and the cost of employee benefits related to personnel who were directly responsible for technology development.

Subsequent to initial recognition, deferred development costs are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Impairment of intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

2. Significant accounting policies *(continued from previous page)*

Share-based payment arrangements (continued from previous page)

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or loss or directly in equity, in which case, the deferred tax is also recognized in other comprehensive income or loss or directly in equity, respectively. Where deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Government assistance and investment tax credits

Government grants are recognized when the Company has complied with the terms and conditions of the approved grant program. Government grants, related to research and development activity, and investment tax credits, which are earned as a result of qualifying Scientific Research and Experimental Development (“SR&ED”) expenditures, are recognized as a reduction to salaries, wages and benefits expense during the period in which the related expenditures are incurred, provided the Company has reasonable assurance with respect to the realization of the related receivable.

The Company claims SR&ED deductions and related investment tax credits for income tax purposes based upon management’s interpretation of the applicable legislation in the Income Tax Act (Canada). Investment tax credits are subject to Canada Revenue Agency (“CRA”) review and assessment of the eligibility of the Company’s research expenditures. Actual investment tax credits received may differ from those estimated and recorded in these financial statements.

2. Significant accounting policies *(continued from previous page)*

Financial instruments

IFRS 9 *Financial Instruments* ("IFRS 9") contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income or loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss.

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

2. Significant accounting policies *(continued from previous page)*

Financial instruments (continued from previous page)

Classification and subsequent measurement *(continued from previous page)*

- Designated at fair value through profit or loss - On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss except where the Company has irrevocably elected on initial recognition to present in other comprehensive income the fair value gains and losses of an equity investment that is neither held for trading nor contingent consideration acquired in a business combination. In such cases, the cumulative gains and losses recognized in other comprehensive income are not reclassified to profit or loss on derecognition of the investment.

On initial recognition, the Company made the irrevocable election to present in other comprehensive income the fair value gains and losses from its investment in Rival.ai Inc.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of

2. Significant accounting policies *(continued from previous page)*

Financial assets (continued from previous page)

borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Company either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;

- Retains the right to receive the contractual cash flows of the financial asset but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Company retains the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Company derecognizes the financial asset. At the same time, the Company separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss.

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

2. Significant accounting policies *(continued from previous page)*

Financial instruments (continued from previous page)

Financial liabilities

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities, except for financial liabilities subsequently measured at fair value through profit or loss, are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Derivative financial instruments

Derivative instruments are recorded at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recorded in profit or loss.

Embedded derivatives

For hybrid contracts containing a host that is not an asset in the scope of IFRS 9, embedded derivatives are evaluated on initial recognition to determine if the embedded derivative must be separated from the host contract. Embedded derivatives are separated from the host contract when the economic characteristics and risks of the derivative are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives that are separated from the host contract are initially measured at fair value and subsequently measured at fair value through profit or loss. The host contract is accounted for in accordance with the appropriate Standards.

Non-option derivatives are separated from the host contract on the basis of their stated or implied substantive terms so as to result in them having a fair value of zero at inception. Option-based derivatives are separated from the host contract on the basis of stated terms and conditions and measured at their fair value on inception, with the host contract's initial carrying amount being the residual amount after separating the derivative.

Classification of financial instruments

The following table summarizes the classification of the Company's financial instruments:

Asset / liability:	Classification:
Cash	FVTPL
Restricted cash	Amortized cost
Receivables	Amortized cost
Deposits	Amortized cost
Investment in a private company	FVOCI
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Convertible debentures (debt host liability)	Amortized cost
Debenture units	Amortized cost
Lease liability	Amortized cost

2. Significant accounting policies *(continued from previous page)*

Fair value

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements.

Level 1 inputs are unadjusted quoted prices of identical instruments in active markets;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs that are not based on observable market data (unobservable data).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Loss per share

Basic loss per share is calculated by dividing net loss (the numerator) by the weighted average number of common shares outstanding (the denominator) during the year/period.

For the purpose of calculating diluted loss per share, the Company adjusts net loss, and the weighted average number of common shares outstanding during the year, for the effects of all dilutive potential common shares. Potential common shares, such as warrants and stock options, are treated as dilutive when, and only when, their conversion to common shares would decrease earnings per share or increase loss per share.

3. New standards, amendments and interpretations not yet adopted by the Company

The amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: 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 are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces 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 1 January 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 Company's consolidated financial statements.

3. New standards, amendments and interpretations not yet adopted by the Company *(continued from previous page)*

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements 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 1 January 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 amendments are not expected to have a material impact on the Company's consolidated financial statements.

IAS 12 Income Taxes

In May 2021, the IASB issued targeted amendments to IAS 12, Income Taxes. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. With a view to reducing diversity in reporting, the amendments will clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and asset retirement (decommissioning) obligations. The amendments are not expected to have a material impact on the Company's consolidated financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the financial statements.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors and management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the directors and management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

<u>Going concern</u>

Assessing the Company's ability to continue as a going concern requires management to make significant judgments and estimates of future cash flows and other future events, the outcome of which is uncertain. Management's assessment is largely based on events and conditions that transpire after the reporting period, such as cash inflows from financing activities and other known developments.

4. Critical accounting judgments and key sources of estimation uncertainty *(continued from previous page)*

Selecting the option pricing model to estimate the fair value of equity instruments granted

The Company uses the Black-Scholes Merton formula to estimate the fair value of equity instruments granted in connection with equity-settled share-based payments. Management considers factors that knowledgeable, willing market participants would consider when selecting the option pricing model to apply.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of financial liabilities at FVTPL

The determination of the fair values of debt instruments or the component parts of hybrid contracts requires the use of valuation models and/or techniques for which the underlying assumptions are inherently subject to significant estimation and judgment. These models and techniques require that management make estimates and assumptions with respect to one or more of the following at the date of issuance: the fair value of the Company's equity securities, expected volatility of the Company's share value, estimated life of conversion rights and warrants and interest rates which could be obtained for debt instruments with similar terms and maturities.

Identification and measurement of assets acquired and liabilities assumed in a business combination

Management is required to make judgments and estimates when identifying and measuring the assets acquired and liabilities assumed in a business combination. Management applied the guidance set out in IFRS 3 *Business Combinations* when determining the recognition of assets acquired and liabilities assumed in connection with the acquisitions of its subsidiary entities.

Impairment of goodwill and determination of cash-generating units

Determining whether goodwill is impaired requires the determination of cash-generating units and an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The determination of cash-generating units and value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Fair value of investment in a private company

The Company measures its equity investment in Rival.ai Inc. at fair value. On initial recognition, the Company irrevocably elected to present in other comprehensive income or loss the fair value gains and losses arising from the equity investment. The Company's investment in a private company is neither held for trading nor contingent consideration acquired in a business combination. Management believes the election made best reflects the business model for managing its investment. Measuring the investment in Rival.ai Inc. at each reporting date requires management to make significant judgments and estimates.

Valuation of common share purchase warrants and equity-settled share-based payments

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of common share purchase warrants and equity-settled share-based payments. The valuation techniques require the input of subjective assumptions including expected volatility, dividend yield and expected life of the instrument. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of these instruments.

(Expressed in Canadian dollars)

4. Critical accounting judgments and key sources of estimation uncertainty *(continued from previous page)*

Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights. At the period end, management concluded that none of the Company's non-financial assets were impaired.

5. Receivables

	December 31, 2022	December 31, 2021
	$	$
Trade receivables	**1,366,507**	140,098
Harmonized sales tax receivable	**387,553**	226,771
Other receivables	**458**	458
	1,754,518	367,327

6. Right-of-use asset and lease liability

In 2020, the Company entered into a lease agreement with a related party for office premises. The lessor was a company owned by a shareholder of Gamelancer. The Company recognized a right-of-use asset and corresponding lease liability upon entering into the lease. The lease liability was measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease of 12%.

The following schedule shows the movement in the Company's right-of-use asset during the period:

	Office premises
	$
Cost	
Balance, December 31, 2020 and December 31, 2021	89,177
Recognized during the period	-
Balance, December 31, 2022	**89,177**
Accumulated depreciation	
Balance, December 31, 2020	22,294
Depreciation	44,592
Balance, December 31, 2021	66,886
Depreciation	22,291
Balance, December 31, 2022	**89,177**
Carrying amount	
Balance, December 31, 2021	22,291
Balance, December 31, 2022	**-**

The right-of-use asset was being depreciated on a straight-line basis over the remaining lease term, which ended on July 14, 2022. During the year ended December 31, 2022, the Company recognized depreciation expense of $22,291 (Year

(Expressed in Canadian dollars)

6. Right-of-use asset and lease liability *(continued from previous page)*

ended December 31, 2021 - $44,592), included in the line item 'depreciation and amortization' in the consolidated statements of loss and comprehensive loss.

The following schedule shows the movement in the Company's lease liability during the period:

	$
Balance, December 31, 2020	63,797
Interest expense	2,802
Lease payments	(45,600)
Balance, December 31, 2021	20,999
Interest expense	1,801
Lease payments	(22,800)
Balance, December 31, 2022	**-**

7. Intangible assets

	NFT platform	Gaming rewards and loyalty platform	Domain names	Technology	Trade Name	Customer Relationships	Software	Total
	$	$	$	$				$
Cost								
Balance, December 31, 2020	-	170,000	13,701	-	-	-	-	183,701
Additions (Note 8)	1,134,667	-	4,214	-	-	-	-	1,138,881
Balance, December 31, 2021	1,134,667	170,000	17,915	-	-	-	-	1,322,582
Additions	-	-	134,050	100,092	-	-	18,121	252,263
Acquisition of Gamelancer, Inc. (Note 9)	-	-	-	656,070	17,011,350	756,060	-	18,423,480
Acquisition of JoyBox Media Inc.	-	-	-	-	380,000	330,000	-	710,000
Effect of foreign exchange rate changes	-	-	-	51,868	1,271,035	56,580	(215)	1,379,268
Balance, December 31, 2022	**1,134,667**	**170,000**	**151,965**	**808,030**	**18,662,385**	**1,142,640**	**17,906**	**22,087,593**
Accumulated amortization and impairment losses								
Balance, December 31, 2020	-	-	-	-	-	-	-	-
Amortization	37,822	-	-	-	-	-	-	37,822
Impairment loss	-	170,000	-	-	-	-	-	170,000
Balance, December 31, 2021	37,822	170,000	-	-	-	-	-	207,822
Amortization	113,466	-	-	39,604	1,289,996	208,564	1,493	1,653,123
Impairment loss	983,379	-	4,213	-	-	-	-	987,592
Effect of foreign exchange rate changes	-	-	-	1,160	36,816	4,091	-	42,067
Balance, December 31, 2022	**1,134,667**	**170,000**	**4,213**	**40,764**	**1,326,812**	**212,655**	**1,493**	**2,890,604**
Carrying amount								
Balance, December 31, 2021	**1,096,845**	**-**	**17,915**	**-**	**-**	**-**	**-**	**1,114,760**
Balance, December 31, 2022	**-**	**-**	**147,752**	**767,266**	**17,335,573**	**929,985**	**16,413**	**19,196,989**

In September 2022, the Company decided to discontinue the development of its NFT platform. Accordingly, the Company recognized an impairment loss of $987,593 related to the carrying amount of the NFT platform and associated domain names.

In 2021, the Company carried out a review of the recoverable amount of its internally generated gaming rewards and loyalty platform. The review resulted in the recognition of an impairment loss of $170,000, representing the accumulated cost of materials and services used and consumed in development phase activity.

(Expressed in Canadian dollars)

8. Acquisition of Enterprise Gaming Canada Inc.

On May 31, 2021, the Company acquired 100% of the voting equity interests in Enterprise Gaming Canada Inc. ("EGCI") in exchange for 4,000,000 common shares of Wondr. At the time of the transaction, EGCI was developing a proprietary non-fungible token ("NFT") platform leveraging Ethereum. The fair value of the Wondr shares issued as consideration was estimated to be $1,097,460 on the date of the transaction. All common shares issued in connection with the transaction are subject to a four-month and one day re-sale restriction and an 18-month voluntary escrow agreement between the selling shareholders of EGCI and the Company.

IFRS 3 *Business Combinations* ("IFRS 3") includes an optional fair value concentration test to permit a simplified assessment of whether an acquired group is not a business (i.e. asset acquisition). An entity may elect the optional concentration test on a transaction-by-transaction basis. The concentration test identifies the acquired group is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets.

Management applied the optional fair value concentration test with respect to the acquisition of EGCI and determined that substantially all of the fair value of the gross assets acquired was concentrated in the technology related to the NFT platform (the "NFT platform"). Accordingly, the transaction was accounted for as an asset acquisition whereby the cost of the acquired group was allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the acquisition date. As an asset acquisition, no amount was attributable to goodwill.

The identifiable assets acquired and liabilities recognized in connection with the transaction included:

	$
Current assets	
Cash	2,410
Non-current assets	
Intangible assets	
NFT platform	1,134,667
Domain name	4,214
Current liabilities	
Accounts payable and accrued liabilities	(43,831)
Total cost of acquisition	1,097,460

(Expressed in Canadian dollars)

9. Business combinations

JoyBox Media Inc.

On March 1, 2022, the Company acquired 100% of the voting equity interests in JoyBox Media Inc. ("JoyBox"). JoyBox is a media network and marketing agency that focuses on the intersection of culture and technology. JoyBox provides best-in-class services working with celebrities, brands, and creators to create meaningful communities across digital through paid media, influencer campaigns, and viral content. The transaction has been accounted for as a business combination under the requirements of IFRS 3.

The consideration transferred in exchange for the equity interests in JoyBox includes:

	$
Cash	131,526
3,333,332 common shares	427,000
Contingent consideration arrangement	675,000
Total	1,233,526

	$
Consideration transferred	1,233,526
Less: Fair value of net assets acquired	-
Less: Intangible asset - Trade Name acquired	(380,000)
Less: Intangible asset - Customer Relationships acquired	(330,000)
Add: Deferred tax liability	191,700
Goodwill arising on acquisition	715,226

Under the contingent consideration arrangement, the Company may be required to pay the vendors the following additional amounts:

(i) $84,237 of cash and $350,000 of Wondr common shares within 60 days of JoyBox generating at least $500,000 in aggregate revenues; and

(ii) $84,237 of cash and $350,0000 of Wondr common shares within 60 days of JoyBox generating at least $1,000,000 in aggregate revenues.

All consideration shares are subject to a four-month and one-day re-sale restriction and a 27-month voluntary escrow agreement between the selling shareholders of JoyBox and the Company. The first 25% of the escrowed shares is to be released 18 months from the date of acquisition.

Goodwill arose in the acquisition of JoyBox because the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development, the assembled workforce and other expected synergies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill arising on the acquisition is not expected to be deductible for tax purposes.

These consolidated financial statements include revenues of $318,087 and comprehensive income of $278,114 from the date of acquisition to December 31, 2022. If the acquisition had of occurred on January 1, 2022, the consolidated revenues of the Company are estimated to have been $3,564,211 and comprehensive loss would have been $8,884,648.

(Expressed in Canadian dollars)

9. Business combinations *(continued from previous page)*

Gamelancer Inc.

On April 14, 2022, the Company acquired 100% of the issued and outstanding common shares of Gamelancer, Inc. As consideration, the Company paid USD $7,000,000 to the shareholders of Gamelancer, Inc. and issued 212,338,900 common shares of the Company. All common shares issued in connection with the transaction are subject to voluntary lock-ups of up to 36 months and a statutory four-month and one day hold, with 10% of the common shares released on closing of the transaction and 15% released every six months thereafter for the next 36 months. Additional cash consideration of USD $2,500,000 is due six months from the closing date of April 14, 2022 (October 14, 2022) and USD $2,500,000 is due twelve months from the closing date (April 14, 2023). The Company also agreed to pay a further USD $125,000 in cash contingent upon the satisfaction of certain revenue milestones being met in one of the Company's other wholly-owned subsidiaries. Furthermore, if certain future events occur, or fail to occur, in respect of future financings or resolution of contingent liabilities (Note 25), the Company may be required to pay additional cash consideration of up to $2,250,000.

The transaction has been accounted for as a business combination under the requirements of IFRS 3.

The consideration transferred in exchange for the equity interests in Gamelancer, Inc. therefore includes:

	$
Cash	8,840,621
Deferred cash consideration	6,132,906
212,338,900 common shares	21,589,293
Working capital adjustment	83,166
Contingent consideration arrangement	246,980
Total	36,892,966

The identifiable assets acquired and liabilities recognized at the date of acquisition included:

	$
Current assets	
Cash	694
Receivables	504,049
Inventory	82,039
Non-current assets	
Technology	656,070
Current liabilities	
Accounts payable and accrued liabilities	(233,815)
Due to related parties	(271,880)
Deferred tax liability	(4,698,859)
Net identifiable (liabilities) assets acquired	(3,961,702)

(Expressed in Canadian dollars)

9. Business combinations *(continued from previous page)*

Goodwill arose in the acquisition of Gamelancer, Inc. because the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development, the assembled workforce and other expected synergies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

	$
Consideration transferred	36,892,966
Less: Fair value of identifiable net assets acquired	3,961,702
Less: Intangible asset - Trade Name acquired	(17,011,350)
Less: Intangible asset - Customer Relationships acquired	(756,060)
Goodwill arising on acquisition	23,087,258

Goodwill arising on the acquisition is not expected to be deductible for tax purposes.

These consolidated financial statements include revenues of $2,016,843 and a comprehensive loss of $1,683,368 related to Gamelancer, Inc. from the date of acquisition to December 31, 2022. If the acquisition had of occurred on January 1, 2022, the consolidated revenues of the Company are estimated to have been $4,270,571 and comprehensive loss would have been $12,259,842.

Hot Dot Media Inc.

On June 4, 2021, the Company acquired 100% of the voting equity interests in Hot Dot Media Inc. (“HDM”) in exchange for 8,000,000 common shares of Wondr. HDM is a social media agency focused exclusively on emerging platforms with media reach through a diverse network of creators across TikTok, Instagram, Facebook, and YouTube. The fair value of the Wondr shares issued as consideration was estimated to be $2,229,760 on the date of acquisition. All common shares issued in connection with the transaction are subject to a four-month and one day re-sale restriction and an 18-month voluntary escrow agreement between the selling shareholders of HDM and the Company. The transaction has been accounted for as a business combination under the requirements of IFRS 3.

The identifiable assets acquired and liabilities recognized at the date of acquisition included:

	$
Current assets	
Cash	7,678
Receivables	5,000
Current liabilities	
Accounts payable and accrued liabilities	(869)
Due to related parties	(10,500)
Net identifiable assets acquired	1,309

(Expressed in Canadian dollars)

9. Business combinations *(continued from previous page)*

Goodwill arose in the acquisition of HDM because the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development, the assembled workforce and other expected synergies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

	$
Consideration transferred	2,229,760
Less: Fair value of identifiable net assets acquired	(1,309)
Goodwill arising on acquisition	2,228,451

Goodwill arising on the acquisition is not expected to be deductible for tax purposes.

10. Deferred and contingent consideration

Deferred consideration	$
Balance, December 31, 2020 and December 31, 2021	-
Recognized in connection with the acquisition of Gamelancer, Inc. (Note 9)	6,132,906
Accretion	179,695
Payment of deferred consideration	(3,373,250)
Effect of foreign exchange rate changes	406,858
Balance, December 31, 2022	**3,346,209**

Contingent consideration	
Balance, December 31, 2020 and December 31, 2021	-
Recognized in connection with the acquisition of JoyBox Media Inc. (Note 9)	675,000
Recognized in connection with the acquisition of Gamelancer, Inc. (Note 9)	246,980
Loss on revaluation of contingent consideration liability	40,027
Effect of foreign exchange rate changes	(1)
Balance, December 31, 2022	**962,006**

11. Goodwill

	$
Balance, December 31, 2020	-
Acquisition of Hot Dot Media Inc. (Note 9)	2,228,451
Balance, December 31, 2021	2,228,451
Acquisition of JoyBox Media Inc. (Note 9)	715,226
Acquisition of Gamelancer, Inc. (Note 9)	23,087,258
Effect of foreign exchange rate changes	1,727,743
Balance, December 31, 2022	**27,758,678**

(Expressed in Canadian dollars)

11. Goodwill *(continued from previous page)*

The Company performed goodwill impairment testing on each of its acquired cash generating units (CGUs). The recoverable amount of each CGU was determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period and an after-tax discount rate. The cash flows beyond the five-year period were extrapolated using selected per annum growth rate. The cash flow projections used in estimating the recoverable amounts are generally consistent with results achieved historically, adjusted for anticipated growth.

The following key assumptions on which management based its determinations of the recoverable amount for goodwill based on each CGU's value in use:

Assumptions 2022	Gamelancer Media Corp.	Gamelancer Inc.	JoyBox Media Inc.
After-tax discount rate	34.6%	34.6%	34.6%
Terminal growth rate	5.0%	5.0%	3.0%

12. Convertible debentures

On March 12, 2021, the Company completed a non-brokered private placement of senior secured convertible debentures in the aggregate principal amount of $1,000,000 (the "convertible debentures") and 2,000,000 common share purchase warrants (the "warrants") for gross proceeds of $1,000,000. The financing was structured as a unit offering, whereby each unit consisted of one secured convertible debenture in the principal amount of $1,000 and 2,000 common share purchase warrants (the "Units").

The convertible debentures bore interest at a rate equal to 10% per annum, payable on maturity. The maturity date was defined as the date that was 60 days following the completion of a go-public transaction. The Company subsequently completed its go-public transaction on May 3, 2021. Accordingly, the convertible debentures matured on July 2, 2021.

The principal amount of each convertible debenture was convertible, for no additional consideration, into common shares of the Company at the option of the holder at any time while the principal amount remained outstanding, at a conversion price of $0.25 per share, subject to certain adjustments (the "Conversion Price").

Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.40 for a period of 2-years from the date of issuance.

The Company evaluated the separate components of each Unit under IAS 32 *Financial Instruments: Presentation*. The Units represented hybrid contracts, consisting of a debt host liability, conversion option and warrants to purchase common shares. Management classified the debt host liability at amortized cost, and the warrants to purchase common shares as equity. The Conversion Price associated with the conversion option was subject to adjustment upon the occurrence of certain events, including the issuance of additional common shares (or instruments convertible or exchangeable into common shares) at a price less than the Conversion Price at the time of issuance. Consequently, management concluded that the instrument did not meet the definition of equity and classified the conversion option as a separate, free-standing derivative at FVTPL.

The allocation of proceeds between each of the components comprising the hybrid contract was made upon initial recognition of the instruments and was not subsequently revised. The method used was as follows:

- firstly, the fair value of the conversion option was estimated on a stand-alone basis and the resultant fair value established the amount of proceeds allocated to that instrument;
- secondly, the fair value of the debt host liability component was calculated, and this fair value established the initial carrying amount of the liability component; and
- lastly, the fair value of the conversion option and liability component were deducted from the fair value of the instrument as a whole, with the resulting residual amount being recognized as the equity component.

(Expressed in Canadian dollars)

12. Convertible debentures *(continued from previous page)*

This method of allocating the liability and equity components is consistent with the definition of equity as a residual interest in the assets of an entity after deducting all of its liabilities. It ensures that no gain or loss arises on the initial recognition of the three components.

The allocation of proceeds from the issue of Units on initial recognition was as follows:

	$
Proceeds from issue of Units	1,000,000
Less: fair value of derivative conversion option	(40,000)
Less: fair value of debt host liability	(960,000)
Warrants to purchase common shares	-

The fair value of the conversion option was estimated using an expected value, option pricing model that considered the following key estimates and assumptions:

- the probability that the Company will issue additional common shares (or instruments convertible or exchangeable into common shares) at a price less than the Conversion Price at the time of issuance) before maturity;
- the estimated fair value of the underlying common shares into which the debenture may be converted;
- the expected time until a conversion event may occur;
- the expected volatility of the Company's common share value; and
- the estimated risk-free interest rate.

At the time the Units were issued, there was no active market for the Company's common shares. For this reason, the Company considered the historical volatility of similar entities for which share price information was publicly-available when estimating the expected volatility.

The following schedule summarizes the key inputs used to estimate the fair value of the conversion option at the date of initial recognition:

	March 12, 2021
Conversion Price	$0.25
Estimated fair value per common share	$0.19
Expected time until a conversion event may occur	0.3 years
Expected volatility of the underlying common share	55.0%
Risk-free interest rate	0.1%

The fair value of the debt host liability component on initial recognition was the present value of the contractual stream of future cash flows (including both principal and interest) discounted at a rate of 26.9%, representing the estimated market rate of interest that would have been applied to an instrument of comparable credit quality with substantially the same cash flows, on the same terms, but without the conversion option or warrants.

In connection with the private placement of Units, the Company incurred transaction costs of $113,200, of which $110,000 was paid in cash and $3,200 was paid by the issue of warrants to purchase common shares of the Company (Note 16). The transaction costs were allocated between the debt host liability, conversion option and warrants in the same proportion as how the proceeds from issue of the Units were allocated on initial recognition, as described above. Transaction costs of $4,528 allocated to the derivative conversion option were recognized immediately as an expense, recorded in the line item 'professional fees', in the condensed consolidated interim statement of loss and comprehensive loss for the nine months ended September 30, 2021, of which $4,400 was attributable to transaction costs paid in cash and $128 was attributable to transaction costs paid by the issue of warrants.

(Expressed in Canadian dollars)

12. Convertible debentures *(continued from previous page)*

The following table summarizes the movement in the carrying amount of the debt host liability and derivative conversion option during the period:

	Debt host liability	Derivative conversion option	Total
	$	$	$
Balance, December 31, 2020	-	-	-
Proceeds from issue of Units	960,000	40,000	1,000,000
Transaction costs	(108,672)	-	(108,672)
Interest and accretion	182,101	-	182,101
Reclassified to common shares on conversion (Note 13)	(307,179)	(48,000)	(355,179)
Repayment of principal	(700,000)	-	(700,000)
Interest paid in cash	(10,771)	-	(10,771)
Interest paid in common shares (Note 13)	(15,479)	-	(15,479)
Loss on revaluation of derivative conversion option	-	8,000	8,000
Balance, December 31, 2021 and December 31, 2022	**-**	**-**	**-**

13. Debenture units

On October 13, 2022, the Company announced its intent to complete a non-brokered private placement of up to $15,000,000 aggregate principal amount of secured debenture units (each a “Debenture Unit”) at an issue price of $1,000 per Debenture Unit (the “Offering”). The first tranche of this Offering closed on November 3, 2022 with 4,111 Debenture Units being issued for proceeds of $4,111,000. Of the 4,111 Debenture Units, 1,363 Debenture Units were issued to an insider of the Company. The second tranche closed on November 24, 2022 with 439 Debenture Units being issued for proceeds of $439,000. In total, 455,000 Warrants were also issued as part of the closing of these two tranches as well as 742,259 broker warrants. The total proceeds were $4,550,000.

Each Debenture Unit is comprised of $1,000 principal amount of 12% secured debentures of the Company and 100 common share purchase warrants (each a “Warrant”) of the Company. Each Warrant is exercisable into one common share of the Company (each a “Warrant Share”) at an exercise price of $0.07 per Warrant Share for a period of 36 months from the closing of the Offering.

The Debentures shall mature on the date that is 60 months from the closing of the Offering (the “Maturity Date”). The Debentures shall bear interest at a rate of 12% per annum from the closing of the Offering, payable on the last business day of each calendar quarter, with the first 18 months of accrued interest payable on the Maturity Date.

The Debentures are subject to redemption, in whole or in part, at the option of the Company at any time after the first anniversary of the closing of the Offering upon giving the holders not less than 30 and not more than 60 days’ prior written notice, at a price equal to the then outstanding principal amount of the Debentures plus all accrued and unpaid interest up to and including the redemption date. All securities issued pursuant to the Offering are subject to a four month hold period from the date of issue.

The Company concluded that the Debentures are a financial liability which would be accounted for at amortized cost using the effective interest method. The Warrants met the criteria for equity classification. Accordingly, the Company first determined the fair value of the debt host liability and the residual proceeds received after allocation to the debt host liability were allocated to the Warrants. At the time of the Offering, the fair value of the Debentures was determined to be $4,139,475 based on a discount rate of 12.5%. The residual amount of $410,525 was allocated to the Warrants.

(Expressed in Canadian dollars)

13. Debenture units *(continued from previous page)*

The Company incurred transaction costs of $256,898 of which $69,848 related to the broker warrants issued. Of the transaction costs, the Company allocated $233,719 to the Debentures and $23,179 to the Warrants prorated based on the gross proceeds value. The $233,719 allocated to the Debentures was recorded as a reduction to the carrying amount of the liability and $23,179 of transaction costs was allocated to the equity component.

.

The following table summarizes the movement in the carrying value of the debt during the period:

	$ Debt
Balance, December 31, 2021	-
Issuance of Debentures	3,905,756
Interest and accretion expense	83,581
Interest payments	-
Balance, December 31, 2022	**3,989,337**

14. Income taxes

The following schedule reconciles the expected income tax expense (recovery) at the Canadian combined federal and provincial statutory rate of 26.5% to the amounts recognized in the statements of loss and comprehensive loss:

	2022	2021
	$	$
Net loss	**(11,294,953)**	(9,579,326)
Statutory rate	**26.5%**	26.5%
Expected income tax recovery	**(2,993,163)**	(2,538,521)
Non-deductible listing fees	**-**	842,588
Share-based compensation and other non-deductible expenses	**947,159**	400,021
Share issuance costs recognized directly in equity	**-**	(267,144)
Changes in foreign tax rates	**(23,363)**	-
Others	**43,458**	-
Change in tax benefits not recognized	**1,439,166**	1,563,056
Income tax expense	**(586,743)**	-

(Expressed in Canadian dollars)

14. Income taxes *(continued from previous page)*

Deferred tax assets (liabilities) recognized are as follows:

	December 31, 2022	December 31, 2021
	$	$
Deferred tax liabilities		
Other	**(133,685)**	(339)
Debentures	**(148,576)**	-
Foreign exchange	**(600,567)**	
Right-of-use asset	**-**	(5,907)
Intangible assets	**(4,985,644)**	-
Deferred tax assets		
Share issuance costs	**54,462**	-
Non-capital losses available for carryforward	**542,865**	6,246
Net deferred tax asset (liability)	**(5,271,145)**	-

The movement in deferred tax assets and liabilities during the year is as follows:

	2022	2021
	$	$
Balance, beginning of year	**-**	-
Recognized in profit or loss	**661,835**	-
Recognized in equity	**(102,647)**	-
Recognized in other comprehesive income	**(600,567)**	-
Recognized in goodwill	**(4,890,559)**	-
Others	**(339,207)**	-
Balance, end of year	**(5,271,145)**	-

Deferred tax assets and liabilities have been offset as they relate to income taxes levied by the same taxation authority and the Company has legal right and intent to the offset.

Tax benefits for which no deferred tax assets have been recognized are attributable to the following:

	December 31, 2022	December 31, 2021
	$	$
Lease liability	**-**	5,565
Investment in a private company	**21,630**	21,630
Accrued liabilities	**236,886**	236,793
Share issue costs	**173,177**	229,711
Non-capital losses available for carryforward	**3,157,159**	1,655,987
	3,588,852	2,149,686

The Company has not recorded a deferred tax asset related to these unused tax benefits as it is uncertain if future taxable income will be available against which these unused tax attributes can be utilized.

(Expressed in Canadian dollars)

14. Income taxes *(continued from previous page)*

The Company's non-capital income tax losses, the benefit of which has not been recognized in the consolidated financial statements, expire as follows:

	$ Canada	$ United States
2039	230,817	-
2040	1,905,483	-
2041	4,123,965	-
2042	6,474,274	-
Indefinite	-	1,221,472
	12,734,539	1,221,472

15. Common shares

Issued

The following schedule shows the movement in common shares during the period:

	#	$
Balance, December 31, 2020	90,644,466	2,495,714
Issue of common shares on conversion of subscription receipts (i)	44,091,500	8,377,385
Issue of common shares for consulting services received (ii)	62,500	20,000
Issue of common shares on reverse takeover to shareholders of Transglobe Internet and Telecom Co. Ltd. (Note 24)	16,612,079	3,156,295
Issue of common shares on acquisition of Enterprise Gaming Canada Inc. (Note 8)	4,000,000	1,097,460
Issue of common shares on acquisition of Hot Dot Media Inc. (Note 9)	8,000,000	2,229,760
Issue of common share on conversion of convertible debentures (Note 12)	1,200,000	355,179
Issue of common shares for payment of accrued interest on convertible debentures (Note 12)	61,917	15,479
Share-based compensation (iii)	-	22,608
Issuance costs:		
- paid in cash (iv)	-	(728,825)
- paid in warrants (iv)	-	(125,621)
Balance, December 31, 2021	164,672,462	16,915,434
Private placement of common shares and warrants (v)	50,000,000	8,734,603
Issue of common shares on acquisition of JoyBox Media Inc. (Note 9)	3,333,332	427,000
Issue of common shares on acquisition of Gamelancer, Inc. (Note 9)	212,338,900	21,589,293
Issue of common shares for advisory services received (vi)	3,000,000	360,000
Issue of common shares on exercise of stock options (vii)	10,000,000	1,440,000
Issue of common shares on exercise of warrants (ix)	162,800	24,420
Issuance costs:		
- paid in cash (viii)	-	(334,566)
- paid in warrants (viii)	-	(85,519)
Balance, December 31, 2022	**443,507,494**	**49,070,665**

(Expressed in Canadian dollars)

15. Common shares *(continued from previous page)*

(i) Private placement of subscription receipts

Pursuant to the terms of the Definitive Agreement (Note 24), and as condition to the consummation of the reverse takeover transaction, on February 9, 2021, the Company completed a private placement of 44,091,500 subscription receipts at a price of $0.20 per subscription receipt for aggregate gross proceeds of $8,818,300. Immediately prior to consummation of the reverse takeover transaction, the subscription receipts automatically converted into 44,091,500 common shares and 22,045,750 warrants to purchase common shares. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.40 per share for a period of two years from the closing date.

The allocation of proceeds between common shares and warrants was made when the equity instruments were issued and was not subsequently revised. The method used was as follows:

- firstly, the fair value of the warrants was estimated using the Black-Scholes Merton formula, and this fair value established the amount of proceeds allocated to the warrants; and

- secondly, the fair value of the warrants was deducted from the total proceeds, with the resulting residual amount allocated to common shares.

The allocation of proceeds between common shares and warrants follows:

	$
Proceeds from issuance of subscription receipts	8,818,300
Fair value of warrants issued	440,915
Allocation of proceeds to common shares	8,377,385

The fair value of the warrants was estimated to be $0.01 using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	$ 0.19
Exercise price of the warrant	$ 0.40
Expected volatility of the underlying common share	45.5%
Expected life of the warrant	2 years
Expected dividend yield	0.00%
Risk-free interest rate	0.3%

(ii) Issue of common shares for consulting services received

In May 2021, the Company issued 62,500 common shares to a director as consideration for consulting services received. The fair value of consulting services received, and the corresponding increase in equity, was measured by reference to the fair value of common shares issued. The fair value of common shares issued was recognized as a share-based payment, included in the line item ‘share-based payments’ in the condensed consolidated interim statements of loss and comprehensive loss. During the year ended December 31, 2022, the Company recognized $nil in respect of the arrangement (Year ended December 31, 2021 - $20,000).

(iii) Share-based compensation

In 2020, the Company awarded 500,000 common shares with an estimated fair value of $30,000 ($0.06 per share) to an officer of the Company as part of a remuneration package. If the officer’s employment with the

(Expressed in Canadian dollars)

15. Common shares *(continued from previous page)*

Company had terminated within one year of its commencement, the terms of the arrangement would have required the officer to sell the shares back to the Company for a nominal amount. Consequently, the fair value of the shares awarded was expensed on a straight-line basis over the one-year performance period. During the year ended December 31, 2022, the Company recognized an expense of $nil (Year ended December 31, 2021 - $22,608) in respect of the share-based payment, presented in the line item 'share-based payments' in the condensed consolidated interim statements of loss and comprehensive loss.

(iv) Issuance costs

In connection with the issuance of subscription receipts (Note 15(i)), the Company issued 3,275,870 Finders' Units with an estimated fair value of $132,233 (Note 16(i)), in addition to cash transaction costs of $767,184. These issuance costs were allocated $854,446 to common shares and $44,971 to the warrant reserve (Note 16).

The allocation was made in the same proportion as how the proceeds from the issuance of the subscription receipts were allocated between common shares and warrants.

(v) Private placement of common shares and warrants

In 2022, the Company completed a private placement of 50,000,000 Units at a price of $0.20 per Unit for aggregate gross proceeds of $10,000,000. Each Unit was comprised of one common share a one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at an exercise price of $0.30 per common share for a period of two years.

The private placement was completed in two tranches. The first tranche of 35,430,000 Units for aggregate gross proceeds of $7,086,000 was completed on January 27, 2022. The second tranche of 14,570,000 Units for aggregate gross proceeds of $2,914,000 was completed on February 18, 2022.

The allocation of proceeds between common shares and warrants was made when the equity instruments were issued and was not subsequently revised. The method used was as follows:

- firstly, fair value of each component comprising a Unit was estimated on a stand-alone basis;
- secondly, the total proceeds received from the issuance of the Units were allocated to each component in proportion to its relative fair value.

(v) Private placement of common shares and warrants

The fair value of each common share was based on the quoted market value of the Company's common shares at the date of issuance. The fair value of each warrant was estimated using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	$ 0.17
Exercise price of the warrant	$ 0.30
Expected volatility of the underlying common share	80.1%
Expected life of the warrant	2 years
Expected dividend yield	0.00%
Risk-free interest rate	1.3%

(Expressed in Canadian dollars)

15. Common shares *(continued from previous page)*

The allocation of proceeds between common shares and warrants follows:

	$
Common shares	8,734,603
Warrants	1,265,397
Total proceeds from issuance of Units	10,000,000

(vi) Issue of common shares for advisory services received

In April 2022, the Company issued 3,000,000 common shares to Canaccord Genuity Corp. as consideration for financial advisory services received. The fair value of consulting services received, and the corresponding increase in equity, was measured by reference to the fair value of common shares issued. The fair value of common shares issued was recognized as a share-based payment, included in the line item 'share-based payments' in the condensed consolidated interim statements of loss and comprehensive loss. During the year

ended December 31, 2022, the Company recognized $360,000, respectively, in respect of the arrangement (year ended December 31, 2021 - $nil).

(vii) Issue of common shares on exercise of stock options

In 2022, 10,000,000 common shares were issued upon exercise of stock options. The proceeds received by the Company upon exercise totalled $1,000,000. An amount of $440,000 was transferred from the share-based benefits reserve to common shares in connection with the exercise of stock options, representing the accumulated fair value of the exercised options which had previously been recognized as share-based payment expense.

(viii) Issuance costs

In connection with the issuance of Units (Note 15(v)), the Company issued 1,633,229 broker warrants with an estimated fair value of $97,993 (Note 16), in addition to cash transaction costs of $382,478. These issuance costs were allocated $420,085 to common shares and $60,386 to the warrant reserve (Note 16). The allocation was made in the same proportion as how the proceeds from the issuance of the Units were allocated between common shares and warrants.

All securities issued pursuant to the offering are subject to a four-month and one day hold period from the date of the offering.

(ix) Issue of common shares on exercise of warrants

In 2022, 162,800 common shares were issued upon the exercise of warrants. The proceeds received by the Company upon exercise totalled $24,420. An amount of $4,884 was transferred from the warrant reserve to common shares in connection with the exercise of these warrants, representing the accumulated fair value of the exercised warrants which had previously been recognized as share-based payment expense.

(Expressed in Canadian dollars)

16. Warrant reserve

	#	$
Balance, December 31, 2020	446,674	13,400
Issue of Finders' Units for services received in connection with the private placement of subscription receipts (i)	3,275,870	132,233
Issue of warrants for services received in connection with the private placement of Units (ii)	320,000	3,200
Issue of warrants in connection with the private placement of Units (Note 12)	2,000,000	-
Issue of warrants on conversion of subscription receipts (Note 13(i))	22,045,750	440,915
Issue of warrants for consulting services received (iii)	4,000,000	259,945
Transaction costs:		
- paid in cash (Note 13(iv))	-	(38,359)
- paid in warrants (Note 13(iv))	-	(6,612)
Balance, December 31, 2021	32,088,294	804,722
Private placement of common shares and warrants (Note 13(v))	24,999,999	1,265,397
Warrants issued with debenture units (v)	455,000	387,346
Issue of warrants for services received in connection with the private placement (iv)	1,633,229	97,993
Issuance of broker warrants (v)	742,259	129,903
Warrants exercised	(162,800)	(4,884)
Warrants expired	(283,874)	-
Issuance costs:		
- paid in cash (Note 13(vi))	-	(47,912)
- paid in warrants (Note 13(vi))	-	(12,474)
Deferred Tax Liability	-	(102,647)
Balance, December 31, 2022	**59,472,107**	**2,517,444**

(i) Issue of warrants for services received in connection with the private placement of subscription receipts

In 2021, the Company issued 3,275,870 warrants to purchase Finders' Units for services received in connection with the private placement of subscription receipts (Note 15(i)). Each Finders' Unit entitles the holder to one common share of the Company and one-half of one warrant for an exercise price of $0.20 per Finders' Unit, exercisable for a period of 2-years from the date of issuance. Each whole warrant entitles the holder to one common share of the Company at an exercise price of $0.40 for a period of 2-years from the date the Finders' Unit was first issued.

The fair value of the services received could not be estimated reliably. Accordingly, the fair value of the services received, and the corresponding increase in equity, was measured by reference to the fair value of equity instruments granted. The corresponding cost of the services received was recognized as a reduction to common shares and the warrant reserve, as described in Note 15(iv).

The fair value the warrants was estimated to be $0.04 using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	$0.19
Exercise price of the Finders' Unit	$0.20
Expected life of the Finders' Unit	2 years
Expected volatility of the underlying common share	45.6%
Risk-free interest rate	0.2%

(Expressed in Canadian dollars)

16. Warrant reserve *(continued from previous page)*

(ii) Issue of warrants for services received in connection with the private placement of Units

The Company issued 320,000 warrants to purchase common shares for services received in connection with the private placement of Units (Note 12), of which 160,000 warrants were issued to Canaccord Genuity Corp. and 160,000 warrants were issued to First Republic Capital Corporation. Each warrant entitles the holder to one common share of the Company at an exercise price of $0.40 for a period of 2-years from the date of issuance.

The fair value of the services received could not be estimated reliably. Accordingly, the fair value of the services received, and the corresponding increase in equity, was measured by reference to the fair value of equity instruments granted. The corresponding cost of the services received was recognized as a transaction cost as described in (Note 12).

The fair value the warrants was estimated to be $0.01 using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	$0.19
Exercise price of the warrant	$0.40
Expected life of the warrant	2 years
Expected volatility of the underlying common share	45.6%
Risk-free interest rate	0.3%

(iii) Issue of warrants for consulting services received

In May 2021, the Company entered into an arrangement with Blue Deer Capital Partners Inc. ("Blue Deer"), pursuant to which Blue Deer has agreed to provide the Company with financial advisory services. As consideration for these services, the Company issued 4,000,000 common share purchase warrants with an estimated fair value of $320,000 ($0.08 per warrant). The warrants vest according to an agreed upon schedule whereby 1,000,000 warrants vest immediately, 1,000,000 warrants vest on September 17, 2021 and 2,000,000 warrants vest on May 17, 2022. Each warrant entitles the holder thereof to acquire one common share of the Company for a price of $0.29. Any unexercised warrants expire 3 years from the date of issuance.

The fair value of consulting services received, and the corresponding increase in equity, was measured by reference to the fair value of equity instruments granted. The fair value of equity instruments granted is being recognized as a share-based payment over the vesting period, included in the line item 'share-based payments' in the condensed consolidated interim statements of loss and comprehensive loss. During the year ended December 31, 2022, the Company recognized $60,055 (year ended December 31, 2021 - $259,945) in respect of the arrangement.

The fair value of the warrants was estimated to be $0.08 using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	$0.29
Exercise price of the warrant	$0.29
Expected life of the warrant	3 years
Expected volatility of the underlying common share	41.5%
Risk-free interest rate	0.3%

(Expressed in Canadian dollars)

16. Warrant reserve *(continued from previous page)*

(iv) Issue of warrants for services received in connection with the private placement of common shares and warrants

During the year ended December 31, 2022, the Company issued 1,633,229 broker warrants with an estimated fair value of $97,993 ($0.06 per warrant) for services received in connection with the private placement of Units (Note 15(v)). Each warrant entitles the holder thereof to acquire one common share of the Company for a price of $0.20 for a period of two years from the date of issuance.

The fair value of the services received could not be estimated reliably. Accordingly, the fair value of the services received, and the corresponding increase in equity, was measured by reference to the fair value of equity instruments granted. The corresponding cost of the services received was recognized as an issuance cost, applied as a reduction to common shares and warrants in equity, as described in Note 15(viii).

The fair value of warrants was estimated using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	$0.17
Exercise price of the warrant	$0.20
Expected life of the warrant	2 years
Expected volatility of the underlying common share	80.1%
Risk-free interest rate	1.3%

The Company's common shares have a limited trading history. For this reason, the Company considered the historical volatility of similar entities for which share price information was publicly-available when estimating the expected volatility.

(v) Issue of warrants in connection with issuance of Debenture Units

During November 2022, the Company issued 4,550 Debenture Units (Note 13) with each Debenture Unit comprised of $1,000 principal amount of 12% secured debentures of the Company and 100 common share purchase warrants. In total, 455,000 warrants were issued as part of these units and 745,707 broker warrants were also issued.

The fair value of the warrants issued on November 3, 2022 was estimated using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	$0.14
Exercise price of the warrant	$0.07
Expected life of the warrant	3 years
Expected volatility of the underlying common share	82.0%
Risk-free interest rate	4.0%

The fair value of the warrants issued on November 24, 2022 was estimated using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	$0.11
Exercise price of the warrant	$0.07
Expected life of the warrant	3 years
Expected volatility of the underlying common share	82.0%
Risk-free interest rate	3.6%

(Expressed in Canadian dollars)

16. Warrant reserve *(continued from previous page)*

The following reconciles the warrants outstanding at the beginning and the end of the period:

	Number of warrants	Weighted average exercise price
	#	$
Balance, December 31, 2020	446,674	0.12
Issued	31,641,620	0.37
Balance, December 31, 2021	32,088,294	0.36
Issued	27,830,487	0.28
Exercised	(162,800)	0.12
Expired	(283,874)	0.12
Balance, December 31, 2022	**59,472,107**	**0.33**

Additional information regarding warrants outstanding at December 31, 2022 follows:

	Warrants outstanding	
Exercise price	Number of warrants	Weighted average remaining contractual life
	#	(in years)
$0.07	1,197,259	2.9
$0.20	4,909,099	0.6
$0.29	4,000,000	1.4
$0.30	24,999,999	1.1
$0.40	24,365,750	0.3
	59,472,107	**0.8**

17. Share-based benefits reserve

The Company has adopted a stock option plan (the "Plan") to attract, retain and motivate qualified directors, officers, employees and consultants whose present and future contributions are important to the success of Gamelancer by offering them an opportunity to participate in the entity's future performance through the award of stock options.

Each stock option converts into one common share of Gamelancer on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

(Expressed in Canadian dollars)

17. Share-based benefits reserve *(continued from previous page)*

The total number of common shares reserved and available for grant and issuance pursuant to the Plan is equal to 10% of the issued and outstanding common shares of the Company. The following reconciles the number of share options available for grant under the Plan:

	#
Total number of options reserved and available for grant and issuance under the Plan	44,350,749
Issued and outstanding at end of year	(35,047,500)
Number of options available for grant under the Plan at December 31, 2022	9,303,249

The vesting terms of options granted pursuant to the Plan are determined by the board of directors, ranging between zero and twelve months.

The following reconciles the options outstanding at the beginning and end of the period that were granted to eligible participants pursuant to the Plan:

	#
Total number of options reserved and available for grant and issuance under the Plan	44,350,749
Issued and outstanding at end of year	(35,047,500)
Number of options available for grant under the Plan at December 31, 2022	9,303,249

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Balance, beginning of period	**10,842,500**	**0.40**	-	-
Granted	**1,040,000**	**0.40**	-	-
Granted	**17,050,000**	**0.10**	-	-
Granted	**125,000**	**0.12**	-	-
Granted	**16,450,000**	**0.13**	10,842,500	0.40
Exercised	**(10,000,000)**	**0.10**	-	-
Forfeited	**(460,000)**	**0.40**	-	-
Balance, end of period	**35,047,500**	**0.21**	10,842,500	0.40
Exercisable, end of period	**35,016,250**	**0.21**	9,977,500	0.40

(Expressed in Canadian dollars)

17. Share-based benefits reserve *(continued from previous page)*

The weighted average fair value of share options granted during the period was $0.05. The Company used the Black-Scholes Merton formula to estimate the fair value of share options granted during the period, based on the following inputs:

Weighted average estimated fair value per common share	$	0.10
Weighted average exercise price of the share option	$	0.12
Weighted average expected volatility of the underlying common share		80.1%
Weighted average expected life of the share option		3 years
Weighted average expected dividend yield		0.00%
Weighted average risk-free interest rate		3.3%

The following table provides additional information about the Group’s share option plan at December 31, 2022:

	Share options issued and outstanding	
Exercise prices	Number of options	Weighted average remaining contractual life in years
	#	#
$0.10	7,050,000	2.5
$0.12	125,000	2.9
$0.13	16,450,000	2.9
$0.40	11,422,500	1.5
	35,047,500	2.4

During the year ended December 31, 2022, the Company recognized share-based compensation expense of $1,769,837 (year ended December 31, 2021 - $388,467), presented in the line item ‘share-based payments’ in the consolidated statements of loss and comprehensive loss.

18. Related party transactions

Compensation of key management personnel

The remuneration of key management personnel, including directors and officers, during the year was as follows:

	2022	2021
	$	$
Short-term benefits	**1,693,982**	640,877
Share-based compensation	**158,000**	189,808
	1,851,982	830,685

Short-term benefits include salaries of $619,481 (2021 - $386,669) and consulting fees of $1,074,501 (2021 - $254,208). Consulting fees, paid to companies controlled by key management personnel, were recognized in the line item ‘consultants and subcontractors’ in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian dollars)

18. Related party transactions *(continued from previous page)*

The remuneration of key management personnel is determined by the board of directors having regard to the performance of individuals and market trends.

Due to related parties

Amounts due to related parties are owed to key management personnel for reimbursement of various business expenditures that such individuals made payment for on behalf of the Company. Amounts due to related parties are unsecured, non-interest bearing and payable on demand.

Other related party transactions

During the year an officer paid $67,500 of expenses on behalf of the Company through a non-interest bearing loan and was subsequently repaid in full during the year. Refer to Notes 13, 14(iv) and 26 for disclosure of other related party transactions.

19. Share-based payments

	Years ended December 31,	
	2022	2021
	$	$
Share-based compensation		
- stock options (Note 17)	**1,769,837**	388,467
- common shares (Note 15(iii))	**-**	22,608
Issue of common shares for consulting services received (Note 15(ii) and Note 15(vi))	**360,000**	20,000
Issue of warrants for consulting services received (Note 16(iii))	**60,055**	259,945
	2,189,892	691,020

(Expressed in Canadian dollars)

20. Finance costs, net

	Year ended December 31, 2022	2021
	$	$
Interest and bank charges	**11,724**	11,339
Interest expense on lease liability (Note 6)	**1,801**	2,802
Accretion expense arising on deferred consideration (Note 10)	**179,695**	-
Interest and accretion expense on convertible debentures (Note 13)	**83,581**	182,101
Other finance costs	**-**	4,528
Interest income	**(3,405)**	(3,819)
	273,396	196,951

21. Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2021.

The capital structure of the Company consists of net debt (comprising amounts due to related parties, lease liability, deferred consideration and contingent consideration offset by cash) and equity (comprising common shares, warrant reserve, share-based benefits reserve, accumulated other comprehensive income and deficit).

The Company is not subject to any externally imposed capital requirements.

22. Financial instruments

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are described below.

Fair value

The carrying value of financial instruments classified at amortized cost (including accounts payable and accrued liabilities and amounts due to related parties) approximate fair value due to their short-term nature.

Credit and concentration risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company does not provide any guarantees which would expose the Company to credit risk.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no instance of default with any counterparty since the Company's incorporation on May 6, 2019.

(Expressed in Canadian dollars)

22. Financial instruments *(continued from previous page)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets or liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

Amounts due to related parties, deferred consideration and contingent consideration are non-interest bearing. Accordingly, the fair value of these financial liabilities could fluctuate because of changes in market interest rates.

Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash balances and borrowings, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table provides details of the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial

liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

	Less than one year	Later than one year and not later than five years	Later than five years	Total
	$	$	$	$
Accounts payable and accrued liabilities	3,267,950	-	-	3,267,950
Due to related parties	302,079	-	-	302,079
Deferred consideration	3,386,000	-	-	3,386,000
Contingent consideration liability	337,774	-	-	337,774
Debenture units	-	7,200,000	-	7,200,000
	7,293,803	7,200,000	-	14,493,803

Refer to Note 6 for a maturity analysis of the Company's lease liability.

Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(Expressed in Canadian dollars)

22. Financial instruments *(continued from previous page)*

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	December 30, 2022	December 31, 2021
	$	$
Monetary assets		
U.S. dollars	**563,472**	116,264
Monetary liabilities		
U.S. dollars	**(3,007,910)**	(704,811)

The following table details the Company's sensitivity to a 10% increase and decrease in the Canadian dollar against the U.S. dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the Canadian dollar strengthens 10% against the U.S. dollar. For a 10% weakening of the Canadian dollar against the U.S. dollar, there would be a comparable impact on the profit, and the balances below would be opposite.

	U.S. dollar	
	2022	2021
Increase / (decrease) in profit	**331,075**	74,616

23. Segment information

The Company is engaged in a single business activity and does not have multiple operating segments. The CEO is the Company's chief operating decision-maker, as defined by IFRS 8, and all significant operating decisions are taken by the CEO. In assessing performance, the CEO reviews financial information on an integrated basis for the Company as a whole, substantially in the form of, and on the same basis as, the Company's consolidated financial statements.

Geographic information:

	Canada	United States	Total
	$	$	$
Revenue	1,538,494	2,025,717	3,564,211
Property and equipment	1,726	-	1,726

24. Significant events

Reverse takeover and amalgamation

On October 22, 2020, 1Wondr Gaming Corporation (“1Wondr”) entered into a definitive agreement (the "Definitive Agreement") with Transglobe Internet and Telecom Co., Ltd. ("Transglobe") to complete a business combination (the "Transaction") whereby Transglobe acquired all of the issued and outstanding shares of 1Wondr pursuant to a three-cornered amalgamation in accordance with Section 174 of the *Business Corporations Act (Ontario)*. Upon completion of

the Transaction, the shareholders of 1Wondr held approximately 89% of the shares of Transglobe (the "Resulting Issuer"), and the Resulting Issuer now carries on the business of Wondr.

Pursuant to the terms of the Definitive Agreement, the following matters were required in order to consummate the Transaction:

(i) Transglobe consolidated its issued and outstanding common shares (the "Consolidation") on the basis of one (1) post-Consolidation common share for every 30 outstanding common shares in the capital of Transglobe;

(ii) Transglobe changed its name to "1Wondr Gaming Corp." (the "Name Change");

(iii) 1Wondr completed a private placement financing (the "Concurrent Financing") of subscription receipts at a minimum price of $0.20 per subscription receipt to raise minimum gross proceeds of $3,000,000;

(iv) 2778533 Ontario Inc., a newly incorporated, wholly-owned subsidiary of Transglobe formed solely for the purpose of facilitating the Transaction, was amalgamated with 1Wondr, pursuant to which, among other things, all outstanding common shares of Wondr (the "Wondr Shares") and all securities convertible into Wondr Shares were exchanged for replacement securities of the Resulting Issuer, one-for-one on a post-Consolidation basis, exercisable in accordance with their terms; and

(v) the board of directors and management of the Resulting Issuer were replaced with nominees of 1Wondr.

On May 3, 2021, the Transaction was completed, the Resulting Issuer listed on the Canadian Securities Exchange (“CSE”) and changed its name to Wondr Gaming Corp. Pursuant to the terms of the Definitive Agreement, Transglobe issued from treasury to the Wondr shareholders an aggregate of 134,735,966 post-Consolidation common shares, representing all of the issued and outstanding 1Wondr Gaming Corporation common shares prior to completion of the Transaction, which included 44,091,500 common shares in connection with the automatic exchange of the subscription receipts pursuant to

the Concurrent Financing and the terms of the subscription receipts (Note 15(i)). In the aggregate, Transglobe issued: (i) 134,735,966 post-Consolidation common shares to the former holders of 1Wondr Gaming Corporation shares in exchange for such 1Wondr Gaming Corporation shares; (ii) 22,045,750 common share purchase warrants on the same terms as the warrants in exchange for such Warrants; and (iii) 3,275,870 finders’ warrants in exchange for the finder warrants issued to eligible finders in connection with the Concurrent Financing.

(Expressed in Canadian dollars)

24. Significant events *(continued from previous page)*

Reverse takeover and amalgamation (continued from previous page)

Without significant operating activities, Transglobe did not meet the accounting definition of a business pursuant to IFRS 3 *Business Combinations*, and the Transaction was accounted for as an acquisition of the net assets of Transglobe by 1Wondr in exchange for shares in the Resulting Issuer under IFRS 2 *Share-based Payments*. The excess of the fair value of the consideration provided over the net assets received was recognized as an expense in the condensed consolidated interim statements of loss and comprehensive loss, included in the line item 'listing expense'. The non-cash listing cost of the Transaction was determined as follows:

	$
Consideration transferred	
Fair value of common shares (16,612,079 shares at $0.19)	3,156,295
Net assets / (liabilities) acquired	
Harmonized sales tax receivable	4,604
Accounts payable and accrued liabilities	(27,885)
Total net liabilities acquired	(23,281)
Listing expense	3,179,576

The value per common share of $0.19 reflects the same value per common share as was determined in connection with the Company's private placement of subscription receipts (Note 15(i)).

The Transaction constituted a reverse takeover of Transglobe by 1Wondr (being the legal subsidiary) as the accounting acquirer. The historical operations, assets and liabilities of 1Wondr are included as the comparative figures as at December 31, 2021 which is deemed to be the continuing entity for financial reporting purposes.

25. Contingent liabilities

Statement of claim – March 17, 2021

On March 17, 2021, a statement of claim was filed by FanDemand Inc. against the Company and two directors/officers involving the alleged breach of contract, breach of fiduciary duty, knowing assistance of breach of fiduciary duty, breach of the duty of honest performance, unjust enrichment, breach of trust, appropriation of corporate opportunities and unlawful means. The claim seeks damages in the sum of $320 million. In connection with the claim, on April 28, 2021, a motion for an interim injunction preventing the Company from conducting its business was made and subsequently a judgment in favour of the Company was granted. Management believes that the claim is baseless and without merit.

On October 7, 2021 the Company filed a Statement of Defence and Counterclaim in the Ontario Superior Court of Justice. The Company is seeking damages for abuse of process, dismissal of the action for abuse of process and reimbursement of costs.

On November 16, 2021, the Company received notice that it was awarded $59,206 in cost reimbursement related to this matter. The Company received this money in December 2021.

25. Contingent liabilities *(continued from the previous page)*

As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this claim or to estimate the loss, if any, which may result. Accordingly, the outcome of the claim is not yet determinable, and the extent to which an outflow of funds may be required to settle this possible obligation cannot be reliably determined.

Statement of claim – July 29, 2021

On July 29, 2021, the Company received a statement of claim filed by GroupBy Inc. alleging breach of contract and unjust enrichment and seeking USD $4,136,807 plus interest and costs. The Company is contesting the claim.

On September 7, 2021, the Company filed a Statement of Defence and Counterclaim in the Ontario Superior Court of Justice against GroupBy Inc. The Company claims, among other things, GroupBy Inc.'s failure to perform the services and misrepresentation and seeks dismissal of the action. Furthermore, the Company is counterclaiming seeking damages of $400,000 plus costs for breach of contract and negligent misrepresentation.

On October 27, 2021, the Company filed a Third Party Counterclaim in the Ontario Superior Court of Justice against an individual who is a former director of the Company and the CEO of GroupBy Inc. claiming breach of fiduciary duties and duties of good faith and is seeking USD $4.1 million in damages plus costs.

As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this claim or to estimate the loss, if any, which may result. Accordingly, the outcome of the claim is not yet determinable, and the extent to which an outflow of funds maybe required to settle this possible obligation cannot be reliably determined.

Statement of claim – November 10, 2022

On November 10, 2022, the Company received a Statement of Claim in the Ontario Superior Court of Justice between Hybrid Financial Ltd. and the Company. The Plaintiff claims judgment against the Company in the amount of $270,000 for breach of contract; for unjust enrichment or quantum meruit in the amount of $270,000; pre and post judgement interest at the rate prescribed by sections 128 and 129 of the Courts of Justice Act; costs of this action; and such further and other relief the Court deems just.

As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this claim or to estimate the loss, if any, which may result. Accordingly, the outcome of the claim is not yet determinable, and the extent to which an outflow of funds maybe required to settle this possible obligation cannot be reliably determined.

Statement of claim – February 28, 2023

On February 28, 2023, the Company received a Notice of Claim where the Claimant, D&H Group LLP, is claiming non-payment of fees due and owing for the performance of an audit engagement and review engagement performed by the Claimant. The total claim is in the amount of $17,186.34 and relates to the period prior to the reverse takeover transaction with Transglobe.

As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this claim or to estimate the loss, if any, which may result. Accordingly, the outcome of the claim is not yet determinable, and the extent to which an outflow of funds maybe required to settle this possible obligation cannot be reliably determined.

26. Events after the reporting period

On January 17, 2023, the Company announced that it had granted an aggregate of 9,600,000 options to purchase common shares of the Company exercisable at a price of $0.155 per common share for a period of three years to officers, directors and employees of the Company.

In January 2023, an officer and shareholder of the Company provided the Company with a non-interest bearing loan of US$135,000.

On January 9, 2023, the Company announced the appointment of Rob Segal as Independent Director and Pooja Sharma as Chief Financial Officer.

On April 6, 2023, announced that it has continued from the Province of British Columbia under The Business Corporations Act (British Columbia) into the Province of Ontario under the Business Corporations Act Ontario as of April 5, 2023.