FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Kings Entertainment Group Inc.________________ (the "Issuer").

Trading Symbol: JKPT

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

Please refer to Note 10, Related Party Balances and Transactions, included in the Issuer's Interim Consolidated Financial Statements attached as Schedule A to this Form 5.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
Please refer to Note 8, Share-based payments reserve, included in the Issuer's Interim Consolidated Financial Statements attached as Schedule A to this Form 5.								

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
This Issuer did not grant options during the period.						

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

Description	Number Authorized
Common Shares	Unlimited

(b) number and recorded value for shares issued and outstanding,

Description	Issued and Outstanding	Value
Common Shares	68,463,500	$14,547,436

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Description	Number Outstanding	Exercise Price	Expiry Date
Stock Options	68,463,500	$0.50	January 24, 2027
Warrants	1,067,880	$0.50	December 31, 2023

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Description	Number Outstanding
Escrowed Shares	1,785,000

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Steven Budin, CEO, Director
Kelvin Lee, CFO, Director
Robin Godfrey, Director
Anthony Zelen, Director
Joseph Krutel, Director
Laryssa Hetmanczuk, Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

The Issuer's Interim MD&A is attached as Schedule A to this Form 5.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated June 6, 2023.

Kelvin Lee
Name of Director or Senior Officer

/s/ Kelvin Lee
Signature

CFO
Official Capacity

Issuer Details Name of Issuer First Uranium Resources Ltd.	For Quarter Ended March 31, 2023	Date of Report YY/MM/D 23/06/06
Issuer Address 1500 - 1055 West Georgia Street		
City/Province/Postal Code Vancouver, BC V6E 4N7	Issuer Fax No. n/a	Issuer Telephone No. (604) 416-4099
Contact Name Kelvin Lee	Contact Position CFO	Contact Telephone No. (604) 419-4099
Contact Email Address klee@k2capital.ca	Web Site Address https://www.kingsentertainment.games/home	

Schedule A: Interim Consolidated Financial Statements and Interim MD&A

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Interim Consolidated Financial Statements
Three months ended March 31, 2023 and 2022
(Presented in United States Dollars)

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Interim Consolidated Financial Statements
Three months ended March 31, 2023 and 2022
(Presented in United States Dollars)

Contents

Interim Interim Consolidated Financial Statements:

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Interim Consolidated Statements of Financial Position
As at March 31, 2023 and December 31, 2022
(Presented in United States Dollars)

	March 31, 2023	December 31, 2022
Assets		
Current		
Cash	$ 2,127,745	$ 1,191,694
Trade and other receivables (Notes 11 (b))	1,748,726	435,966
Due from processors, net (Note 3 and 11(b))	570,758	524,816
Government remittances recoverable	79,863	68,516
Prepaid expenses and other assets	133,528	138,595
Other loan receivable (Note 13)	-	1,477,980
	4,660,620	3,837,567
Non-current		
Property and equipment	3,238	3,259
Deferred tax assets (Note 9)	50,634	45,262
Due from related parties (Note 5)	372,123	390,555
	425,995	439,076
	$ 5,086,615	$ 4,276,643
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	$ 2,558,100	$ 2,377,943
Income taxes payable	105,974	96,734
Deferred revenue	143,015	128,203
Due to related parties (Note 5)	89,355	88,918
	2,896,444	2,691,798
Shareholders' Equity		
Share capital (Note 6)	14,547,436	14,547,436
Warrant reserve (Note 7)	185,506	185,506
Share-based payments reserve (Note 8)	2,707,337	2,707,337
Foreign exchange translation reserve	(165,805)	(158,319)
Deficit	(15,084,303)	(15,697,115)
	2,190,171	1,584,845
	$ 5,086,615	$ 4,276,643

The accompanying notes form an integral part of these consolidated financial statements

These consolidated financial statements are approved by the Directors:

/s/Steve Budin

Steve Budin, Director

/s/ Kelvin Lee

Kelvin Lee, Director

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
Three months ended March 31, 2023 and 2022
(Presented in United States Dollars)

	Three months ended March 31, 2023	2022
Revenue		
Lottery procurement revenue	$ 798,572	$ 923,907
Online casino and scratchcard revenue	232,650	294,166
	1,031,222	1,218,073
Cost of revenue		
Processing costs (Note 10)	126,096	123,476
License fees	34,673	52,494
Commissions	259,052	261,838
	419,821	437,808
Gross profit	611,401	780,265
Operating expenses		
Salaries and benefits (Note 10)	477,515	458,920
Share-based payments	-	2,707,337
Marketing expenses	34,128	244,568
Expected credit losses	-	(4,062)
Bank charges and fees	40,657	39,115
General and administrative (Note 10)	25,402	114,588
Information technology services	61,593	153,758
Management fees	120,000	-
Professional fees (Note 10)	560,605	613,117
Vehicles and travel	3,204	787
	1,323,104	4,328,128
Loss before undernoted items and income taxes	(711,703)	(3,547,863)
Other income (loss)		
Foreign exchange gain (loss)	(21,824)	145,271
Other income	57,643	2,523
Legal settlement recovery (Notes 13 and 14)	1,294,510	-
	1,330,329	147,794
Net loss before income taxes	618,626	(3,400,069)
Income tax provision (recovery) (Note 9)		
Current	11,186	28,696
Deferred	(5,372)	-
	5,814	28,696
Net income (loss)	$ 612,812	$ (3,428,765)
Other comprehensive loss		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	(7,486)	250,199
Comprehensive income (loss)	$ 605,326	$ (3,178,566)

The accompanying notes form an integral part of these consolidated financial statements

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Interim Consolidated Statements of Changes in Shareholders' Equity
Three months ended March 31, 2023 and 2022
(Presented in United States Dollars)

	Share capital (Note 7)	Share subscription received	Share-based payments reserve (Note 8)	Warrant reserve (Note 7)	Foreign currency translation reserve	Deficit	Total equity
As at December 31, 2022	$ 14,547,436	$ -	$ 2,707,337	$ 185,506	$ (158,319)	$ (15,697,115)	$ 1,584,845
Net income	-	-	-	-	-	612,812	612,812
Other comprehensive loss	-	-	-	-	(7,486)	-	(7,486)
Total comprehensive income	-	-	-	-	(7,486)	612,812	605,326
As at March 31, 2023	$ 14,547,436	$ -	$ 2,707,337	$ 185,506	$ (165,805)	$ (15,084,303)	$ 2,190,171
As at December 31, 2021	$ 8,223,957	$ 7,075,405	$ -	$ 185,506	$ 12,652	$ (9,023,537)	$ 6,473,983
Net loss	-	-	-	-	-	(3,428,765)	(3,428,765)
Other comprehensive income	-	-	-	-	250,199	-	250,199
Total comprehensive loss	-	-	-		250,199	(3,428,765)	(3,178,566)
Shares subscriptions converted	7,075,405	(7,075,405)	-	-	-	-	-
Share-based payment	-	-	2,707,337	-	-	-	2,707,337
As at March 31, 2022	$ 15,299,362	$ -	$ 2,707,337	$ 185,506	$ 262,851	$ (12,452,302)	$ 6,002,754

The accompanying notes form an integral part of these consolidated financial statements

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Interim Consolidated Statements of Cash Flows
Three months ended March 31, 2023 and 2022
(Presented in United States Dollars)

	Three months ended March 31, 2023	2022
Operating activities		
Net income (loss)	$ 612,812	$ (3,428,765)
Items not affecting cash:		
Deferred tax provision (recovery)	(5,372)	-
Share-based compensation (Note 8)	-	2,707,337
	607,440	(721,428)
Change in non-cash working capital:		
Increase in trade and other receivable	(1,312,760)	10,288
Decrease in due from processors	(45,942)	(6,877)
Decrease (increase) in government remittances recoverable	(11,347)	54,083
Decrease (increase) in prepaid expenses and other assets	5,067	(25,963)
Increase in prepaid issue costs	-	(343,293)
Increase (decrease) in accounts payable and accrued liabilities	180,157	(1,248,597)
Increase in income taxes payable	9,240	(18,648)
Increase (decrease) in government remittances payable	-	8,891
Decrease in deferred revenue	14,812	(45,784)
Increase (decrease) in due to related parties	437	1,357
Cash flows used in operating activities	(552,896)	(2,335,971)
Investing activities		
Proceeds from related parties	18,432	-
Decrease in other loan receivable	1,477,980	-
Cash flows used in investing activity	1,496,412	-
Effect of foreign exchange in cash	(7,465)	287,237
Net change in cash	936,051	(2,048,734)
Cash - beginning of year	1,191,694	7,224,954
Cash - end of year	**$ 2,127,745**	**$ 5,176,220**

The accompanying notes form an integral part of these consolidated financial statements

1. Nature of business

Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.) ("Kings" or the "Corporation") was incorporated on February 27, 2020 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The head office and registered and records office of the Corporation is located at Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

Kings Entertainment Group Inc. is a global B2C service provider specializing in online lotteries and casino-style games under established brands such as www.wintrillions.com, www.trillionaire.com, and www.LottoKings.com. Operating under the Curacao Gaming License, the company offers a seamless transition between lottery and casino gambling experiences, including lottery subscriptions and a variety of browser-based casino games.

Going concern

The Group had an accumulated deficit of $15,084,303 at December 31, 2022 (December 31, 2022 - $15,697,115). This conditions indicates a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Management has developed a plan to address these concerns and improve the Group's financial position, which includes the following key elements:

(i) Realization of substantial operating cost efficiencies in recent quarters, which have contributed to a stronger cash position and the aim to achieve profitability by the end of 2023.

(ii) Termination of the proposed business combination with Sports Venture Holdings Inc. ("SVH"), resulting in the repayment of the $2.5 million advance made by the Group and the reimbursement of $1.75 million of costs and expenses incurred in connection with the proposed transaction.

(iii) A strategy to identify and pursue accretive acquisitions, either within the current gaming sector or within a wider strategic scope, including exploring entry into the emerging AI market.

As at December 31, 2022, the Group has a working capital of $1,145,769 (2021 – $6,357,233) and despite having a significant cash balance as at December 31, 2021, it may need to raise additional financing to meet current and future obligations and ongoing operating costs.

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. Accordingly, they do not give effect to adjustments that would be necessary should the Group be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those presented in these financial statements.

Although management believes that their plan will mitigate the going concern risk and allow the Group to continue its operations for the foreseeable future, there can be no assurance that these measures will be successful. Thus, there is material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

2. Significant accounting policies

(a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and using the accounting policies described herein. These interim consolidated financial statements were authorized for issuance by Corporation's Directors on May 30, 2023.

(b) Basis of consolidation

These interim consolidated financial statements include the accounts of the Corporation and the entities it controls. An entity is controlled when the Corporation has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity and is able to use its power over the entity to affect its returns from the entity. These interim consolidated financial statements include the accounts of the Corporation and the following entities:

(i) Legacy Eight Curacao N.V., a corporation incorporated in Curacao, owned 100% by Kings. L8 Curacao also has two wholly owned subsidiaries, Legacy Eight Malta Ltd. ("L8 Malta") and Bulleg Eight Limited ("Bulleg"), incorporated in Malta and Cyprus, respectively.

(ii) Azteca Messenger Services S.A. de C.V., a corporation incorporated in Mexico, owned 99.82% by Kings;

(iii) Phoenix Digital Services Ltd., a corporation incorporated in the United Kingdom ("UK"), owned 100% by Kings. Litermi S.A. ("Litermi"), a wholly-owned subsidiary of Phoenix, is incorporated in Uruguay and its financial position and operating results are also included in these interim consolidated financial statements.

All intercompany transactions and balances have been eliminated in these interim consolidated financial statements.

(c) Basis of measurement

These interim consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair value, as detailed in the Corporation's accounting policies.

(d) Common control transactions

IFRS 3, Business Combinations ("IFRS 3") does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, the Corporation has developed a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. The Corporation’s policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying amount on the transferor’s financial statements, and to have the interim consolidated statements of financial position, interim consolidated statements of income (loss) and comprehensive income (loss) and statements of cash flows reflect the results of combining entities for all periods presented for which the entities were under the transferor’s common control, irrespective of when the combination takes

(e) Functional and presentation currency

These interim consolidated financial statements are presented in United States Dollars ("USD"), which is L8 Curacao's functional currency, as the majority of the financial and operating results included in these interim consolidated financial statements are arising from L8 Curacao. The functional currency of the other entities within the group is as follows:

Kings Entertainment Group Inc.	Canadian Dollar ("CAD")
Legacy Eight Malta Ltd.	Euro ("EUR")
Bulleg Eight Limited	Euro ("EUR")
Azteca Messenger Services S.A. de C.V.	Mexican Peso ("MXN")
Phoenix Digital Services Ltd.	Great Britain Pound ("GBP")
Litermi S.A.	Uruguayan Peso ("UYU")

2. Significant accounting policies (continued)

(f) Use of estimates and judgments

The preparation of these interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, revenues and expenses during the reporting period, and the disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements. In the process of applying the Corporation's accounting policies, management has made the following significant estimates and judgments, which have the most significant impact on the amounts recognized in the interim consolidated financial statements:

(i) Impairment of financial assets

The Corporation measures impairment losses on financial assets that are subsequently measured at amortized cost. Impairment losses are measured based on the expected credit loss ("ECL") model in accordance with IFRS 9, *Financial Instruments*. The twelve-month or lifetime expected default rates are estimated by management in calculating the expected credit losses.

(ii) Revenue recognition

Under IFRS 15, *Revenue from contracts with customers*, management is required to determine when the control of services or goods are transferred to customers and estimate the variable considerations included in the contracts, if any. Management exercises judgment in determining the point in time control of services or goods are transferred and applies estimates based on information available at each reporting date in determining the amount of variable consideration. Management also applied judgment in determining whether the Corporation acts as principal or agent in its revenue contracts with customers by assessing if the Corporation controls the good or service to be transferred to the customer. See Note 2(i).

(iii) Leases

Under IFRS 16, *Leases*, the Corporation is required to recognize the lease liabilities at the inception of all leases where the entity is a lessee. The lease liability is calculated by discounting all future lease payments required under the lease. Management uses judgment in determining whether it is reasonably certain to exercise the renewal option, if any. Management also estimates the appropriate discount rates used for its leases as described in Note 2(g). Changes in any of these estimates may alter the value of the lease liability.

(iv) Common control transactions

IFRS 3 does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, management has applied judment to develop a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies as described in Note 2(d).

(v) Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid or recovered based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

2. Significant accounting policies (continued)

(f) Use of estimates and judgments (continued)

(vi) Determination of functional currencies

When assessing the functional currency for each consolidated entity, management applied judgment in assessing the relevant factors in concluding on the appropriate functional currency.

(g) Leases

In lease arrangements where the Corporation is a lessee, a right-of-use asset and lease liabilitiy are recognized at the inception of all leases, except for short-term leases and leases of low-value assets. The lease liability is measured at the present value of the future fixed lease payments, discounted using the incremental borrowing rate of the lessee entity at the commencement date of the lease, or transition date to IFRS if the lease was entered into prior to the transition date. Lease liabilities are subsequently measured at amortized cost with interest expense recognized using the aforementioned discount rate. The associated right-of-use assets are measured at the initial amount of the lease liability, adjusted for any prepayments. Subsequently, the right-of-use assets are amortized on a straight-line basis over the term of the lease.

(h) Revenue recognition

The Corporation generates lottery procurement revenue from two streams: the Messenger stream where the Corporation acts as agent in the transaction and procures lottery tickets on behalf of customers; and the Syndication stream where the customers enter into a betting pool to bet at the winning combination of lotteries. Under the Syndication stream, physical lottery tickets are not purchased.

Under the Messenger Stream, the Corporation recognizes revenue at an amount net of lottery procurement costs and applicable agency fees. The Corporation is considered an agent under this stream of revenue. Revenue is recognized when the physical lottery ticket is purchased and the control of the lottery ticket is transferred to customers simultaneously.

Revenue under the Syndication stream is recognized when control of the services are transferred to the customers. Control of the services are transferred to the customers when the customers have accepted the terms and conditions of the play and entered into the betting pool after payment is made. The revenue is recognized at an amount equal to the transaction price, net of insurance costs and prizes payable, if any.

Refunds might be granted to customers from time to time for lottery procurement revenue. Once a refund request is initiated by a customer, the Corporation will investigate the case and the refund might be approved after such investigation. Liabilities for refunds are accrued at each reporting date and netted against the due from processors balance on the interim consolidated statements of financial position. Refund liabilities are estimated based on a trending historical rate of return as a percentage of revenue; such rate is updated at each reporting date to reflect information available at that point in time.

Casino and scratchcard revenue is recognized at an amount net of the prizes, which are won instantly by customers after the "Play" or an equivalent button is clicked. The revenue is recognized when such button is clicked by customers, which is considered to be the point in time at which the performance obligation is met.

For all of the above revenue streams, payment by customers is made at the point of revenue recognition, and such payments are expected to be collected from various payment processors subsequently. Consideration received in advance of satisfaction of performance obligations is recognized as deferred revenue on the interim consolidated statements of financial position.

2. Significant accounting policies (continued)

(i) Income taxes

Current tax assets and/or liabilities comprise those claims from, or obligations to, the taxation authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the interim consolidated financial statements. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of the income tax provision (recovery) in profit or loss, except for income tax related to the components of other comprehensive loss or equity, in which case the tax expense is recognized in other comprehensive loss or equity, respectively.

(j) Foreign currency translations

Foreign currency transactions are translated into an entity's functional currency at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the exchange rate in effect at the interim consolidated statements of financial position dates. Foreign exchange gains and losses from translating foreign currency into Corporation's functional currency are included in the interim consolidated statements of income (loss) and comprehensive income (loss).

The assets and liabilities of individual entities with a functional currency other than USD are translated into USD at exchange rates on the date of the interim consolidated statements of financial position. Income and expenses, and cash flows of foreign operations are translated into USD using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in the foreign currency translation reserve and accumulated in equity.

(k) Financial instruments

The Corporation aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized. On initial recognition, financial assets are initially measured at fair value and are classified as fair value through profit or loss ("FVTPL"), amortized cost, or fair value through other comprehensive income. All financial liabilities are initially measured at fair value and designated upon inception as FVTPL or amortized cost.

The Corporation's accounting policy for each class is as follows:

(i) Fair value through profit or loss

Financial instruments classified as measured at fair value through profit or loss are reported at fair value at each reporting date, and any change in fair value is recognized in the interim consolidated statements of income (loss) and comprehensive income (loss) in the period during which the change occurs. In these interim consolidated financial statements, cash has been classified as a financial asset subsequently measured at fair value through profit or loss.

2. Significant accounting policies (continued)

(k) Financial instruments (continued)

(ii) Amortized cost

This category includes financial assets that are held within a business model with the objective of holding the financial assets in order to collect contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Unless they meet certain exceptions, all financial liabilities are classified as subsequently measured at amortized cost.

. Financial instruments classified in this category are measured at amortized cost using the effective interest method. Transaction costs are included in the amount initially recognized. In these interim consolidated financial statements, trade and other receivables, amounts due from processors, amounts due from related parties, other loan receivable, accounts payable and accrued liabilities and amounts due to related parties have been classified as financial instruments measured at amortized cost.

(iii) Fair value through other comprehensive income

Financial instruments classified and measured at fair value through other comprehensive income are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

(iv) Impairment of financial assets

For financial assets measured at amortized cost, the Corporation recognizes loss allowances for ECLs. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Corporation applies the simplified approach in calculating ECLs for trade and other receivables and amounts due from processors. Under the simplified approach, the Corporation recognizes a loss allowance based on lifetime ECLs at each reporting date and does not track changes in credit risk for amounts due from processors.

(v) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(vi) Fair value hierarchy

All financial instruments measured at fair value after initial recognition are categorized into one of three hierarchy levels for disclosure purposes. Each level reflects the significance of the inputs used in making the fair value measurements.

• Level 1: Fair value is determined by reference to quoted (unadjusted) prices in active markets for identical assets or liabilities.
• Level 2: Valuations use inputs based on observable market data, either directly or indirectly, other than the quoted prices.
• Level 3: Valuations are based on inputs that are not based on observable market data.

(Presented in United States Dollars)

2. Significant accounting policies (continued)

The following is the summary of financial instruments, not measured at fair value, as at March 31, 2023 and December 31, 2022, for which fair value is disclosed:

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
March 31, 2023			
Financial assets:			
Trade and other receivables	$ 1,748,726	$ -	$ 1,748,726
Due from processors	570,758	-	570,758
Due from related parties	372,123	-	372,123
Balance at March 31, 2023	2,691,607	-	2,691,607
Financial liabilities:			
Accounts payable and accrued liabilities	-	2,558,100	2,558,100
Due to related parties		89,355	89,355
Balance at March 31, 2023	$ -	$ 2,647,455	$ 2,647,455

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
December 31, 2022			
Financial assets:			
Trade and other receivables	$ 435,966	$ -	$ 435,966
Due from processors	524,816	-	524,816
Due from related parties	390,555	-	390,555
Other loan receivable	1,477,980	-	1,477,980
Balance at December 31, 2022	2,829,317	-	2,829,317
Financial liabilities:			
Accounts payable and accrued liabilities	-	2,377,943	2,377,943
Due to related parties	-	88,918	88,918
Balance at December 31, 2022	$ -	$ 2,466,861	$ 2,466,861

The carrying values of the Corporation's trade and other receivable, due from processors, other loan receivable, accounts payable and accrued liabilities and due to related parties approximate their fair value due to their short-term nature. The carrying value of balance due from related parties approximate fair value as the Corporation has an intention to net settle these balances with future amounts due to the related parties.

(l) Share-based payments

The Corporation has granted stock options to buy common shares of the Corporation to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options has been measured on the date of grant, using the Black-Scholes option pricing model, and is recognized as an expense over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

(Presented in United States Dollars)

2. Significant accounting policies (continued)

(m) Provisions and contingent liabilities

In accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed. The provisions are measured based on management's best estimates of the outcome on the basis of facts known at the reporting date.

(n) Future accounting pronouncements

The Corporation has evaluated the impact of future accounting pronouncements and does not expect them to have a material impact on its interim consolidated financial statements.

3. Due from processors

Due from processors consists of the following:

	March 31, 2023	December 31, 2022
Due from processors	$ 579,268	$ 539,955
Less: chargebacks and reversals	(7,651)	(14,280)
Less: expected credit losses	(859)	(859)
	$ 570,758	$ 524,816

Chargebacks and reversals payable to processors are offset against amounts due from processors as there is a legally enforceable right to settle the amounts with processors on a net basis, and management has the intention to settle the balances on a net basis.

4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of the following:

	March 31, 2023	December 31, 2022
Trade payables	$ 2,045,324	$ 1,933,845
Customer claims payable	136,601	132,746
Payroll accrual	75,693	112,899
Accrued expenses	300,482	198,453
	$ 2,558,100	$ 2,377,943

(Presented in United States Dollars)

5. Due from (to) related parties

Related parties consist of entities under common control. The amounts due from (to) related parties consist of the following:

	March 31, 2023	December 31, 2022
Legacy Eight Group Ltd.	$ 372,123	$ 390,555
Total due from related parties	372,123	390,555
WestOcean S.A.	(69,591)	(69,591)
Former shareholder of Phoenix (a)	(19,764)	(19,327)
Total due to related parties	(89,355)	(88,918)
	$ 282,768	$ 301,637

(a) The former shareholder of Phoenix sold all of his shares in Phoenix to Legacy Eight Ltd., parent corporation of L8 Curacao in February 2021. The former shareholder of Phoenix is also the corporate secretary of Legacy Eight Group Ltd., the parent corporation of Legacy Eight Ltd.

The due from (to) related party balances relate to amounts owed for funds provided for working capital needs by the related parties. These balances are non-interest bearing with no fixed term of repayment.

As of March 31, 2023 and December 31, 2022, balances due from related parties and due to related parties have been offset in the interim consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts.

(Presented in United States Dollars)

5. Due to and from related parties (continued)

The following table illustrates offsetting of balances due (from) related parties:

	Ledonford Limited	Legacy Eight Group Ltd.	R.S. Real World Services Limited	WestOcean S.A.	Former shareholder of Phoenix	Total
As at March 31, 2023						
Due from related party	$ 1,213,544	$ 932,828	$ 879,781	$ 9,887,685	$ -	$ 12,913,838
Due to related party	-	(104,395)	(38,917)	(12,467,996)	(19,762)	(12,631,070)
Balance offset per Debt Offset Agreement	(1,213,544)	(456,311)	(840,864)	2,510,719	-	-
Net balance	$ -	$ 372,122	$ -	$ (69,592)	$ (19,762)	$ 282,768
As at December 31, 2022						
Due from related party	$ 1,213,544	$ 932,828	$ 898,315	$ 9,887,592	$ -	$ 12,932,279
Due to related party	-	(104,402)	(38,917)	(12,467,996)	(19,327)	(12,630,642)
Balance offset per Debt Offset Agreement	(1,213,544)	(437,871)	(859,398)	2,510,813	-	-
Net balance	$ -	$ 390,555	$ -	$ (69,591)	$ (19,327)	$ 301,637

(Presented in United States Dollars)

6. Share capital

Authorized

Unlimited number of common shares

Issued

	March 31, 2023	December 31, 2022
68,463,500 Common shares	$ 14,547,436	$ 14,547,436

The common shares of the Corporation as at March 31, 2023 consists of 20,674,500 (December 31, 2022 - 20,674,500) common shares of the Corporation issued for cash consideration prior to the RTO, 30,000,000 (December 31, 2022 - 30,000,000) common shares issued in the RTO transaction and 17,789,000 common shares issued subsequently from the conversion receipts from the RTO.

Following the satisfaction of all escrow release conditions an aggregate of 17,789,000 subscription receipts, originally issued at CAD $0.50 per subscription receipt, were automatically converted into an aggregate of 17,789,000 common shares. The Corporation incurred costs of $751,926 that were directly related to the issuance of subscription received and, accordingly, have been recognized as a reduction in share capital upon conversion of subscription receipts to common shares.

7. Warrant reserve

As at March 31, 2023, the Corporation has 1,067,880 (December 31, 2022 - 1,067,880) agent warrants outstanding. The fair value of these warrants was determined to be $185,506 (December 31, 2022 - $185,506) using the Black-Scholes option pricing model using a weighted average exercise price of CAD $0.50, 113% volatility rate, 0% forfeiture rate, a dividend yield of nil, a 0.23% risk free return and a 2 year term. The weighted average remaining contractual life of the outstanding warrants at the end of the reporting period is 0.1 years. The exercise prices for the outstanding warrants are the same as used in the valuation.

During the reporting period, there were no new warrants granted, exercised, forfeited, or expired. The reconciliation of changes in the number of warrants outstanding during the reporting period shows no change, with the opening and closing balances remaining at 1,067,880.

8. Share-based payments reserve

On January 24, 2022, The Corporation granted 10,012,000 stock options to directors, officers, employees and consultants, with an exercise price of CAD $0.50 and expiry of 5 years from the date of grant. The stock options vested immediately upon grant. During the year ended December 31, 2022, the Corporation has recognized an expense of $2,707,337 for these share-based payments. The weighted average remaining contractual life of the outstanding options at the end of the reporting period is 3.85 years. The exercise prices for the outstanding options are the same as used in the valuation.

The fair value of the 10,012,000 stock options was estimated using the Black-Scholes option pricing model assuming a weighted average risk free interest rate of 1.63%, a dividend yield of nil, 0% forfeiture rate, a weighted average expected annual volatility of the Corporation’s share price of 132% and an expected life of 5 years. The fair value of the stock options was determined to be CAD $0.40 per option. The expected volatility assumption is based on historical volatility over the same period as the expected life of the option using an appropriate level for price observations. The risk-free interest rate is based on the implied yield currently available on zero-coupon government issues denominated in the currency of the market in which the underlying shares primarily trade, over the same period as the expected life of the option.

(Presented in United States Dollars)

9. Income taxes

The reconciliation between the income tax provision at the Canadian statutory income tax rate of 27.0% (2022 - 27.0%) to the income tax provision (recovery) recorded in the interim consolidated statements of income (loss) and comprehensive income (loss) for the three-month period ended March 31, 2022 and March 31, 2021 is as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Income (loss) before income taxes	$ 618,626	$ (3,400,069)
Expected income tax provision at the statutory rate	167,029	(918,019)
Foreign tax rate differential	65,494	14,384
Recognition of previously unrecognized losses	(235,170)	-
Unrecognized tax benefits	1,979	9,399
Tax effect of permanent differences	6,482	922,932
Income tax provision	$ 5,814	$ 28,696

The Corporation's income tax provision is allocated as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Current tax provision	$ 11,186	$ 28,696
Deferred tax provision	(5,372)	-
Income tax provision	$ 5,814	$ 28,696

The Corporation's deferred tax asset arises from non-capital losses carried forward from previous periods.

The deferred tax assets are recognized only to the extent that the specific entity will have future taxable profits available against which the unused tax losses can be utilized. The change in deferred tax assets is as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Balance at the beginning of the year	$ 45,262	$ 20,387
Deferred income tax recovery (provision) recognized from losses available	5,372	(7,400)
Balance at the end of the year	$ 50,634	$ 12,987

As at March 31, 2023 and December 31, 2022, the Corporation has the following unused tax losses for future use, for which no deferred tax asset was recognized:

	Expiry	March 31, 2023	December 31, 2022
Unused tax losses in Malta	Indefinitely	$ 54,584	$ 60,991
Unused tax losses in Mexico	2033	3,121	-
Unused tax losses in Cyprus	2025	6,931	6,857
Unused tax losses in Cyprus	2026	19,973	19,761
Unused tax losses in Cyprus	2027	17,144	17,951
Unused tax losses in Cyprus	2028	8,689	-
Unused tax losses in Curacao	2028	543,358	543,358
Unused tax losses in Curacao	2031	476,000	476,000
Unused tax losses in Curacao	2032	1,243,757	1,243,757
Unused tax losses in Curacao	2033	268,597	-
Unused tax losses in Canada	2042	2,177,827	3,037,791
		$ 4,819,981	$ 5,406,466

(Presented in United States Dollars)

10. Related party balances and transactions

During the three-month period ended March 31, 2023, the Corporation had the following related party transactions:

Related party transactions between L8 Curacao and Legacy Eight Group:

During the three-month period ended March 31, 2023, L8 Curacao advanced $Nil to Legacy Eight Group Ltd. (Three-month period ended March 31, 2023 - $30,000).

As at March 31, 2023 and December 31, 2022, balances due from related parties and due to related parties have been offset in the interim consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts (Note 5).

The Corporation has identified its directors and senior officers as key management personnel. Key management personnel are those persons responsible for planning, directing and controlling the activities of the Corporation, and include executives and non-executive directors. The following table illustrates the compensation paid to key management personnel during the three-month periods March 31, 2023 and March 31, 2022:

	Three months ended March 31, 2023	2022
Current officers		
Chief Executive Officer (a)	$ 65,000	$ 75,000
Chief Marketing Officer (c)	55,000	-
Chief Financial Officer (b)	7,500	7,500
Former officers		
Chief Operating Officer (b)	-	35,100
Chief Marketing Officer (c)	-	27,000

(a) The Chief Executive Officer ("CEO") is on contract, the compensation paid to the CEO is included in the interim consolidated statements of income (loss) and comprehensive income (loss).

(b) Compensation paid to the Chief Operating Officer ("COO") and Chief Financial Officer ("CFO") is included in salaries and benefits in the interim consolidated statement of income (loss) and comprehensive income (loss). COO has left the Corporation in July 2022.

(c) The Chief Marketing Officer's ("CMO") compensation is included in professional fees in the interim consolidated statements of income (loss) and comprehensive income (loss).

10. Related party balances and transactions (continued)

The following table illustrates the fair value of stock options issued to key management personnel as part of the share-based compensation during the years ended March 31, 2023 and March 31, 2022:

	Three months ended March 31, 2023	2022
Current officers:		
Chief Executive Officer (a)	$ -	$ 338,012
Chief Financial Officer (b)	-	20,281
Directors	-	141,965
Former officers		
Chief Operating Officer (b)	-	67,602
Chief Marketing Officer (c)	-	67,602

(Presented in United States Dollars)

11. Financial instruments

The significant financial risks to which the Corporation is exposed are liquidity, credit, and currency risk.

(a) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by cash or another financial asset. The primary sources of liquidity risk are accounts payable and accrued liabilities, and amounts due to related party. The Corporation's ability to meet its obligations depends on the receipt of funds from its operations. Management monitors its working capital to ensure the obligations under current liabilities are met on a timely basis.

As at March 31, 2023 and December 31, 2022, all of the Corporation's financial liabilities are due within 12 months from the date of the interim consolidated statements of financial position. To address the settlement of these liabilities, the Corporation maintains a prudent level of cash and cash equivalents. As of March 31, 2023, and December 31, 2022, the Corporation held cash balances of $2,127,745 and $1,191,694 million, respectively. Although the cash balance as of March 31, 2023, is lower than the current liabilities, the Corporation has implemented effective cash management strategies and is actively pursuing opportunities to optimize its working capital, reduce costs, and generate additional cash flow to ensure timely settlement of its financial obligations.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to its amounts due from processors balance. The Corporation does not provide credit to its customers, however, credit risks arise as the payments might not be collectible from processors. The maximum credit risk is the carrying value of the amounts due from processors. As at March 31, 2022, 92% (December 31, 2022 - 91%) of the amounts due from processors balance is owing from four processors (December 31, 2022 - four processors).

The Corporation has applied the simplified approach to providing for expected credit losses, which permits the use of a lifetime expected credit loss provision for all amounts due from processors balances, which are of similar nature to trade receivables. To measure the expected credit losses, a full allowance is provided for a processor balance when there is doubt about the processor's future capacity to fulfill its payment obligations. For the remaining amounts due from processor balances, each processors' ability of fulfilling the payments in the future are evaluated specifically based on the information available on the date of the interim consolidated statements of financial position. The loss allowances at March 31, 2023 and December 31, 2022 were determined as follows for amounts due from processors balances based upon the Corporation's historical default rates over the expected life of the balances, adjusted for forward looking estimates.

Due from processors, net consists of the following:

	March 31, 2023	December 31, 2022
Carrying amount, net of refund liability	$ 571,617	$ 525,675
Lifetime expected loss	(859)	(859)
Due from processors	$ 570,758	$ 524,816

(Presented in United States Dollars)

11. Financial instruments (continued)

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from financial instruments, primarily cash, amounts due from processors, amounts due from related party, accounts payable and accrued liabilities and amounts due to related party, denominated in a currency other than the functional currency of the entity. All entities included in these interim consolidated financial statements do not use derivative financial instruments to manage its currency risk. As at March 31, 2023, a 5% appreciation (depreciation) of foreign currencies against USD will result in an increase (decrease) in income and comprehensive income of $38,580 (December 31, 2022 - 77,525).

As at March 31, 2023 and December 31, 2022, the following balances were denominated in currencies other than USD:

Financial instruments	Foreign Currency	March 31, 2023	December 31, 2022
		In USD	In USD
Cash	EUR	$ 27,785	$ 40,939
Cash	MXN	14,185	621
Cash	GBP	6,278	2,086
Cash	UYU	1,543	1,440
Cash	CAD	1,970,601	824,587
Due from processors	MXN	228,181	235,159
Due from processors	EUR	183,756	211,310
Due from processors	BRL*	31,203	31,043
Due from processors	COP*	17,830	9,945
Due from processors	CAD	1,718	1,718
Trade and other receivable	EUR	1,976,264	1,879,681
Trade and other receivable	GBP	2,604	6,854
Other loan receivable	CAD	-	1,477,980
Accounts payable and accrued liabilities	GBP	4,938	29,241
Accounts payable and accrued liabilities	EUR	2,062,555	2,007,946
Accounts payable and accrued liabilities	UYU	367,074	322,969
Accounts payable and accrued liabilities	CAD	1,255,786	812,702

*BRL - Brazilian Real

(d) Capital management

The Corporation's objective when managing capital is ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans. For the purpose of capital management, capital as at March 31, 2022 includes shareholders' equity of $2,190,171 (December 31, 2022 - $1,584,845). The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of underlying assets. Each consolidated entity is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis.

(Presented in United States Dollars)

12. Geographic information

The Corporation has only one reportable segment being lottery procurement and online casino and scratchcard. The geographic segmentation of the Corporation's revenues is as follows:

	Mexico	Brazil	Other Latin American countries (a)	Other (a)	Total
Three-month period ended March 31, 2023					
Lottery procurement revenue	$ 191,657	$ 31,943	$ 375,329	$ 199,643	$ 798,572
Online casino and scratchcard revenue	11,633	11,633	147,733	61,651	232,650

	Mexico	Brazil	Other Latin American countries (a)	Other (a)	Total
Three-month period ended March 31, 2022					
Lottery procurement revenue	$ 230,977	$ 55,434	$ 406,518	$ 230,978	$ 923,907
Online casino and scratchcard revenue	41,183	14,708	229,450	8,825	294,166

(a) "Other Latin American countries" and "Other" categories represent Latin American and non-Latin American countries with insignificant revenue which have been grouped together.

13. Proposed business combination

On May 25, 2022 the Corporation announced that it had entered into an arm's length business combination agreement (the "Definitive Agreement") dated May 24, 2022 with Sports Venture Holdings Inc. ("SVH") to combine SVH and the Corporation (the "Business Combination"), which has been terminated during three-month period ended March 31, 2022.

In connection with the Business Combination, the Corporation has agreed to make available to the Sports Venture Holdings Inc. a senior secured non-interest bearing credit facility of up to $3,694,950 ($5,000,000 CAD). During the year ended December 31, 2022, the Corporation advanced a loan to Sports Venture Holdings Inc. During the three months ended March 31, 2023, the Corporation incurred additional balances of $295,596 ($500,000 CAD) under the credit facility. The loan bore no interest, was unsecured, and was repayable on demand.

On March 17, 2023, Kings Entertainment Group Inc. announced the termination of the proposed business combination with Sports Venture Holdings Inc. ("SVH"), initially agreed upon on May 24, 2022. As part of the termination agreement, SVH has committed to repay Kings the full amount of the $1,847,475 ($2,500,000 CAD) advance and reimburse the Company for $1,293,233 ($1,750,000 CAD) million of its costs and expenses incurred in connection with the proposed transaction. The Company has received repayment of the $1,847,475 ($2,500,000 CAD) advance. As at March 31, 2023, the balance outstanding is $Nil (December 31, 2022 - $1,477,980 ($2,000,000 CAD)).

14. Subsequent events

Subsequent to the three-month period ended March 31, 2023, as part of the termination agreement, SVH has reimbursed the Company for $1,293,233 (CAD $1,750,000) of its legal costs and expenses incurred in connection with the proposed transaction.

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)

MANAGEMENT DISCUSSION & ANALYSIS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

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1. MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis ("MD&A") provides a review of the results of operations, financial condition and cash flows for Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.) on a consolidated basis, for the three-month period ended March 31, 2023 ("Q1 2023"). References to "Kings", or the "Corporation" in this MD&A refer to Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.), unless the context requires otherwise.

Kings was incorporated on February 27, 2020 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The registered head office and the office of the books and records of the Corporation is located in Vancouver, British Columbia.

On February 24, 2021, Kings entered into a Share Purchase Agreement which later amended on November 22, 2021 (the "Share Purchase Agreement"), with Legacy Eight Ltd. ("Legacy"), the primary shareholder of each of Legacy Eight Curacao N.V. ("Legacy Eight Curacao" or "L8 Curacao"), Azteca Messenger Services S.A. de C.V. ("Azteca" or "AZT"), and Phoenix Digital Services Ltd. ("Phoenix" or "PDS"), collectively known as "Lottokings Group", pursuant to which the Corporation agreed to acquire all of the issued and outstanding shares in the capital of Legacy Eight Curacao, Azteca, and Phoenix, in exchange for its common shares. The transaction was accounted for as a reverse takeover ("RTO"). On December 30, 2021, following the closing of the Share Purchase Agreement, the Lottokings Group became a wholly-owned subsidiary of Kings.

Lottokings Group includes the following entities:

(i) Legacy Eight Curacao N.V. ("L8 Curacao"), was owned 100% by Legacy Eight Ltd., a corporation incorporated in Curacao. L8 Curacao also has two wholly-owned subsidiaries, Legacy Eight Malta Ltd. ("L8 Malta") and Bulleg Eight Limited ("Bulleg"), incorporated in Malta and Cyprus, respectively;

(ii) Azteca Messenger Services S.A. de C.V. ("AZT"), a corporation incorporated in Mexico, was owned 99.82% by Legacy Eight Ltd.;

(iii) Phoenix Digital Services Ltd. ("PDS"), a corporation incorporated in the United Kingdom ("UK"), was controlled by a key management personnel of Legacy Eight Ltd. as at December 31, 2022. In February 2021, the key management personnel transferred 100% of the issued and outstanding common shares of PDS to Legacy Eight Ltd. (Note 6). Litermi S.A. ("Litermi"), a wholly-owned subsidiary of PDS, and was incorporated in Uruguay.

This document should be read in conjunction with the information presented in the audited consolidated financial statements for the three-month period ended March 31, 2023 (the "Interims").

For reporting purposes, the Corporation prepared the Interims in United States Dollars ("USD") and, unless otherwise indicated, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial information contained in this MD&A was derived from the Interims. Unless otherwise indicated, all references to a specific "note" refer to the notes to the Interims.

This MD&A references non-IFRS financial measures, including those under the headings "Selected Financial Information" and "Key Metrics" below. The Corporation believes these non-IFRS financial measures will provide investors with useful supplemental information about the financial performance of its business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating its business and making decisions. Although management believes these financial measures are important in evaluating the Corporation, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. Non-IFRS measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These measures may be different from non-IFRS financial measures used by other companies, limiting their usefulness for comparison purposes. Moreover, presentation of some of these measures is provided for period-over-period comparison purposes, and investors should be cautioned that the effect of the adjustments provided herein have an actual effect on the Corporation's operating results.

For purposes of this MD&A, the term "gaming license" refers collectively to all of the different licenses, consents, permits, authorizations, and other regulatory approvals that are necessary to be obtained in order for the recipient to lawfully conduct (or be associated with) gaming in a particular jurisdiction.

Unless otherwise stated, in preparing this MD&A the Corporation has considered information available to it up to May 30, 2023, the date the Corporation's board of directors (the "Board") approved this MD&A.

2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking information and statements (collectively, "forward-looking statements") within the meaning of the Canadian securities legislation and applicable securities laws, including financial and operational expectations and projections. These statements, other than statements of historical fact, are based on management's current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect the Group, its subsidiaries and their respective customers and industries. Although the Corporation and management believe the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "would", "should", "believe", "objective", "ongoing", "imply" or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Corporation's stage of development, long-term capital requirements and future ability to fund operations, future developments in the Corporation's markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Corporation's operations. Each factor should be considered carefully, and readers are cautioned not to place undue reliance on such forward-looking statements. See the section, "Risk Factors and Uncertainties", below noting that these factors are not intended to represent a complete list of the factors that could affect the Corporation.

Shareholders and investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might not occur. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Unless otherwise indicated by the Corporation, forward-looking statements in this MD&A describe the Corporation's expectations as of May 1, 2023 and, accordingly, are subject to change after such date. The Corporation does not undertake to update or revise any forward-looking statements, except in accordance with applicable securities laws.

3. LIMITATIONS OF KEY METRICS AND OTHER DATA

The Corporation's key metrics are calculated using internal Corporation data. While these numbers are based on what the Corporation believes to be reasonable judgments and estimates of customer numbers for the applicable period of measurement, there are certain challenges and limitations in measuring the usage of its product offerings across its customer base. In addition, the Corporation's key metrics and related estimates may differ from estimates published by third parties or from similarly titled metrics of its competitors due to differences in methodology and access to information.

For important information on the Corporation's non-IFRS measures, see the information presented in "Key metrics" and "Selected financial information" below. The Corporation continually seeks to improve its estimates of its active customer base and the level of customer activity, and such estimates may change due to improvements or changes in the Corporation's methodology.

Kings Entertainment Group Inc.: Overview and Strategy

Kings Entertainment Corporation Inc. is a business to consumer service provider that allows users to participate in lotteries and casino-style online games throughout the world all from the comfort of their own homes with a simple login and access. The Corporation offers an easy transition from lottery to casino gambling that attracts players to easily participate in both game types. Players are of age of majority and are monitored according to requirements under the Curacao Gaming License. Lottokings Group operates through multiple established brands and websites, which include www.wintrillions.com, www.trillionaire.com and www.LottoKings.com (the "**Brands**").

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

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

Kings' strategy includes promoting the Brand sites through a variety of international advertisers and through strategic business relationships with online gaming affiliates all in compliance with the Curacao Gaming License.

The development, licensing, and protection of intellectual property is a core part of the Corporation's business strategy and is a key element to its success. The current intellectual property rights currently provide broad and comprehensive coverage and access for our products and services. The Corporation's business practices protect our intellectual property rights in our core business through non-disclosure and confidentiality policies and provisions and the use of appropriate intellectual property ownership and assignment provisions and restrictive covenant agreements with, among others, our employees, contractors, consultants, manufacturers, suppliers, customers and stakeholders. The Corporation actively seeks to protect and enforce its intellectual property rights to prevent unauthorized use by third parties, including through applications for injunctive relief and litigation, as necessary.

Kings continues to invest in building a strong, experienced management team to drive these strategic initiatives. The design, development and distribution of online lotteries and casino-style games requires specialized skills and knowledge. The Corporation's management team has considerable specialized skill, knowledge and experience in the online gaming industry. As at March 31, 2023, the Corporation had, in the aggregate, 33 employees and an additional 3 short-term contractors.

4. OVERVIEW OF 2022

4.1 EXECUTIVE SUMMARY

Financial performance in the first quarter of 2023

The Corporation incurred a net income for the three-month period ended March 31, 2023 of $612,812 (Q1 2022 - net loss of $3,428,765) and had an accumulated deficit of $15,084,303 at March 31, 2023 (December 31, 2022 - $15,697,115). As at March 31, 2023, the Corporation had a working capital balance of $1,764,176 (December 31, 2022 –$1,145,769).

Revenue

The Corporation has two major sources of revenue:

- Lottery procurement revenue:
    a. Messenger stream – the Corporation acts as agent in the transaction and procures lottery tickets on behalf of customers; and the
    b. Syndication stream where the customers enter into a betting pool to bet at the winning combination of lotteries. Under the Syndication stream, the physical lottery tickets are not purchased
- Scratchcard and online casino revenue: instant scratchcard and online casino games available to customers

The Corporation's revenue for the three-month period ended March 31, 2023 decreased the same period of previous year by 15% to $1.03M (2020 – $1.22M). The Corporation's decrease in revenue was mainly due to reduction in lottery procurement revenue and scratchcard and online casino revenue.

The Corporation's lottery procurement revenue has decreased by 14% from $924K to $799K in Q1 2023, as the Corporation is focused in bringing in revenue with higher margin to facilitate the bottom line. At the same time, the online casino and scratchcard revenue has decreased by 21% from $294K in Q1 2022 to $233K in Q1 2023.

Gross profit decreased compared to the same period of previous year by 22% to $611k (Q1 2022 - $780K) and gross margins decreased by 5% to 59% (Q1 2022 – 64%).

Operating Expenses

	March 31, 2023	March 31, 2022
Operating expenses		
Salaries and benefits (Note 10)	477,515	458,920
Share-based payments	-	2,707,337
Marketing expenses	34,128	244,568
Expected credit losses	-	(4,062)
Bank charges and fees	40,657	39,115
General and administrative (Note 10)	25,402	114,588
Information technology services	61,593	153,758
Management fees	120,000	-
Professional fees (Note 10)	560,605	613,117
Vehicles and travel	3,204	787
	1,323,104	4,328,128

Operating expenses decreased from the same period of previous year by 190% to $1.3M (Q1 2022 - $4.3M) which represents 128% of revenue (Q1 2022 – 355%). Main movements in the three-month period ended March 31 , 2023 were driven by the following:

A. **Salaries and benefits** increased by 4% to $478K (Q1 2022 - $459K) mainly due to annual inflation adjustment.

B. **Marketing expenses** decreased by 86% to $34K (Q1 2022 - $245K) mainly due to the Corporation's reductions of marketing activities.

C. **General and administrative** expenses decreased by $89K to $25K (Q1 2022 - $115K) mainly due to an decrease in office rent and insurance expense.

D. **Information technology services** decreased by $92K to $62K (Q1 2022 - $154K) due to decreased maintenance and upgrade works done on the Corporation's websites.

E. **Professional fees** decreased by $52K to $561K (Q1 2022 - $613K) due to decreased professional services at corporate level. During Q1 2022 Company incurred significant legal and consulting expenses related to the proposed transaction described in section 5.8.

F. **Share-based payments** of $Nil (Q1 2022 - $2.7M) were paid to key management personnel.

The foreign exchange loss amounted to $21K during the three-month period ended March 31, 2023 (Q1 2022 – gain of $145K). The foreign exchange gain/loss mainly represents unrealized gains/losses from conversion of monetary assets or liabilities denominated in a currency other than the individual entities' functional currencies.

Legal settlement recovery amounted $1,3M during the three-month period ended March 31, 2023 (Q1 2022 - $Nil). Corporations was entitled to compensation of legal costs and expenses incurred with the proposed transaction described in section 5.8 as part of termination agreement.

The income tax provision decreased to $6K in Q1 2023 from $29K in Q1 2022, mainly due to an decrease in net income before taxes in Azteca, Phoenix and Litermi.

The Corporation incurred a comprehensive income of $605,326 in Q1 2023 (Q1 2022 – net loss of $3,178,566), mainly attributable to legal settlement recovery and decrease of share-based compensations

The Corporation's Adjusted EBITDA margin was 58% for the three-month period ended March 31, 2023 (Q1 2022 – negative 45%). Operating expenses decreased due to lower share-based payments, general and administrative expenses, information technology services, and a decrease in professional fees. A reconciliation between the current period's reported figures and the prior period's figures to Adjusted EBITDA is shown in Section 5.3 of this MD&A.

Cash flow used in operating activities for the three-month period ended March 31, 2023 was $553K (Q1 2022 - $2,3M). The change was primarily due to higher payables outstanding at period-end and repayment of other loan receivable.

There were no cash flows used in financing activities for the three-month period ended March 31, 2023 and 2022.

Financial position:

Cash as of March 31, 2023 increased to $2.13M (December 31, 2022 - $1.19M) primarily due to repayment of other loan receivable.

Trade and other receivable as of March 31, 2023 increased to $1,75M (December 31, 2022 - $436) due to amounts receivable related to legal settlement recovery.

Due from processors as of March 31, 2023 slightly increased to $570K (December 31, 2022 - $525K) in normal course of business.

As at March 31, 2023, government remittance recoverable remained consistent at $80K (December 31, 2022 - $69K).

Prepaid expenses and other assets as at March 31, 2023 remained consistent at $134K (December 31, 2022 - $139K).

Deferred tax assets on March 31, 2023 increased by $6K to $51K (December 31, 2022 - $45K). The balance relates to net losses for tax purpose in L8 Curacao, which resulted in tax losses available for carry forward, and there is a reasonable expectation that L8 Curacao will generate taxable income to utilize the losses.

The due from related parties balance decreased by $19K to $372K as at March 31, 2023 (December 31, 2022 - $391K) due to fluctuations in foreign exchange rates.

Accounts payable and accrued liabilities as at March 31, 2023 increased by $180K to $2.56M (December 31, 2022 - $2.38M) in a normal course of business.

Income taxes payable increased by $9K to $106 as at March 31, 2023 (December 31, 2022 - $97K), the increase is due to accrual of income tax liability in PDS and LIT during the three-month period ended March 31, 2023.

The deferred revenue balance represents users' prepaid account balances that have not been utilized yet and consideration collected prior to procurement of lottery tickets. As at March 31, 2023, such balance increased by $15K to $143K (December 31, 2022 - $128K). Fluctuations in this account depend on timing of lottery tickets purchased and collection of the consideration during the quarter.

The due to related parties balance remained unchanged at $89K as at March 31, 2023 (December 31, 2022 - $89K).

Subsequent events

Subsequent to the three-month period ended March 31, 2023, as part of the termination agreement, SVH has reimbursed the Company for $1,293,233 (CAD $1,750,000) of its legal costs and expenses incurred in connection with the proposed transaction.

Strategic progress

Kings' strategy includes promoting the Brand sites through a variety of international advertisers and through strategic business relationships with online gaming affiliates all in compliance with the Curacao Gaming License.

The Corporation's growth strategy will be implemented based on the business objectives:

(1) Upgrade the Corporation's website

The Corporation has made significant upgrades to the LottoKings and WinTrillions websites providing users with a significantly improved experience on mobile distribution platforms and re-working the user journey to make the process of using the site as simple, intuitive and friction-free as possible. The 'look and feel' of the site has been re-worked to make the site content more modern and attractive with the goal of increasing user conversion rates for first-time visitors and engagement for existing users. Additionally, the site has made new products available to users, adding new casino and instant-win game content all of which will be compliant with the Curacao Gaming License.

(2) Launch native mobile apps

The Corporation will launch mobile apps on both the iOS and Android operating systems. The app will provide users to access functionality comparable to the Corporation's desktop sites in a native mobile format, including allowing users to check results from draws and set alerts for jackpots meeting user-specified minimum thresholds. Multiple versions of the app may be launched, corresponding to different brands owned by the Corporation. These apps will result in a more seamless user experience for the

Corporation’s mobile users, and allow the Corporation to convert additional users to its platform through its presence on various app stores.

(3) Expand Corporation’s lottery games offering

The Corporation will increase the variety of lottery games available through its platform. This will increase user choice and make the Corporation’s offering more competitive in the marketplace. It will also provide a boost to the Corporation’s user acquisition efforts by allowing the Corporation to reach a previously untapped pool of users who may be aware of the new lottery games the Corporation plans to offer, but may not have otherwise been aware of the Corporation’s sites or services.

(4) Upgrade the Corporation’s “back end” functionality

The Corporation will make upgrades to its “back end” systems – the internal systems underlying the Corporation’s various websites. This will improve the user experience for visitors of the websites by increasing their responsiveness and allowing Corporation staff to address user concerns more effectively. It will also allow the Corporation to scale its operations more effectively by allowing its systems to on-board and support higher numbers of users. Additionally, the upgrades will increase the ease through which the Corporation may comply with the requirements of various gaming licenses from jurisdictions other than Curacao, allowing it to expand its offering to such jurisdictions more easily if it chooses to do so in the future.

(5) Create ‘satellite sites’ and upgrade SEO efforts

The Corporation will create ‘satellite sites’ advertising its services in various Latin American jurisdictions. These sites will contain SEO-optimized content related to lottery jackpots and other associated matters, and will attempt to steer users to the main websites through which the Corporation offers its products and services. The Corporation will begin this strategy by creating a few websites in certain targeted jurisdictions and monitoring the results. Subsequently, the Corporation plans to expand its offering throughout Latin America depending on the success of the targeted websites. In conjunction with this effort, the Corporation will employ a SEO consultant tasked with overhauling the Corporation’s SEO efforts including improving its organic search engine optimization activities.

(6) Advertising campaign based on LottoHub app

The Corporation has developed a native app focusing on general lottery content under the name “LottoHub.” The app contains general information on various lotteries, including jackpots, drawing dates, and costs to enter. The app is designed in a manner aimed at converting users who initially use the app as a free lottery information resource into paying customers on the Corporation’s other properties.

The LottoHub app does not allow users to purchase lottery tickets directly. This allows the app to be marketed through various platforms that restrict direct advertising of gambling services, such as Facebook and Instagram. The Corporation then engages in a paid advertising campaign on these platforms, with the aim of increasing its user base and converting users to its other properties. The app was launched in February 2022.

(7) Acquire complementary businesses and properties

The Corporation intends to engage in an acquisition strategy focused on acquiring business and technologies that will complement the Corporation's business. In particular, the Corporation will target other business engaged in substantially the same business as the Corporation, with an established brand name and customer base, whose operations may be easily integrated with those of the Corporation. The Corporation will also seek out assets that may assist its marketing strategy, including existing apps or media platforms with a connection to lotteries and an established user base that may be re-purposed to direct users to the Corporation's platforms.

Regulatory updates in various geographies

The Corporation does not provide gaming, betting or lottery products in jurisdictions other than the one indicated below.

Curacao

L8 Curacao holds a valid Curacao Gaming License which allows it to provide online gaming products and services, including its gaming platform, from its home jurisdiction. The Curacao Gaming License has few restrictions on what markets L8 Curacao's websites may be accessed for real money play. L8 Curacao is in compliance with the applicable restrictions. The lotteries in which L8 Curacao permits its users to participate through its online platform are operated in full legal compliance with the laws of their home jurisdiction, and in many cases operated by a government entity. L8 Curacao does not allow players that are resident in Canada or the United States to purchase any gaming, betting or lottery services or products from its websites.

Outlook

The Corporation's continued to invest in various marketing channels, especially on social media, during Q1 2023. The Corporation's gross margin stayed strong and is looking to facilitate its top line through enhanced marketing activities.

The Corporation's business has been impacted by the recent COVID-19 outbreak. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent months. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on the Corporation's ability to access capital, business, results of operations and financial condition, and on the market price of the Common Shares. The extent of this potential disruption on the Corporation's business cannot be assessed as the full extent of the outbreak and its impact on the global economy cannot be predicted. Management continues to monitor the effects COVID-19 on the Corporation's performance and will amend its outlook as, and if, it deems necessary

5. FINANCIAL RESULTS

5.1 BASIS OF FINANCIAL DISCUSSION

The financial information presented below has been prepared to examine the results of operations from continuing activities.

The presentation currency of the Corporation is the USD, while the functional currencies of the entities consolidated are USD, Canadian dollar, EURO, British pound sterling, Mexican Peso and Uruguayan Peso due to primary location of individual entities. The presentation currency of the USD has been selected as it best represents the majority of the Corporation's economic inflows, outflows as well as its assets and liabilities.

5.2 SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected financial data of the Corporation for the three-month periods ended March 31, 2023 and 2022.

The primary non-IFRS financial measure which the Corporation uses is Adjusted EBITDA[1]. When internally analyzing underlying operating performance, management excludes certain items from EBITDA (earnings before interest, tax, depreciation, and amortization). See Section 5.3 for the calculation of EBITDA and Adjusted EBITDA.

	Three-month periods ended	
USD 000	**March 31, 2023**	**March 31, 2022**
Revenue	$1,031	$1,218
Net income (loss) from continuing operations	613	(3,429)
EBITDA	619	(3,400)
Adjusted EBITDA	597	(544)
Adjusted EBITDA margin	58%	(45)%
	As at March 31, 2023	**As at December 31, 2022**
Total assets	$5,087	$4,277
Total non-current financial liabilities	nil	nil
Dividends paid	nil	nil

With the exception of EBITDA and Adjusted EBITDA, the financial data has been prepared to conform with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These accounting principles have been applied consistently across for all reporting periods.

[1] **Adjusted EBITDA** excludes income or expenses that relate to exceptional items and non-cash charges and includes deductions for lease expenses that are recognized as part of depreciation and finance charges under IFRS 16.

5.3 OTHER SELECTED FINANCIAL INFORMATION

Additional selected financial information as follows:

	Three-month periods ended	
USD 000	**March 31, 2023**	**March 31, 2022**
Revenue	$ 1,031	$ 1,218
Cost of revenue	419	437
Gross profit	611	780
Gross margin	59%	64%

USD 000	**As at March 31, 2023**	**As at December 31, 2022**
Total assets	$5,086	$4,277
Total liabilities	2,896	2,691

DUE FROM PROCESSORS, NET

USD 000	**As at March 31, 2023**	**As at December 31, 2022**
Due from processors	$ 579	$ 540
Provision for chargebacks and reversals	(7)	(14)
Provision for expected credit loss	(1)	(1)
Due from processors, net	**571**	**525**

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

USD 000	As at March 31, 2023	As at December 31, 2022
Trade payables	$ 2,045	$ 1,934
Customer claims payable	137	133
Payroll accrual	76	113
Accrued expenses	300	198
Accounts payable and accrued liabilities	**2,558**	**2,378**

To supplement its March 31, 2023 financial statements presented in accordance with IFRS, the Corporation considers certain financial measures that are not prepared in accordance with IFRS. The Corporation uses such non-IFRS financial measures in evaluating its operating results and for financial and operational decision-making purposes. The Corporation believes that such measures help identify underlying trends in its business that could otherwise be masked by the effect of the expenses that it excludes in such measures.

The Corporation also believes that such measures provide useful information about its operating results, enhance the overall understanding of its past performance and future prospects and allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. However, these measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with IFRS. There are a number of limitations related to the use of such non-IFRS measures as opposed to their nearest IFRS equivalents.

A reconciliation of operating loss to EBITDA and Adjusted EBITDA is as follows:

	Three-month periods ended	
USD 000	**March 31, 2023**	**March 31, 2022**
Net income (loss)	$ 613	$ (3,429)
Income tax provision	6	29
Amortization	619	(3,400)
EBITDA	619	(3,400)
Share-based payments	-	2,707
Expected credit loss	-	4
Foreign exchange loss (gain)	(22)	145
Adjusted EBITDA	**597**	**(544)**

The foreign exchange loss (gain) represents unrealized foreign exchange losses (gains) arising primarily from the translation of financial assets and liabilities denominated in a currency other than the individual entity's functional currency.

Share-based payments represent the fair value of 10,012,000 stock options granted to directors, officers, employees and consultants by the Corporation during the three-month period ended March 31, 2022.

5.4 SUMMARY OF QUARTERLY RESULTS

The following table presents the selected financial data for continuing operations for each of the past eight quarters of the Corporation.

	2021			2022				2023
USD 000	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	$ 1,329	$ 1,671	$ 1,259	$ 1,218	$ 770	$ 1,223	$ 1,032	$ 1,031
Net income (loss)	(345)	360	(9,405)	(3,429)	(610)	(596)	(2,039)	613
EBITDA	(318)	396	(9,353)	(3,400)	(587)	(590)	(2,038)	619
Adjusted EBITDA	(120)	263	(155)	(544)	(1,106)	(1,124)	(1,364)	597

The Corporation's revenue had been decreasing steadily since Q3 2021 due to significantly less lottery procurement revenue generated. During Q1 2023, revenue remained on the same level as for Q4 2022. Fluctuations in EBITDA are mainly a result of legal settletmetn recovery The Corporation recognized during Q1 2023.

5.5 LIQUIDITY AND CAPITAL RESOURCES

The Corporation's principal sources of liquidity are its cash generated from operations and advances from related party. Currently available funds consist primarily of cash on deposit with financial institutions. The Corporation calculates its working capital requirements from continuing operations as follows:

USD 000	As at March 31, 2023	As at December 31, 2022
Cash	$ 2,128	$ 1,191
Trade and other receivables	1,749	436
Due from processors, net	571	525
Government remittances recoverable	80	69
Prepaid expenses and other assets	134	139
Other loan receivable	-	1,448
	4,661	3,837
Current liabilities	(2,896)	(2,692)
Net working capital	**1,764**	**1,146**

The undiscounted contractual maturities of significant financial liabilities and the total contractual obligations of the Corporation as at March 31, 2023 for each of the next five years and thereafter are below:

USD 000	**2023**	**2024**	**2025**	**2026**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$ 2,558	-	-	-	-	$ 2,558
Due to related party	89	-	-	-	-	89
	2,647	**-**	**-**	**-**	**-**	**2,647**

MARKET RISK

The Corporation is exposed to market risks, including changes to foreign currency exchange rates and interest rates.

FOREIGN CURRENCY EXCHANGE RISK

The Corporation is exposed to foreign currency risk, which includes risks related to its revenue and operating expenses denominated in currencies other than USD, which is both the reporting currency and primary contracting currency of the Corporation's customers. Accordingly, changes in exchange rates may in the future reduce the purchasing power of the Corporation's customers thereby potentially negatively affecting the Corporation's revenue and other operating results.

The Corporation has experienced and will continue to experience fluctuations in its net loss as a result of translation gains or losses related to revaluing certain monetary asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded.

LIQUIDITY RISK

The Corporation is also exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The primary sources of liquidity risk are accounts payable and accrued liabilities, and amounts due to related parties. The Corporation's ability to meet its obligations depends on the receipt of funds from its operations. Management monitors its working capital to ensure the obligations under current liabilities are met on timely basis.

5.6 CASH FLOW SUMMARY

The cash flow from continuing operations may be summarized as follows:

	Three-month periods ended	
	March 31,	March 31,
USD 000	**2023**	**2022**
Operating activities	$ (553)	$ (2,336)
Investing activities	1,496	-
Effect of foreign exchange	(7)	287
Net cash flow from (used in) continuing operations	**936**	**(2,049)**

The cash flows from investing activities for the three-month period ended March 31, 2023 consist of cash received from repayment of advances to related parties as well as cash received for repayment of the other loan receivable.

5.7 OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements during the three-month period ended March 31, 2023 and 2022.

5.8 PROPOSED TRANSACTION

On May 25, 2022 the Corporation announced that it had entered into an arm's length business combination agreement (the "Definitive Agreement") dated May 24, 2022 with Sports Venture Holdings Inc. ("SVH") to combine SVH and the Corporation (the "Business Combination"), which has been terminated during the three months ended March 31, 2023.

In connection with the Business Combination, the Corporation has agreed to make available to the Sports Venture Holdings Inc. a senior secured non-interest bearing credit facility of up to $3,694,950 ($5,000,000 CAD). During the year ended December 31, 2022, the Corporation advanced a loan to Sports Venture Holdings Inc. During the three months ended March 31, 2023, the Corporation incurred additional balances of $295,596 ($500,000 CAD) under the credit facility. The loan bore no interest, was unsecured, and was repayable on demand.

On March 17, 2023, Kings Entertainment Group Inc. announced the termination of the proposed business combination with Sports Venture Holdings Inc. ("SVH"), initially agreed upon on May 24, 2022. As part of the termination agreement, SVH has committed to repay Kings the full amount of the $1,847,475 ($2,500,000 CAD) advance and reimburse the Company for $1,293,233 ($1,750,000 CAD) million of its costs and expenses incurred in connection with the proposed transaction. The Company has received repayment of the $1,847,475 ($2,500,000 CAD) advance. As at March 31, 2023, the balance outstanding is $Nil (December 31, 2022 - $1,477,980 ($2,000,000 CAD)).

6 TRANSACTIONS BETWEEN RELATED PARTIES

The Corporation's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions for those in the normal course of business. Transactions between the Corporation and its consolidated entities have been eliminated on consolidation and are not disclosed in this section.

The Corporation's key management personnel are comprised of members of the Board and the executive team which consists of the Interim Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Transactions and balances between the Corporation and its key management personnel and related parties are as follows:

- Due from (to) related parties
  The Corporation has a balance receivable from related parties of $372,123 and a balance payable to related parties of $89,355 as at March 31, 2023 (December 31, 2022 – balance receivable of $390,555 and balance payable of $88,918). The due from (to) related party balances relate to amounts receivable (owed) for funds provided for working capital needs by the related parties. These balances are non-interest bearing with no fixed term of repayment.

  As at March 31, 2023, December 31, 2022, balances due from related parties and due to related parties have been offset in the consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts.

  The following table illustrates offsetting of balances due to and due from related parties:

	Ledonford Limited	Legacy Eight Group Ltd.	R.S. Real World Services Limited	WestOcean S.A.	Former shareholder of Phoenix	Total
As at March 31, 2023						
Due from related party	$ 1,213,544	$ 932,828	$ 879,781	$ 9,887,685	$ -	$ 12,913,838
Due to related party	-	(104,395)	(38,917)	(12,467,996)	(19,762)	(12,631,070)
Balance offset per Debt Offset Agreement	(1,213,544)	(456,311)	(840,864)	2,510,719	-	-
Net balance	$ -	$ 372,122	$ -	$ (69,592)	$ (19,762)	$ 282,768
As at December 31, 2022						
Due from related party	$ 1,213,544	$ 932,828	$ 898,315	$ 9,887,592	$ -	$ 12,932,279
Due to related party	-	(104,402)	(38,917)	(12,467,996)	(19,327)	(12,630,642)
Balance offset per Debt Offset Agreement	(1,213,544)	(437,871)	(859,398)	2,510,813	-	-
Net balance	$ -	$ 390,555	$ -	$ (69,591)	$ (19,327)	$ 301,637

- Related party transactions between L8 Curacao and Legacy Eight Corporation:
  During the three-month period ended March 31, 2023, L8 Curacao advanced an additional $Nil to Legacy Eight Group Ltd. (Q1 2022 - $30,000). L8 Curacao and PDS are entities under common control of Legacy Eight Group Ltd.

The following table illustrates the compensation incurred to key management personnel during the three-month periods ended March 31, 2023 and 2022:

Name	Position	2023	2022
Current officers			
Steve Budin	CEO	$ 65,000	$ 75,000
Noel Biderman	CMO	55,000	-
Kelvin Lee	CFO	7,500	7,500
Former officers			
Damian Goodwin	COO	-	35,100
James Dominique	CMO	-	27,000

Damian Goodwin has left the company in July 2022. In January 2022 Kelvin Lee took over the CFO position

James Dominique started acting as CMO of the Lottokings Group in December 2020. In October 2022 Noel Biderman took over the CMO position.

The following table illustrates the fair value of stock options issued to key management personnel as part of the share-based compensation during the three-month periods ended March 31, 2023 and 2022:

Name	Position	2023	2022
Current officers			
Steve Budin	CEO	$ -	$ 338,012
Kelvin Lee	CFO	-	20,281
Former officers			
Damian Goodwin	COO	-	67,602
James Dominique	CMO	-	67,602

7 DISCLOSURE OF OUTSTANDING SHARE DATA

The number of equity-based instruments granted or issued may be summarized as follows:

	March 31, 2023	December 31, 2022
68,463,500 Common Shares	**$ 14,547,436**	**$ 14,547,436**

The common shares of the Corporation as at March 31, 2023 consists of 20,674,500 (December 31, 2022 - 20,674,500) common shares of the Corporation issued for cash consideration prior to the RTO, 30,000,000 (December 31, 2022 - 30,000,000) common shares issued in the RTO transaction and 17,789,000 common shares issued subsequently from the conversion receipts from the RTO.

Following the satisfaction of all escrow release conditions an aggregate of 17,789,000 subscription receipts, originally issued at CAD $0.50 per subscription receipt, were automatically converted into an aggregate of 17,789,000 common shares. The Corporation incurred costs of $751,926 that were directly related to the issuance of subscription received and, accordingly, have been recognized as a reduction in share capital upon conversion of subscription receipts to common shares.

7.1 WARRANT RESERVE

As at March 31, 2023, the Corporation has 1,067,880 (December 31, 2022 - 1,067,880) agent warrants outstanding. The fair value of these warrants was determined to be $185,506 (December 31, 2022 - $185,506) using the Black-Scholes option pricing model using a weighted average exercise price of CAD $0.50, 113% volatility rate, 0% forfeiture rate, a dividend yield of nil, a 0.23% risk free return and a 2 year term. The weighted average remaining contractual life of the outstanding warrants at the end of the reporting period is 0.1 years. The exercise prices for the outstanding warrants are the same as used in the valuation.

During the reporting period, there were no new warrants granted, exercised, forfeited, or expired. The reconciliation of changes in the number of warrants outstanding during the reporting period shows no change, with the opening and closing balances remaining at 1,067,880.

7.2 SHARE-BASED PAYMENTS RESERVE

On January 24, 2022, The Corporation granted 10,012,000 stock options to directors, officers, employees and consultants, with an exercise price of CAD $0.50 and expiry of 5 years from the date of grant. The stock options vested immediately upon grant. During the three-month period ended March 31, 2023, the Corporation has recognized an expense of $2,707,337 for these share-based payments. The weighted average remaining contractual life of the outstanding options at the end of the reporting period is 4.1 years. The exercise prices for the outstanding options are the same as used in the valuation.

The fair value of the 10,012,000 stock options was estimated using the Black-Scholes option pricing model assuming a weighted average risk free interest rate of 1.63%, a dividend yield of nil, 0% forfeiture rate, a weighted average expected annual volatility of the Corporation's share price of 132% and an expected life of 5 years. The fair value of the stock options was determined to be CAD $0.40 per option. The expected volatility assumption is based on historical volatility over the same period as the expected life of the option using an appropriate level for price observations. The risk-free interest rate is based on the implied yield currently available on zero-coupon government issues denominated in the currency of the market in which the underlying shares primarily trade, over the same period as the expected life of the option.

8 CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's consolidated financial statements requires management to make estimates and judgments in applying the Corporation's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of the consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Corporation believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

Impairment of financial assets

Judgments made in relation to accounting policies applied

The Corporation measures impairment losses on financial assets that are subsequently measured at amortized cost. Impairment losses are measured based on the expected credit loss ("ECL") model in accordance with IFRS 9, Financial Instruments. The twelve-month or lifetime expected default rates are estimated by management in calculating the expected credit losses.

Key sources of estimation uncertainty

In each stage of the ECL impairment model, impairment is determined based on the probability of default, loss given default, and expected exposures at default. The application of the ECL model requires management to apply the following significant judgments, assumptions, and estimations:

- movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on financial assets subsequently measured at amortized cost. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- thresholds for significant increase in credit risks based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- forecasts of future economic conditions.

Revenue recognition

<u>Judgments made in relation to accounting policies applied</u>

Under IFRS 15, *Revenue from contracts with customers*, management is required to determine when the control of services or goods are transferred to customers and estimate the variable considerations included in the contracts. Management exercise judgment in determining the point in time control of services or goods are transferred and applies estimates based on information available at each reporting date in determining the amount of variable consideration. Management also applied judgment in determining whether the Corporation acts as principal or agent in its revenue contracts with customers.

<u>Key sources of estimation</u>

In determining the point in time control of services are transferred, management identifies the performance obligations in the contracts and evaluates the satisfaction of performance obligation time point based on business practice in the industry. Management gathered historical return, refund and chargeback information in estimating the amount of variable consideration, due to the limited operation history of the business, actual results may vary from the estimated amount. In determining the Corporation's role (principal or agent) in its revenue contracts with customers, management considered the operation model and business practice of the industry.

Share-based payments

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. Equity-settled transactions with non-employees are recorded at the fair value of the good or service provided, where this is readily determinable. In other instances, they are recorded at the fair value of the equity instruments issued. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share-based award, volatility and divided yield and making assumptions about them.

9 CHANGES IN ACCOUNTING POLICY

There have been no changes in the Corporation’s accounting policies in any of the reporting periods discussed in this MD&A.

10 RISK FACTORS AND UNCERTAINTIES

Certain factors, listed below, may have a material adverse effect on the Corporation’s business, financial condition, and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A and the corresponding financial statements.

The risks and uncertainties described herein and therein are not the only ones the Corporation may face. Additional risks and uncertainties that the Corporation is unaware of, or that the Corporation currently believes are not material, may also become important factors that could adversely affect the Corporation’s business. If any of such risks actually occur, the Corporation’s business, financial condition, results of operations, and future prospects could be materially and adversely affected.

INFORMATION SYSTEMS AND CYBERSECURITY RISKS

The Corporation places significant reliance on its information technology (“IT”) systems to operate its business and is dependent upon the availability, capacity, reliability and security of its IT infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. In the event that the Corporation is unable to secure its software and hardware, effectively upgrade systems and network infrastructure and take other steps to maintain or improve its systems, the operation of such systems could be interrupted or result in the loss, corruption or release of confidential data.

The IT systems are subject to a variety of security risks, which are growing in both complexity and frequency and could include potential breakdown, cyber phishing, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of its IT systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential fiduciary or proprietary information, in a loss or theft of our financial resources, critical data and information or could result in a loss of control of our technological infrastructure or financial resources.

The Corporation maintains security policies and procedures that include employee protocols with respect to electronic communications and electronic devices, encryption protection of all computers and portable electronic devices and conducts annual cyber-security assessments. The Corporation applies technical and process controls in line with industry-accepted standards and best practices to protect its information, assets and systems. However, due to the variety and sophistication and frequency of change in technology, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a material negative effect on the Corporation’s business, financial condition, and results of operations as well as on the Corporation’s reputation.

MANAGEMENT OF GROWTH

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

KEY PERSONNEL

The Corporation may experience the loss of important staff members. The Corporation is currently in good standing with all high-level employees and believes that with well managed practices it will remain in good standing. The success of the Corporation will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Corporation's business, operating results or financial condition.

LIMITED OPERATING HISTORY

The Corporation is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

FORECASTING LIMITATIONS

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cloud kitchen industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

NEED FOR ADDITIONAL FINANCING AND POSSIBLE EFFECTS OF DILUTION

The development of the business of the Corporation and its ability to execute on its expansion opportunities described herein will depend, in part, upon the amount of additional financing available. Failure to obtain sufficient financing may result in delaying, scaling back, eliminating or indefinitely postponing expansion opportunities and the business of the Corporation's current or future operations. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be acceptable to the Corporation. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.

INSURANCE AND UNINSURED RISKS

The Corporation's business is subject to a number of risks and hazards generally, including accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, delays in operations, monetary losses and possible legal liability. Although the Corporation maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

INTERNAL CONTROLS

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Corporation under Canadian securities law, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's consolidated financial statements and materially adversely affect the trading price of the Common Shares.

LITIGATION

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

GOVERNMENTAL REGULATIONS AND RISKS

Government approvals and permits may in the future be required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from conducting its business. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, or remedial actions. The Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Changes to current laws and regulations may be unfavorable and have an adverse effect on the Corporation's operations.

COMPETITION

The Corporation will likely face intense competition from other companies, some of which have longer operating histories and more financial resources and marketing experience than the Corporation. Increased competition by larger and better-financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Corporation. Because of the early stage of the industry in which the Corporation operates, the Corporation expects to face additional competition from new entrants. To remain competitive, the Corporation will require a continued investment in facilities and R&D to be able to compete on costs. The Corporation may not have sufficient resources to maintain marketing, sales and patient support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Corporation.

BREACH OF CONFIDENTIALITY

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There can be no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

INABILITY TO PROTECT INTELLECTUAL PROPERTY

The Corporation's success is heavily dependent upon its intangible property and technology. The Corporation relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that are considered important to the development of the business. The Corporation relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Corporation to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Corporation's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Corporation's. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Corporation may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Corporation's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Corporation's names and logos. If the Corporation's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Corporation's business and might prevent its brands from achieving or maintaining market acceptance.

The Corporation may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Corporation to incur significant penalties and costs.

INNOVATION RISKS

In the area of innovation, the Corporation must be able to develop new products that appeal to its customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to protect its intellectual property rights. The Corporation may not be successful in the development, introduction, marketing, and sourcing of new products, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

CONFLICTS OF INTEREST

Directors of the Corporation are and may become directors of other reporting companies or have significant shareholdings in other gaming companies and, to the extent that such companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Corporation and its directors will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Corporation, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA, as the case may be. Other than as indicated, the Corporation has no other procedures or mechanisms to deal with conflicts of interest.

SUPPORT OF BANKS AND PAYMENT PROCESSORS

The Corporation relies on payment processing and banking providers to facilitate the movement of funds between the Corporation and its customers. Anything that could interfere with the formation or otherwise harm the Corporation's relationships with payment and banking service providers could have a material adverse effect on its business, results of operations, financial condition and prospects. The Corporation's ability to accept payment from its customers or facilitate withdrawals by them may be restricted by any introduction of legislation or regulations restricting financial transactions with online or mobile gaming operators or prohibiting the use of credit cards and other banking instruments for online or mobile gaming transactions, or any other increase in the stringency of regulation of financial transactions, whether in general or in relation to the gambling industry in particular. Stricter anti-money laundering regulations may also affect the quickness and accessibility of payment processing systems, resulting in added inconvenience to its customers. Card issuers and acquirers may dictate how transactions and products need to be coded and treated which could also make an impact on acceptance rates. Card issuers, acquirers, payment processors and banks may also cease to process transactions relating to the online or mobile gaming industry as a whole or certain operators. This could be due to reputational and/or regulatory reasons or in light of increased compliance standards of such third parties that seek to limit their business relationships with certain industry sectors considered as “high risk”. It may also result in customers being dissuaded from accessing the Corporation’s product offerings if they cannot use a preferred payment option, or the quality or the speed of the supply is not suitable or accessible to the customers. Any such developments may have a material adverse effect on the Corporation’s business, results of operations, financial condition and prospects.

ONLINE GAMING INDUSTRY IS HIGHLY REGULATED

The Corporation, its subsidiaries, and their respective officers, directors, major shareholders, key employees and business partners will be subject to the laws and regulations relating to online gaming of the jurisdictions in which the Corporation may conduct business. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on the Corporation’s operations and financial results. In particular, some jurisdictions have introduced regulations that restrict or prohibit online gaming, while others have taken the position that online gaming should be licenced and regulated and have adopted, or are considering adopting, legislation to enable that to happen.

In addition, the Corporation will be subject to the general laws and regulations that apply to all online, digital and e-commerce businesses, such as those related to privacy and personal information, data security, tax, and consumer protection. The laws and regulations vary in each jurisdiction and future legislative and regulatory action, court decisions, and/or other governmental action, which could be affected by, among other things, political pressures, attitudes and climates, may have a material impact on the Corporation’s operations and financial outcomes.

SOCIAL RESPONSIBILITY CONCERNS

Public opinion can significantly influence the regulation of online gaming. A negative shift in the perception of online gaming by the public or by politicians, lobbyists or others could affect future legislation or regulation in different jurisdictions. Among other things, such a shift could cause jurisdictions to abandon proposals to legalize online gaming, thereby limiting the number of new jurisdictions into which the Corporation could expand. Negative public perception could also lead to new restrictions on or to the prohibition of online gaming in jurisdictions in which the Corporation may operate.

In addition, concerns with safer betting and gaming could lead to negative publicity, resulting in increased regulatory attention, which may result in restrictions on the Corporation’s future operations. If the Corporation had to restrict its future marketing or product offerings or incur increased compliance costs, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Corporation will likely face scrutiny related to environmental, social, governance and responsible gaming activities, and its reputation and the value of its brands can be materially adversely harmed if it fails to act responsibly in a number of areas, such as environmental, supply chain management, climate change, diversity and inclusion, workplace conduct, responsible gaming, human rights, philanthropy and support for local communities. Any harm to the Corporation's reputation could impact employee engagement and retention, and the willingness of future customers and the Corporation's partners to do business with it, which could have a materially adverse effect on its business, results of operations and cash flows.

THE CORPORATION MAY BE SUBJECT TO REGULATORY INVESTIGATIONS

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

ONLINE GAMING INDUSTRY RELIANT ON MOBILE ADVERTISING

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

THE COVID-19 OUTBREAK AND ITS EFFECT ON THE CORPORATION'S BUSINESS

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) ("COVID-19") was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries including, Canada, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. The Corporation's business may be impacted by the recent COVID-19 outbreak. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent months. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on the Corporation's ability to access capital, business, results of operations and financial condition, and on the market price of the Common Shares. The extent of this potential disruption on the Corporation's business cannot be assessed as the full extent of the outbreak and its impact on the global economy cannot be predicted.