Real Luck Group Ltd.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Real Luck Group Ltd.:

Opinion

We have audited the consolidated financial statements of Real Luck Group Ltd. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mary Louise Hall.

Baker Tilly WM LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 27, 2023

REAL LUCK GROUP LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31, 2022 and 2021

	Notes		2022		2021
ASSETS					
Current assets					
Cash and cash equivalents		$	6,069,971	$	14,398,356
Restricted cash	5		96,767		93,102
Other receivables	6		152,311		136,805
Prepaid expenses and deposits	7, 13		482,779		287,842
Promissory note receivable			3,465		36,481
Income tax recoverable			-		735
			6,805,293		14,953,321
Non-current assets					
Right-of-use assets	8		22,465		61,005
Equipment	9		49,864		86,801
Intangible assets	10		25,671		13,324
Deferred tax assets	21		8,409		9,699
			106,409		170,829
TOTAL ASSETS		$	6,911,702	$	15,124,150
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	11, 13	$	1,069,178	$	1,000,055
Current portion of lease liabilities	8		12,410		40,401
Income tax payable			2,969		-
			1,084,557		1,040,456
Non-current liabilities					
Lease liabilities	8		10,864		23,617
Total liabilities			1,095,421		1,064,073
Equity					
Share capital	12a		40,917,945		40,917,945
Contributed surplus	12d		10,429,460		10,429,460
Share-based payment reserve	12a, 12b, 12c, 13		6,192,771		5,276,697
Accumulated deficit			(51,496,467)		(42,379,957)
Foreign currency translation reserve			(227,428)		(184,068)
Total equity			5,816,281		14,060,077
TOTAL LIABILITIES AND EQUITY		$	6,911,702	$	15,124,150

Going Concern (Note 1)
Subsequent Events (Note 22)

Approved and authorized for issue by the Board of Directors on April 27, 2023.

"Thomas Rosander" Director *"Drew Green"* Director

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

REAL LUCK GROUP LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended December 31, 2022 and 2021

	Notes		2022		2021
Gaming revenue		$	159,992	$	25,174
Cost of sales	14		671,635		290,286
			(511,643)		(265,112)
Expenses					
Advertising and marketing			1,800,959		943,234
Depreciation	8, 9		81,493		79,352
Bad debt recovery			(1,767)		(126)
Consulting fees	13		1,597,351		1,293,939
Legal and professional fees	13		825,313		1,254,687
General and administrative	13, 15		782,100		669,297
Insurance			161,452		137,569
Investor relations			172,711		188,423
Salaries and director fees	13		2,036,675		1,735,563
Share-based payments	12b, 13		916,074		1,889,557
Transfer agent and filing fees			91,634		98,884
Travel and accommodation			143,379		49,583
			(8,607,374)		(8,339,962)
Other items					
Loss on disposal of equipment			(129)		-
Interest income			30,569		40,799
Other income			2,252		1,535
Impairment of promissory note receivable			(28,743)		-
Foreign exchange gain (loss)			5,561		(62,633)
Net loss before income taxes		$	(9,109,507)	$	(8,625,373)
Income tax expense	21		(7,003)		(6,061)
Net loss			(9,116,510)		(8,631,434)
Other comprehensive income (loss)					
Currency translation adjustment			(43,360)		(26,094)
Comprehensive loss for the period		$	(9,159,870)	$	(8,657,528)
Loss per share – Basic and diluted		$	(0.13)	$	(0.14)
Weighted average number of common shares:			68,825,531		61,457,032

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

REAL LUCK GROUP LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Notes	Number of common shares	Share capital	Contributed surplus	Share-based payment reserve	Foreign currency translation reserve	Accumulated deficit	Total equity
Balance, January 1, 2021		50,287,777	$ 24,807,375	$ 10,429,460	$ 1,893,123	$ (157,974)	$ (33,748,523)	$ 3,223,461
Issuance of common shares from exercise of warrants and options	12a, 12b, 12c	2,914,541	2,117,175	-	(463,409)	-	-	1,653,766
Issuance of common shares and warrants under private placement, net of issuance costs	12a	15,579,182	13,993,395	-	1,957,426	-	-	15,950,821
Share-based payments	12b	-	-	-	1,889,557	-	-	1,889,557
Net loss for the year		-	-	-	-	-	(8,631,434)	(8,631,434)
Foreign currency translation differences		-	-	-	-	(26,094)		(26,094)
Balance, December 31, 2021		68,781,500	$ 40,917,945	$ 10,429,460	$ 5,276,697	$ (184,068)	$ (42,379,957)	$ 14,060,077
Shares issued to former CEO for share issuance cost	12a	119,048	-	-	-	-	-	-
Share-based payments	12b, 13	-	-	-	916,074	-	-	916,074
Net loss for the year		-	-	-	-	-	(9,116,510)	(9,116,510)
Foreign currency translation differences		-	-	-	-	(43,360)	-	(43,360)
Balance, December 31, 2022		68,900,548	$ 40,917,945	$ 10,429,460	$ 6,192,771	$ (227,428)	$ (51,496,467)	$ 5,816,281

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

REAL LUCK GROUP LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
For the years ended December 31, 2022 and 2021

		2022		2021
Cash flows from (used in) operating activities				
Net loss	$	(9,116,510)	$	(8,631,434)
Items not affecting cash:				
Depreciation		81,493		79,033
Share-based payments		916,074		1,889,557
Bad debt recovery		(1,767)		(126)
Impairment of promissory note receivable		28,743		-
Loss on disposal of equipment		109		-
Change in deferred tax assets		862		(1,705)
Changes in non-cash working capital				
Restricted cash		(7,486)		(46,185)
Other receivables		(18,235)		(66,926)
Prepaid expenses and deposits		(198,525)		(192,304)
Accounts payable and accrued liabilities		89,868		41,324
Income taxes recovered (payable)		3,607		(5,531)
Net cash flows used in operating activities		(8,221,767)		(6,934,297)
Cash flows from (used in) investing activities				
Purchase of equipment		(13,613)		(21,417)
Purchase of website domains		(12,678)		-
Proceeds on disposal of equipment		1,972		-
Repayment of amounts due from related party		-		(29,114)
Net cash flows used in investing activities		(24,319)		(50,531)
Cash flows from (used in) financing activities				
Proceeds from exercises of warrants and options		-		1,653,766
Proceeds from special warrant financing, net of issuance costs		-		15,950,820
Payments on lease liabilities		(39,092)		(38,434)
Net cash flows provided by (used in) financing activities		(39,092)		17,566,152
Net increase (decrease) in cash		(8,285,178)		10,581,324
Effects of exchange differences		(43,207)		(25,648)
Cash and cash equivalents – beginning of period		14,398,356		3,842,680
Cash and cash equivalents – end of period	$	6,069,971	$	14,398,356

Components of cash and cash equivalents

		2022		2021
Cash at bank	$	6,042,495	$	14,398,356
Prepaid payment cards		27,476		-
Cash and cash equivalents – end of period	$	6,069,971	$	14,398,356

Supplemental disclosure related to cash flows

		2022		2021
Income taxes paid	$	4,853	$	11,016
Interest paid	$	1,704	$	3,803

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Real Luck Group Ltd. (the "**Company**" or "**Real Luck**") was incorporated under the Business Corporations Act of Alberta on January 15, 2018. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "LUCK" and on the OTCQB under the trading symbol "LUKEF". The head office, principal address and registered office of the Company are located at 350 7th Avenue SW, Suite 3400, Calgary, Alberta, T2P 3N9 Canada.

As at December 31, 2022, the Company has the following wholly-owned subsidiaries: Real Time Games Holding Limited ("**RTGH**"), Real Time Games Services Limited ("**RTGS**"), Real Time Games Developments Limited ("**RTGD**"), Esports Limited ("**EL**"), Esports Tech Limited ("**ETL**"), and Real Luck Group Holdings Ltd. ("**RLGH**"). RLGH was incorporated on November 18, 2021 with the intention of applying for and obtaining an internet gaming license with the Alcohol and Gaming Commission of Ontario (see Note 7). Together, the Company and its wholly-owned subsidiaries engage in the business of real money esports betting, sports betting and casino games through its licensed betting platform. RTGH holds a full license under the Online Gambling Regulation Act (OGRA), issued by the Isle of Man Gaming Supervision Commission (the "**Commission**"). This license is to expire on April 28, 2023, and the application for the renewal of the license has been made with the Commission. On April 11, 2023, the Commission confirmed that RTGH may continue to conduct gambling activity until the Commission determines a renewal decision for RTGH's license. The Commission is expected to determine this decision in early May, 2023.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has had recurring net losses and, for the year ended December 31, 2022, had negative cash flow from operations of $8,221,767 and an accumulated deficit of $51,496,467. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. The Company will likely require additional capital resources to meet its product development costs, administrative expenses and overhead in the future. While the Company has been successful in raising capital in the past, no assurance can be provided that future capital-raising activities will also be successful. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. BASIS OF PREPARATION

Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with International Financial Reporting Standards ("**IFRS**") and International Accounting Standards ("**IAS**") as issued by the International Accounting Standards Board ("**IASB**") and the IFRS Interpretations Committee ("**IFRIC**").

These consolidated financial statements were authorized for issue by the Board of Directors on April 27, 2023.

Basis of measurement

These consolidated financial statements have been prepared using the historical cost convention, except for certain items which are recorded at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

The consolidated financial statements are presented in the Canadian dollars, which is the Company's functional currency. The functional currencies of the Company's subsidiaries are listed below.

(Expressed in Canadian dollars)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Details of controlled subsidiaries are as follows:

Entity	Functional currency	Country of incorporation	Percentage owned December 31, 2022	Percentage owned December 31, 2021
Esports Limited ("EL")	Pound Sterling	Isle of Man	100%	100%
Real Time Games Holdings Limited ("RTGH")	Pound Sterling	Isle of Man	100%	100%
Real Time Games Services Limited ("RTGS")	Pound Sterling	Isle of Man	100%	100%
Real Time Games Developments Limited ("RTGD")	Bulgarian Lev	Bulgaria	100%	100%
Esports Tech Limited ("ETL")	Pound Sterling	Isle of Man	100%	100%
Real Luck Group Holdings Ltd. ("RLGH")	Canadian Dollar	Canada	100%	100%

All inter-company balances and transactions are eliminated on consolidation.

Comparative figures

Certain comparative figures have been reclassified to conform with the changes in presentation for the current year. The details of the reclassifications are summarized below:

Presented in December 31, 2021 consolidated financial statements	Balance in December 31, 2021 consolidated financial statements	Presented in December 31, 2022 consolidated financial statements as comparative figures
Due from a related party	$ 36,481	Promissory note receivable
Consulting fees	$ 117,800	Investor relations

In Note 19 to the December 31, 2021 consolidated financial statements (Note 19 being Related Party Transactions), salaries and director fees of $786,120 were presented as remuneration of key management personnel. In the comparative figures of Note 13 to the December 31, 2022 consolidated financial statements (Note 13 being Related Party Transactions), $449,148 of these salaries and director fees are presented as consulting fees remunerated to key management personnel.

These reclassifications had no impact on the net loss and total assets presented as at and for the year ended December 31, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The functional currencies of the Company and its subsidiaries are determined based on the currency of the primary economic environment in which the Company and its subsidiaries operate. The functional currency of the Company is the Canadian dollar. The functional currencies of the Company's subsidiaries are disclosed in Note 2.

In the preparation of the consolidated financial statements of the Company, the results of foreign operations with a functional currency other than Canadian dollars are translated to Canadian dollars. Each entity's assets and liabilities are translated to Canadian dollars at the prevailing exchange rate at the reporting date. The revenue and expenses of these foreign operations are translated to Canadian dollars using average exchange rates prevailing for each reporting period. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of other comprehensive loss and are presented in foreign currency translation reserve within equity.

At the entity level, transactions in currencies other than the entity's functional currency are recorded at the exchange rates prevailing on the dates of the transactions. Monetary items denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the prevailing exchange rates on the date when the fair value was determined. Non-monetary items measured at historical costs in foreign currency are not re-translated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year.

Financial Instruments

Recognition, classification, and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. The Company recognizes financial liabilities in the statements of the financial position on the date at which the Company becomes a party to the contractual provisions of the instrument.

IFRS 9 contains three primary measurement categories for financial assets and liabilities: amortized cost, fair value through other comprehensive income ("**FVTOCI**") and fair value through profit or loss ("**FVTPL**"). At initial recognition of a financial instrument, the Company classifies the given financial instrument according to the primary measurement categories described under IFRS 9 based on the business model for managing the given financial instrument and the contractual cash flow characteristics of the financial instrument.

The Company's financial instruments consist of cash and cash equivalents, restricted cash, other receivables, player liabilities, promissory note receivable, and accounts payable and accrued liabilities. The Company has classified all of its financial instruments at amortized cost, with the exception of player liabilities and cash and cash equivalents, which have been classified at FVTPL.

Financial assets and liabilities designated as fair value through profit or loss are measured at their fair values and gains and losses are recorded in the consolidated statement of loss. All financial assets classified as amortized cost are initially measured at their fair values and subsequently at their amortized cost using the effective interest rate method, less any impairment losses.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of financial assets at amortized cost

The Company recognizes loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The amount of the impairment loss on a financial asset measured at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and applied against other receivables through a loss allowance account.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in profit or loss.

Derivative financial instruments

The Company holds certain derivative financial instruments which are initially recognized at fair value. Derivative financial instruments are classified as assets where their fair value is positive, or as liabilities where their fair value is negative.

Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

(e)Sports wager open positions

Amounts received from customers on (e)sportsbook events that have not occurred by the year end are derivative financial instruments and have been measured at fair value through profit or loss and presented in accounts payable and accrued liabilities. The fair value of the derivatives were not material as at December 31, 2022.

Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand, cash on account, and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Restricted cash

Restricted cash includes cash and cash equivalents that are contractually restricted. Restricted cash primarily relates to player protection funds.

Equipment

Equipment is stated at historical cost, less accumulated depreciation and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from equipment and any gain or loss is charged to profit or loss during the period in which they are incurred. The estimated useful lives are:

Office equipment	2 years
Computer servers	5 years

Intangible assets

Intangible assets are comprised of domain names, which are determined to have indefinite useful lives. An intangible asset is determined to have an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Intangible assets with indefinite lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The domain names are stated at cost less impairment losses and are not amortized.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A lease represents the right to control the use of an identified asset for a period of time in exchange for consideration.

As is permitted under IFRS 16, the Company elected to expense payments in relation to short-term leases and leases of low value assets, as well as variable lease payments, which are not included in the lease liability, and directly expensed in profit or loss on a straight-line basis over the period of the lease.

For all identified lease contracts that do not meet the exemption criteria of being a short-term lease (term of 12 months or less) or having low-value underlying assets, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

When a lease is identified, the Company allocates the consideration in the contract to each of the lease components, separately from the non-lease components, on the basis of their relative stand-alone price.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it was located, less any lease incentives received. Right-of-use assets are subsequently depreciated over the remaining term of the lease and are carried at cost, less accumulated depreciation and impairment and adjusted for any remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease payments comprise the following: fixed payments; variable lease payments that depend on an index or a rate, using the index or rate as at the commencement date; an estimate of the amounts to be payable under residual value guarantees; as well as amounts the Company is reasonably certain to pay as the exercise price of a purchase or extension option, or as a penalty to exercise a termination option.

The lease liability is subsequently remeasured at amortized cost using the effective interest method.

When there is a change in lease payments resulting from a change in an index or a rate or a change in an estimated amount, the amount of such an adjustment is offset in the unamortized cost of the lease asset or reported in profit or loss when the lease asset is fully impaired.

The Company presents interest on its lease liabilities (calculated at the effective interest rate) with its other interest expenses in profit or loss.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, the Company determines if the recoverable amount of the asset or cash generating unit ("**CGU**") is greater than its carrying amount. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Fair value is the amount the asset could be sold for in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in profit or loss.

A reversal of the impairment loss in a subsequent period will be recorded in profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The recovery is limited to the original carrying amount less amortization, if any, that would have been recorded had the asset not been impaired.

Income taxes

Current income tax

Current income tax expense or recovery for the current period are the amounts expected to be recovered or payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Revenue recognition

The Company considers consumer online esports and sportsbook betting and online casino gaming betting to be out of scope of IFRS *15 Revenue from Contracts with Customers*, and accounts for those revenues within the scope of IFRS 9 *Financial Instruments*, as derivatives. These derivatives are recognized initially at fair value and subsequently at fair value through profit or loss, within the revenue line as this represents the Company's principal activity. Revenue from betting and gaming (including (e)sportsbook and casino games) represents gains and losses, being the amounts staked and fees received, less total payouts recognized on the settlement of the event or casino game. Open positions are measured at fair value, and gains and losses on remeasuring to fair value are recognized in revenue, as well as gains and losses realized on positions that have closed.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments. The proceeds from the issue of units are allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market trading price on the date the units are issued and the balance, if any, is allocated to the attached warrants. Transaction costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any tax effects. Transaction costs directly attributable to derivative instruments are charged to profit and loss as a finance cost. When share capital recognized as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a deduction from total equity.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated to the extent that it is not antidilutive by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based payments

The Company operates a stock option plan and an employee share pool. Equity-settled share-based payments to employees are measured at the fair value of the instruments issued and the related expenses are amortized over the vesting periods. Equity-settled share-based payments to non-employees are measured at the fair value of goods or services received or the fair value or the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured. Non-employee share-based payments are recognized as an expense at the date the goods or services are received. The corresponding amount is recorded to share-based payment reserve. The fair value of options is determined using the Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Upon the exercise of equity instruments, consideration received on the exercise is recorded as share capital and the related amount in share-based payment reserve is transferred to share capital. Upon expiry of equity instruments, the related amount previously recognized for the issuance of the equity instrument remains in share-based payment reserve.

Accounting standards issued but not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. USE OF ESTIMATES AND JUDGMENTS

In preparing these consolidated financial statements in accordance with IFRS, management has made judgments, and estimates that affect the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these judgments and estimates. The impact of such judgments and estimates is pervasive throughout these consolidated financial statements and may require accounting adjustments based on future occurrences.

(Expressed in Canadian dollars)

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. Judgments and estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management reviews estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Estimates

Share-based payments

The cost of equity-settled share-based payment transactions with employees are measured by reference to the fair value of the equity instruments. 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 and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, and forfeiture rate of the equity instruments.

Useful lives of equipment and intangible assets

Estimates of the useful lives of equipment and intangible assets are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the relevant assets.

Judgments

Judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- the determination of the functional currency of the Company and its subsidiaries;
- whether there are indicators of impairment of the Company's non-current assets;
- determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

5. RESTRICTED CASH

Restricted cash represents player protection funds that are held as reserves to ensure sufficient coverage over player liabilities payable on winning bets in accordance with the *Online Gambling Regulation Act 2001*.

6. OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
GST receivable	$ 88,076	$ 42,315
Money deposited on the payment platform (a)	64,235	94,490
	$ 152,311	$ 136,805

(a) Represents cash collected from players for betting activities, held by payment service providers.

(Expressed in Canadian dollars)

7. PREPAID EXPENSES AND DEPOSITS

	December 31, 2022	December 31, 2021
Prepaid services, subscriptions, licenses, and other	$ 197,624	$ 102,547
Prepaid insurance	149,522	168,062
Prepaid conference registration fees	15,638	17,233
Internet gaming application fees and associated legal fees	119,995	-
	$ 482,779	$ 287,842

8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company leases office space in Bulgaria under three office lease contracts. The leases have an incremental borrowing rate of 4% per annum. Office Lease Contract #1 and Office Lease Contract #2 will expire in 2023 and Office Lease Contract #4 will expire in 2026.

Right-of-use assets	**Office Lease Contract #1**	**Office Lease Contract #2**	**Office Lease Contract #4**	**Total**
Cost				
Balance at January 1, 2021	$ 91,205	$ 95,846	$ -	$ 187,051
Additions	-	-	22,544	22,544
Currency translation adjustment	(7,618)	(7,487)	(610)	(15,715)
Balance at December 31, 2021	$ 83,587	$ 88,359	$ 21,934	$ 193,880
Currency translation adjustment	1,092	777	192	2,061
Balance at December 31, 2022	$ 84,679	$ 89,136	$ 22,126	$ 195,941
Accumulated depreciation				
Balance at January 1, 2021	$ (52,799)	$ (51,118)	$ -	$ (103,917)
Depreciation	(17,926)	(18,703)	(2,957)	(39,586)
Currency translation adjustment	4,591	6,004	33	10,628
Balance at December 31, 2021	$ (66,134)	$ (63,817)	$ (2,924)	$ (132,875)
Depreciation	(15,986)	(16,827)	(4,176)	(36,989)
Currency translation adjustment	(1,539)	(1,782)	(291)	(3,612)
Balance at December 31, 2022	$ (83,659)	$ (82,426)	$ (7,391)	$ (173,476)
Net book value				
December 31, 2021	$ 17,453	$ 24,542	$ 19,010	$ 61,005
December 31, 2022	$ 1,020	$ 6,710	$ 14,735	$ 22,465

(Expressed in Canadian dollars)

Lease liabilities	**Office Lease Contract #1**	**Office Lease Contract #2**	**Office Lease Contract #4**	**Total**
Balance at January 1, 2021	$ 40,006	$ 47,124	$ -	$ 87,130
Additions	-	-	22,544	22,544
Interest expenses	1,387	1,469	947	3,803
Lease payments	(19,363)	(20,380)	(2,494)	(42,237)
Currency translation adjustment	(2,769)	(2,892)	(1,561)	(7,222)
Balance at December 31, 2021	$ 19,261	$ 25,321	$ 19,436	$ 64,018
Interest expenses	449	601	654	1,704
Lease payments	(17,632)	(18,557)	(4,607)	(40,796)
Currency translation adjustment	(526)	(865)	(261)	(1,652)
Balance at December 31, 2022	$ 1,552	$ 6,500	$ 15,222	$ 23,274
Current portion	$ 1,552	$ 6,500	$ 4,358	$ 12,410
Long-term portion	$ -	$ -	$ 10,864	$ 10,864

As at December 31, 2022, the Company is committed to minimum lease payments as follows:

Maturity analysis	**December 31, 2022**
Less than one year	$ 12,984
One year to three years	11,383
Total undiscounted lease liabilities	24,367
Less: unearned interest at 4%	(1,093)
Total	$ 23,274

(Expressed in Canadian dollars)

9. EQUIPMENT

	Office Equipment	Computer Servers	Total
Cost			
Balance at January 1, 2021	$ 55,833	$ 152,559	$ 208,392
Additions	19,883	1,534	21,417
Disposals	(8,483)	-	(8,483)
Currency translation adjustment	(2,606)	(2,572)	(5,178)
Balance at December 31, 2021	$ 64,627	$ 151,521	$ 216,148
Additions	13,613	-	13,613
Disposals	(2,792)	-	(2,792)
Currency translation adjustment	196	(7,895)	(7,699)
Balance at December 31, 2022	$ 75,644	$ 143,626	$ 219,270
Accumulated depreciation			
Balance at January 1, 2021	$ (50,418)	$ (50,790)	$ (101,208)
Depreciation	(6,583)	(32,864)	(39,447)
Disposals	8,483	-	8,483
Currency translation adjustment	1,554	1,271	2,825
Balance at December 31, 2021	$ (46,964)	$ (82,383)	$ (129,347)
Depreciation	(13,987)	(30,517)	(44,504)
Disposals	698	-	698
Currency translation adjustment	814	2,933	3,747
Balance at December 31, 2022	$ (59,439)	$ (109,967)	$ (169,406)
Net book value			
December 31, 2021	$ 17,663	$ 69,138	$ 86,801
December 31, 2022	$ 16,205	$ 33,659	$ 49,864

10. INTANGIBLE ASSETS

	Domains
Cost	
Balance at January 1, 2021	$ 13,552
Currency translation adjustment	(228)
Balance at December 31, 2021	$ 13,324
Additions	12,644
Currency translation adjustment	(297)
Balance at December 31, 2022	$ 25,671
Net book value	
December 31, 2021	$ 13,324
December 31, 2022	$ 25,671

(Expressed in Canadian dollars)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
Accounts payable	$ 232,958	$ 395,182
Payroll liabilities	198,203	184,523
Accrued liabilities	539,558	331,811
Sales tax payable	15,979	22,806
Player liabilities	77,349	50,929
Due to Luckbox Limited (Note 13)	5,131	14,805
	$ 1,069,178	$ 1,000,056

12. SHAREHOLDER'S EQUITY

a) Share Capital

The authorized capital of the Company consists of an unlimited number of common shares at no par value.

Share capital activity for the year ended December 31, 2022

On August 18, 2022, 119,048 common shares in the capital of the Company were issued to the former CEO. These were shares owed to the former CEO consistent with his employment agreement with the Company for raising capital in 2020. The Company received approval from the TSX Venture Exchange to issue these shares to the former CEO on August 16, 2022. As the shares issued to the former CEO are representative of costs associated with the issuance of shares and raising capital, the value of the shares was considered share issuance costs. Therefore, there was no impact on the net balances of the consolidated financial statements as at December 31, 2022, resulting from the issuance of these shares.

Share capital activity for the year ended December 31, 2021

During the year-ended December 31, 2021, a total of 419,666 options were exercised to purchase 419,666 common shares in the capital of the Company at $0.42 per share. The gross proceeds from the exercise of the options was $176,260. The fair value allocated to these options of $78,246 was reclassified from share-based payment reserve to share capital.

During the year ended December 31, 2021, a total of 2,046,000 warrants, as part of the subscription units comprised of one share and one half warrant previously issued, were exercised to purchase 2,046,000 common shares in the capital of the Company at $0.63 per share. The gross proceeds from the exercise of the warrants was $1,288,980. The fair value allocated to these warrants of $290,480 was reclassified from share-based payment reserve to share capital.

During the year ended December 31, 2021, 448,875 advisory warrants, previously issued as compensation to agents and advisors in connection with the private placement rounds, were exercised to purchase 448,875 units at $0.42 per unit. Each unit was comprised of one Company common share and one half of one warrant, for a total of 448,875 shares and 224,438 warrants. Each warrant entitled the holder to purchase one unit of the Company at an exercise price of $0.63 for a period of two years. The total proceeds received and allocated to share capital from the exercise of the advisory warrants was $188,526. The fair value allocated to these warrants of $94,683 was reclassified from share-based payment reserve to share capital.

Special Warrant Financing

On March 9, 2021 (the "**Closing Date**"), the Company completed a private placement of 14,837,317 special warrants of the Company at a price of $1.20 for aggregate gross proceeds of $17,804,780. Each special warrant automatically converts to one unit of the Company without additional consideration on the earlier of four months and a day following the Closing Date of the private placement, or the date that the Alberta Securities Commission ("**ASC**") received the

Final Prospectus (the "**Qualification date**"). Each unit consists of one share and one-half common share purchase warrant, exercisable for a period of three years at $1.50 per share, upon conversion.

Out of the total proceeds received, $16,617,795 were allocated to common shares at $1.12 per share, and $1,186,985 were allocated to warrants on initial recognition.

In conjunction with the services rendered by the agents and advisors for the private placement round, the Company paid cash advisory fees of $1,424,382, reimbursed agents' expenses of $272,217, and issued the following securities:

- 1,186,985 agent special warrants where each warrant converts into one non-transferable agent warrant at no additional cost. Each agent warrant entitles the holder to purchase one unit comprised of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share for $1.50 per share for a period of 36 months following the date of issuance.
- 741,865 Corporate Finance fee ("**CF fee**") special warrants where each warrant converts into one unit of the Company at no additional cost. Each unit has the same terms as described above.

The agent special warrants were determined to have a fair value of $0.807 per unit using the Black-Scholes model for a total expense of $957,897, with a corresponding increase in share-based payment reserve. The CF fee special warrants were determined to have a fair value of $1.20 per warrant, as the terms of such warrants are the same as those of the special warrants under private placement, for a total expense of $890,238.

In addition, the Company incurred legal fees and filing fees of $157,361 in connection with the private placement.

All securities issued in connection with the special warrant private placement, including the securities issued to agents and advisors, are subject to a statutory hold period of four months and one day from the Closing Date.

On June 7, 2021, all special warrants, agent special warrants, and CF fee special warrants were converted resulting in the issuance of 15,579,182 common shares, 7,789,591 warrants, and 1,186,985 agent warrants. Each warrant entitled the holder to purchase one additional common share of the Company at an exercise price of $1.50 per share, for a period of 3 years from the date of closing. Each agent warrant entitled the holder to purchase one unit of the Company at an exercise price of $1.20 per unit, for a period of 3 years from the date of exercise. Each unit consists of one common share and one half of one share purchase warrant. Each whole share purchase warrant entitled the holder to purchase one additional common share of the Company at an exercise price of $1.50 per share, for a period of 3 years from the date of issue.

Payments to agents and advisors, together with securities issued and filing fees incurred for a total cost of $3,702,094 were considered to be transaction costs. and were recognized directly in equity as a reduction of the gross proceeds from the issuance of the special warrants. Of the total transaction costs, $3,455,289 was allocated to share capital and $246,805 was allocated to share-based payment reserve.

b) Stock Options

The Company has adopted a fixed stock option plan (the "**Plan**") under which the aggregate number of securities reserved for issuance will not exceed 13,705,700 common shares of the Company. The directors of the Company have full authority (subject to express provisions of the Plan) in their discretion to interpret, prescribe, amend and rescind rules and regulations related to the Plan, and to make all other determinations deemed necessary or advisable in respect of the Plan. The administration of the Plan is the responsibility of the appropriate officers of the Company. Options may be granted under the Plan to consultants of the Company and its affiliates.

The exercise prices of options granted under the plan will be determined by the Board of Directors, but will, in no event, be less than the Discounted Market Price of the Company's Common Shares on the date the options are granted. The Discounted Market Price is the market price of the shares, as listed on the TSX Venture Exchange, less the maximum discount permitted under the TSX Venture Policy applicable to the options. All options granted under the Plan will expire not later than the date that is ten years from the date that such options are granted. Options granted under the Plan are not transferable or assignable.

Each stock option allows the holder to purchase one common share of the Company at the stated exercise price. Unless otherwise noted, out of the total options granted, 10% vested immediately on the grant date, 10% will vest six months from the grant date, and 20% will vest each six months thereafter.

Stock option activity for the year ended December 31, 2022:

On March 1, 2022, the Company granted 750,000 options at an exercise price of $0.21 to an officer of the Company. These options expire three years from the date of grant.

On March 9, 2022, the Company granted 300,000 options at an exercise price of $0.21 to a director of the Company. These options expire three years from the date of grant.

On March 30, 2022, the Company granted 35,000 options among three employees of the Company, 30,000 options to a consultant of the Company, and 15,000 options to an officer of the Company. These options have an exercise price of $0.21 and expire three years from the date of grant.

On July 5, 2022, the Company granted 250,000 options at an exercise price of $0.10 to an employee of the Company. These options expire three years from the date of grant.

On October 5, 2022, the Company granted 150,000 options, at an exercise price of $0.105 to a consultant of the Company. These options expire three years from the date of grant.

Stock option activity for the year ended December 31, 2021

On February 4, 2021, the Company granted 850,000 options at an exercise price of $0.97 to a director of the Company who is also an officer of the Company. These options expire three years from the date of grant.

On February 16, 2021, the Company granted 150,000 options at an exercise price of $1.42 among two employees of the Company. These options expire three years from the date of grant.

On June 4, 2021, the Company granted 1,150,000 options at an exercise price of $0.62 to a director of the Company who is also an officer of the Company. 150,000 of these options vested immediately on the grant date, and the remaining options vest upon achievement of certain milestones. These options expire three years from the date of grant.

On June 23, 2021, the Company granted 200,000 options at an exercise price of $0.63 among two employees of the Company. These options expire three years from the date of grant.
On September 21, 2021, the Company granted 150,000 options at an exercise price of $0.28 to an employee of the Company. These options expire three years from the date of grant.

On December 20, 2021, the Company granted 900,000 options among three directors of the Company, 250,000 options among five employees of the Company, 200,000 options to a consultant of the Company, 500,000 options to an officer of the Company, and 3,000,000 options to a director of the Company who is also an officer of the Company. The options granted have an exercise price of $0.21. 200,000 of these options vested over 12 months from the date of grant. For the remaining 4,650,000 options granted, 10% vested immediately on the grant date, 10% will vested six months from the grant date, and 20% will vest each six months thereafter. These options expire three years from the date of grant.

Total share-based payments expense for the year ended December 31, 2022 was $916,074 (December 31, 2021 - $1,889,557).

(Expressed in Canadian dollars)

The following is a summary of the Company's stock option activity:

	Number of options	Weighted average exercise price ($)
Outstanding, January 1, 2021	6,249,166	0.45
Granted	7,350,000	0.26
Exercised	(419,666)	0.42
Forfeited	(807,000)	0.42
Outstanding, December 31, 2021	12,372,500	0.42
Granted	1,530,000	0.18
Forfeited	(1,782,500)	0.42
Outstanding, December 31, 2022	12,120,000	0.39
Exercisable at December 31, 2021	3,587,647	0.46
Exercisable at December 31, 2022	6,138,000	0.43

Outstanding and exercisable stock options at December 31, 2022 were as follows:

		Options outstanding		Options exercisable	
Exercise price ($)	**Expiry Date**	**Number outstanding**	**Weighted-average remaining contractual life (years)**	**Number exercisable**	**Weighted-average remaining contractual life (years)**
0.42	December 11, 2025	2,840,000	2.95	2,272,000	2.95
0.42	November 15, 2023	300,000	0.87	300,000	0.87
0.84	December 23, 2023	450,000	0.98	360,000	0.98
0.97	February 4, 2024	850,000	1.10	510,000	1.10
1.42	February 16, 2024	150,000	1.13	90,000	1.13
0.62	June 4, 2024	1,150,000	1.43	270,000	1.43
0.63	June 23, 2024	50,000	1.48	30,000	1.48
0.205	December 20, 2024	4,800,000	1.97	2,040,000	1.97
0.21	March 1, 2025	750,000	2.17	150,000	2.17
0.21	March 9, 2025	300,000	2.19	60,000	2.19
0.21	March 30, 2025	80,000	2.25	16,000	2.25
0.10	July 5, 2025	250,000	2.51	25,000	2.51
0.105	October 5, 2025	150,000	2.76	15,000	2.76
		12,120,000	2.05	6,138,000	2.12

The Company uses the Black-Scholes option pricing model to estimate the fair value for all share-based payments. The expected volatility assumption inherent in the pricing model is based on the historical volatility of comparable companies' stock over a term equal to the expected term of the options granted.

Employee options were measured at fair value on the grant date and recognized over the vesting period from the date of grant. Non-employee options were measured indirectly with reference to the fair value of the equity instruments granted as the fair value of goods and services received cannot be measured reliably. Non-employee options are measured over the term that goods and services are received.

(Expressed in Canadian dollars)

The weighted average assumptions used in the Black-Scholes option pricing model and the resulting weighted average fair values per option for the options granted during the year ended December 31, 2022 and 2021, were as follows:

Assumptions		December 31, 2022		December 31, 2021
Weighted average fair value of options	$	0.18	$	0.25
Weighted average risk-free interest rate		1.96%		0.47%
Weighted average estimated life (years)		3.00		3.78
Weighted average expected volatility		103%		108%
Weighted average expected dividend yield		0.00%		0.00%

c) Warrants

	Number of Warrants		Weighted Average Exercise Price
Outstanding at January 1, 2021	10,604,436	$	0.60
Exercised - unit warrants	(2,046,000)		0.63
Exercised – advisory warrants	(448,875)		0.42
Issued – unit warrants	224,438		0.63
Issued – special unit warrants	7,789,591		1.50
Issued - agent warrants	1,186,985		1.20
Outstanding at December 31, 2021	17,310,575	$	1.05
Expired – unit warrants	(7,408,425)		(0.63)
Expired – advisory warrants	(925,574)		(0.42)
Outstanding at December 31, 2022	8,976,576	$	1.05

Warrants outstanding at December 31, 2022, were as follows:

Exercise Price	Expiration Date	Number of Warrants Outstanding
$1.50	March 9, 2024	7,789,591
$1.20	March 9, 2024	1,186,985
		8,976,576

The weighted average remaining contractual life of warrants outstanding as of December 31, 2022 was 1.2 years (December 31, 2021 - 1.8 years).

Details of the fair value of agent warrants granted in 2021 and the assumptions used in the Black-Scholes option pricing model for those warrants are as follows:

Assumptions		December 31, 2021
Fair value of agent warrants	$	0.807
Risk-free interest rate		0.50%
Estimated life (years)		3.00
Expected volatility		112%
Expected dividend yield		0.00%

d) Contributed Surplus

Contributed surplus arose on a common control transaction. Luckbox Limited was an entity under common control with EL and RTGH, and prior to May 2019, held a 100% interest in RTGH. During May 2019, EL acquired an 80% interest in RTGH from Luckbox Limited, and in May 2020, EL acquired the remaining 20% of RTGH from Luckbox Limited.

Prior to EL's acquisition of the 80% interest in RTGH, Luckbox Limited provided a loan denominated in GBP to RTGH of $10,463,813 (£6,098,646). In May 2019, Luckbox Limited agreed to convert the outstanding balance of this loan in exchange for a 20% interest in RTGH. The loan forgiveness was considered as a transaction between two subsidiaries under common control. The difference between the carrying value of the loan on derecognition and the carrying value of the 20% interest of RTGH, issued to Luckbox Limited as consideration, was recorded in contributed surplus. The total value of the loan recognized as contributed surplus was $10,429,460 (£6,041,535).

13. RELATED PARTY TRANSACTIONS

The Company's related parties are its key management personnel and the companies controlled by its key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and certain corporate officers. The remuneration of key management personnel during the year ended December 31, 2022, and 2021 was as follows:

	December 31, 2022	December 31, 2021
Consulting fees	$ 609,423	$ 487,395
Legal and professional fees	1,923	-
General and administrative	38,574	13,378
Salaries and director fees	276,200	300,193
Share-based payments	789,763	1,179,808
	$ 1,715,883	$ 1,980,774

During the year ended December 31, 2022, the Company granted a total of 1,050,000 options at an exercise price of $0.21 to an officer and a director. These options will expire 3 years from the grant date. 10% of these options vested immediately on the grant date, 10% will vest 6 months from the grant date, and 20% will vest each six months thereafter.

During the year ended December 31, 2021, the Company granted 6,400,000 options to key management personnel of the Company as follows:

- 850,000 options have an exercise price of $0.97. 10% of these options vest immediately on the grant date, 10% will vest 6 months from the grant date, and 20% will vest each six months thereafter;
- 1,150,000 options have an exercise price of $0.62. 150,000 of these options vested on the grant date and the remaining options vest upon the achievement of certain milestones;
- 4,400,000 options have an exercise price of $0.21. 10% of these options vested immediately on the grant date, 10% will vest 6 months from the grant date, and 20% will vest each six months thereafter.

All options granted to directors and officers during the year ended December 31, 2021 expire three years from the date of grant.

Related party balances

Included in prepaid expenses and deposits as at December 31, 2022, are prepaid salaries, director fees and secretarial fees of $50,066 (December 31, 2021 - $nil).

Included in accounts payable and accrued liabilities as at December 31, 2022, is an amount of $7,501 owing to a company of which a director of the Company is a key member of management. Included in accounts payable at December 31, 2021, is an amount of $2,500, owing to a director of the Company. These amounts are unsecured, non-interest bearing and are due upon demand.

(Expressed in Canadian dollars)

Included in accounts payable and accrued liabilities as at December 31, 2022, is $5,131 (December 31, 2021 - $14,805) due to Luckbox Limited. This amount was unsecured, non-interest bearing and repayable upon demand. As at December 31, 2021, a director of Real Luck was also on the Board of Directors of Luckbox Limited. During the year ended December 31, 2022, this director resigned from Real Luck's Board of Directors. As a result of this resignation, Luckbox Limited is no longer considered a related party of Real Luck at December 31, 2022.

14. COST OF SALES

For the year ended		December 31, 2022		December 31, 2021
Third-party fees for platform and service provider	$	603,091	$	277,994
Free bets		68,544		12,292
	$	671,635	$	290,286

15. GENERAL AND ADMINISTRATIVE

For the year ended		December 31, 2022		December 31, 2021
Affiliate commissions and payment service provider charges	$	131,361	$	20,378
Bank fees, interest and penalties		64,227		69,872
Data warehouse and IT related fees		275,114		222,025
License and compliance fees		124,022		76,565
Subscriptions		94,303		204,056
Other		93,073		76,401
	$	782,100	$	669,297

16. SEGMENTED INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company operates in one operating segment being that of online betting and online casino gaming for consumers.

The Company's geographical revenue and non-current assets are located as follows:

	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Isle of Man	Bulgaria	Total	Isle of Man	Bulgaria	Total
Revenue	$ 159,992	$ -	$ 159,992	$ 25,174	$ -	$ 25,174
	As at December 31, 2022			As at December 31, 2021		
Non-current assets	$ 70,814	$ 35,595	$ 106,409	$ 102,211	$ 68,618	$ 170,829

17. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Company's risk exposures and associated impact on the Company's financial instruments are summarized below. There have been no changes to these risks, or changes to how the Company manages these risks, during the year ended December 31, 2022.

(Expressed in Canadian dollars)

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. Credit arises principally from cash and cash equivalents, restricted cash, other receivables and the promissory note receivable.

The Company limits its exposure to credit losses on cash, restricted cash, and cash equivalents by placing its cash and cash equivalents with reputable financial institutions. The Company places the majority of its cash at a brokerage firm in Canada that maintains private insurance for up to $10 million for all self-directed and managed accounts and is a member of both the Investment Industry Regulatory Organization of Canada ("**IIROC**") and the Canadian Investor Protection Fund ("**CIPF**") which provides an additional $1 million in coverage in the event the brokerage goes out of business. The Company believes the credit risk associated with cash is mitigated by the brokerage's insurance coverage.

The exposure to credit loss on other receivables is limited as other receivables are comprised of money deposited on a reputable and secured payment platform and refundable goods and services tax. Customers are required to make deposits in advance of the Company rendering its betting and online casino gaming services. The Company does not grant credit to customers.

The maximum exposure to credit risk is reflected in the carrying amounts for cash and cash equivalents, restricted cash, other receivables and the promissory note receivable.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Management controls and monitors the Company’s cash flow on a regular basis, including forecasting future cash flows and maintaining sufficient cash balances to enable settlement of transactions on the due date.

To date, the Company's primary source of funding has been the issuance of equity securities of the Company for cash, primarily through private placements. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

The following is an analysis of the contractual maturities of the Company’s financial liabilities and lease liabilities as at December 31, 2022:

	Within one year	Between one and five years	Total
Accounts payable and accrued liabilities	$ 1,069,178	$ -	$ 1,069,178
Lease obligations	12,410	10,864	23,274
Income tax payable	2,969	-	2,969
	$ 1,084,557	$ 10,864	$ 1,095,421

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2022, the Company is not exposed to significant interest rate risk.

Foreign exchange risk

Foreign 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. The Company is exposed to foreign exchange risk as it holds financial instruments which are denominated in currencies that are different from their functional currencies. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

As outlined in Note 2, the Company's controlled entities Real Time Games Holdings Limited (RTGH) and Real Time Games Services Limited (RTGS) conduct business using the Pound Sterling (GBP) as their functional currency. A portion of the financial assets and liabilities held by these two entities are denominated in United States Dollars (USD) and Euros (EUR). The following table displays the Canadian dollar value of these assets and liabilities which are denominated in currencies other than the applicable functional currency:

	Canadian dollar value of assets and liabilities denominated in:			
	USD		**EUR**	
Cash and cash equivalents	$	-	$	104,145
Other receivables		46,335		16,337
Accounts payable and accrued liabilities		5,915		409,213
	$	52,250	$	529,695

If the USD strengthened or weakened against the GBP by 10%, the exchange rate would impact net and comprehensive loss by approximately CAD $700 at December 31, 2022 (December 31, 2021 - CAD $4,000). If the EUR strengthened or weakened against the GBP by 10%, the exchange rate would impact net and comprehensive loss by approximately CAD $34,000 at December 31, 2022 (December 31, 2021 - CAD $36,000).

18. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its equity of $5,816,281 as at December 31, 2022 (December 31, 2021 - $14,060,077).

The Company's primary source of capital is through the issuance of equity securities for cash, primarily through private placements. The Company manages and adjusts its capital structure when changes in economic conditions occur. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital. There have been no changes to how the Company manages its capital.

19. BASIS OF FAIR VALUE

Financial instruments that are measured subsequent to initial recognition at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair value. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash and cash equivalents, restricted cash, other receivables, player liabilities, a promissory note receivable, and accounts payable and accrued liabilities. The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities and amount of open wagers.

(e)Sports betting open positions (Level 3)

Derivative financial instruments comprise (e)sports betting open positions. The fair value of open (e)sports bets at the year end has been calculated using the latest available prices on relevant (e)sporting events. Changes in the fair value of the unsettled bets are recorded in revenue in profit or loss.

(Expressed in Canadian dollars)

Fair value is primarily based on expectations as to the results of (e)sporting and other events on which bets are placed. Changes in those expectations and ultimately the actual results when the events occur will result in changes in fair value. There are no reasonably probable changes to assumptions and inputs that would lead to material changes in the fair value methodology although final value will be determined by future (e)sporting results.

20. LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following data:

Weighted average number of shares - basic:		**For the year ended December 31, 2022**		**For the year ended December 31, 2021**
Issued common shares as at beginning of the year		68,781,500		50,287,777
Effect of common shares issued during the year		44,031		11,169,255
		68,825,531		61,457,032
Net loss	$	(9,116,509)	$	(8,631,434)
Net loss per share – basic and diluted	$	(0.13)	$	(0.14)

21. INCOME TAXES

The Company's effective income tax rate for the fiscal year ended December 31, 2022 differs from the statutory tax rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to the net loss before income taxes. These differences result from the following items:

		December 31, 2022		**December 31, 2021**
Net loss for the year	$	(9,109,507)	$	(8,625,373)
Canadian statutory income tax rate		23%		23%
Expected income tax recovery		(2,095,187)		(1,983,836)
Impact of differences in foreign tax rate and foreign exchange		1,608,383		1,175,776
Change in unrecognized deductible temporary differences		287,863		380,569
Non-deductible expenses		210,697		435,083
Other		(4,753)		(1,531)
Income tax expense	$	7,003	$	6,601

The Company’s provision for income taxes is allocated as follows:

		December 31, 2022		**December 31, 2021**
Current tax expense	$	7,003	$	6,061
Deferred tax recovery		-		-
Income tax expense	$	7,003	$	6,061

(Expressed in Canadian dollars)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Details of deferred tax assets and liabilities are as follows:

	December 31, 2022	December 31, 2021
Deferred tax assets (liabilities)		
Employee benefits and other	$ 8,483	$ 9,699
Right-of-use assets	(2,370)	(6,406)
Lease liabilities	2,296	6,406
Net deferred tax asset	$ 8,409	$ 9,699

At December 31, 2022, the Company recognized $8,409 (December 31, 2021 - $9,699) of deferred tax assets in excess of deferred tax liabilities arising from its existing taxable temporary differences as the Company expects to utilize these deductible temporary differences against future taxable profits from its Bulgarian operations.

The unrecognized deductible temporary differences as at December 31, 2022 and December 31, 2021 were comprised of the following:

	December 31, 2022	December 31, 2021
Share issuance costs	$ 2,230,305	$ 2,786,702
Canadian non-capital losses	4,782,761	2,961,260
	$ 7,013,066	$ 5,747,962

The Canadian non-capital losses expire between 2037 to 2042. Canadian non-capital losses arising before the reverse takeover are restricted in their use under Canadian income tax law and may not be available for future use.

22. SUBSEQUENT EVENTS

The Company has commenced a non-brokered private placement offering of up to approximately $2,400,000. The issue price is $0.12 per unit and each unit shall consist of one common share of the Company and one common share purchase warrant. Each warrant shall be exercisable into one common share of the Company for a period of 36 months from closing at an exercise price of $0.24 per common share. The closing date is expected to be on or about May 5, 2023.