ESE ENTERTAINMENT INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2024 and 2023

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of ESE Entertainment Inc.

Opinion

We have audited the consolidated financial statements of ESE Entertainment Inc. (the "Group"), which comprise the consolidated statements of financial position as at October 31, 2024 and October 31, 2023 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2024 and October 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended October 31, 2024. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be a key audit matter to be communicated in our report. 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.

Business Combination - valuation of acquired intangible assets and goodwill

As described in Note 8 to the consolidated financial statements, the Group completed the acquisition of Bombee Global Entertainment Ltd. during the year ended October 31, 2024 for a total consideration of $4,050,000. The acquisition was accounted for as a business combination in accordance with IFRS 3. The purchase price was allocated to the assets acquired and the liabilities assumed based on their respective fair value, including identified intangible assets and resulting goodwill. Refer to Note 3 to the consolidated financial statements for a description of the relevant accounting policy and significant estimates and judgment applied to the acquisition.

Why the matter was determined to be a key audit matter

Auditing the fair value of these acquired intangible assets and goodwill was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining their respective fair values. Significant assumptions included revenue growth rates, earnings margins, and the discount rate, including terminal growth rates, which are affected by expectations about future market and economic conditions.

How the matter was addressed in the audit

To test the fair value of these acquired intangible assets and goodwill, we performed the following procedures, among others:

- We reviewed the purchase agreement to obtain an understanding of the key terms and conditions to identify the necessary accounting considerations and identification of acquired assets and assumed liabilities;

- We evaluated the objectivity and competence of management's specialist;

- With the assistance of our valuation specialists, we evaluated the Group's model, valuation methodology and the various inputs utilized, including the discount rate and attrition rate, by referencing current industry and comparable company information as well as cash flow and company-specific risk;

- We evaluated the reasonableness of significant underlying assumptions and estimates used by management, including revenue growth rates, earnings margins, and royalty rate in the brand. We considered available third-party published economic and industry data;

- We assessed the adequacy of the Group's disclosures included in Note 3 and Note 8 to the consolidated financial statements in relation to this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Our responsibilities are to plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group 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 Diana Huang.

Crowe MacKay LLP

Chartered Professional Accountants
Vancouver, Canada
February 28, 2025

ESE ENTERTAINMENT INC.
Consolidated Statements of Financial Position
As at October 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Note	2024	2023
ASSETS			
Current assets			
Cash		$ 838,937	$ 2,125,251
Receivables	**9**	741,187	2,285,731
Term deposits		70,640	-
Prepaid expense and deposits		126,455	148,327
Accrued revenue		117,465	-
Inventory		-	27,915
		1,894,684	4,587,224
Property and equipment	**10**	275,966	431,465
Investment in GR Games	**14**	-	331,314
Investment in GameAddik	**13**	-	3,761,567
Intangible assets	**8, 11**	1,245,000	-
Goodwill	**8, 12**	3,442,596	-
Total assets		$ 6,858,246	$ 9,111,570
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**15, 22**	$ 4,059,397	$ 2,195,733
Lease liabilities	**16**	-	110,062
Acquisition payment commitment	**6, 7, 8**	1,612,801	862,801
Loans and credit facilities	**17**	324,098	674,276
Convertible notes	**18**	615,000	2,517,507
Consideration payable	**6**	-	63,735
Deferred revenue	**23**	112,015	9,305
		6,723,311	6,433,419
Deferred income tax liability	**8, 26**	154,670	-
		6,877,981	6,433,419
EQUITY (DEFICIT)			
Share capital	**19**	56,176,604	52,288,061
Share subscriptions received		1,050	1,050
Commitment to issue shares	**5, 7, 19**	103,042	2,235,346
Contributed surplus		6,489,176	6,032,669
Accumulated other comprehensive income (loss)		13,603	(11,432)
Deficit		(61,791,895)	(56,951,453)
Equity attributable to shareholders		991,580	3,594,241
Non-controlling interest		(1,011,315)	(916,090)
Total equity (deficit)		(19,735)	2,678,151
		$ 6,858,246	$ 9,111,570

Nature and continuance of operations – Note 1
Subsequent events – Note 27

APPROVED ON BEHALF OF THE BOARD:

"Konrad Marian Wasiela"	Director	***"Ryan Maarschalk"***	Director
Konrad Marian Wasiela		Ryan Maarschalk	

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

ESE ENTERTAINMENT INC.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended October 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Note	2024	2023
Revenue	**23**	$ 2,851,463	$ 3,607,163
Cost of sales		2,619,700	3,511,377
Gross profit		231,763	95,786
Expenses			
Share-based payments	**19, 22**	1,494,327	4,962,746
Wages, benefits and consulting	**22**	2,205,138	1,075,093
General and administration		526,746	432,287
Advertising and promotion		493,174	289,512
Professional fees	**22**	1,228,784	1,097,212
Amortization	**10**	179	152,487
Filing fees, bad debts and other	**9**	301,952	257,109
		6,250,300	8,266,446
Loss before other items		(6,018,537)	(8,170,660)
Other items:			
Interest expense	**17, 18**	(191,617)	(374,348)
Accretion expense	**18**	(97,493)	(511,839)
Gain on revaluation of consideration payable	**6**	15,934	496,350
Write-off of equipment	**10**	(42,714)	(13,133)
Equity income from Investment in GameAddik	**13**	339,452	149,000
Loss on sale of Investment in GameAddik	**13**	(234,978)	-
Gain on revaluation of investment	**13**	-	1,166,493
Impairment of investment in GR Games	**14**	(342,728)	-
Loss on extinguishment of convertible note	**18**	-	(132,314)
Foreign exchange loss		(14,652)	(86,359)
		(568,796)	693,850
Net loss for the year before taxes		(6,587,333)	(7,476,810)
Income tax recovery	**26**	9,073	49,748
Net loss for the year from continuing operations		(6,578,260)	(7,427,062)
Net income (loss) for the year from discontinued operations, net of tax	**25**	(236,789)	631,218
Net loss for the year		(6,815,049)	(6,795,844)
Other comprehensive income (loss)			
Income on translation of foreign operations		25,035	128,024
Total comprehensive loss for the year		$ (6,790,014)	$ (6,667,820)
Net loss from continuing operations attributable to:			
Shareholders of the company		$ (6,578,260)	$ (7,427,062)
Non-controlling interest		-	-
Net loss for the year from continuing operations		$ (6,578,260)	$ (7,427,062)
Net income (loss) from discontinued operations attributable to:			
Shareholders of the company		$ (141,564)	$ 1,074,091
Non-controlling interest		(95,225)	(442,873)
Net income (loss) for the year from discontinued operations		$ (236,789)	$ 631,218
Net loss attributable to:			
Shareholders of the company		$ (6,719,824)	$ (6,352,971)
Non-controlling interest		(95,225)	(442,873)
Net loss for the year		$ (6,815,049)	$ (6,795,844)
Total comprehensive loss attributable to:			
Shareholders of the company		$ (6,694,789)	$ (6,224,947)
Non-controlling interest		(95,225)	(442,873)
Total comprehensive loss for the year		$ (6,790,014)	$ (6,667,820)
Basic and diluted loss per share		$ (0.08)	$ (0.09)
Basic and diluted loss per share – continuing operations		$ (0.08)	$ (0.10)
Basic and diluted income (loss) per common share – discontinued operations		$ (0.00)	$ 0.01
Basic and diluted loss per common share – continuing operations attributable to shareholders of the company		$ (0.08)	$ (0.10)
Weighted average number of common shares outstanding		80,407,747	72,798,183

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

ESE ENTERTAINMENT INC.
Consolidated Statements of Changes in Equity (Deficit)
For the Years Ended October 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share subscriptions received	Commitment to issue shares	Contributed Surplus	Accumulated other comprehensive (loss) income	Deficit	Non-Controlling Interest	Total
Balance October 31, 2022	72,505,504	$ 44,305,370	$ 8,700	$ 3,937,227	$ 5,193,753	$ (139,456)	$ (50,598,482)	$ (473,217)	$ 2,233,895
Exercise of stock options	65,000	38,250	(7,650)	-	(18,100)	-	-	-	12,500
Private placement	5,000,502	1,750,175	-	-	250,025	-	-	-	2,000,200
Share issue cost	-	(157,091)	-	-	66,350	-	-	-	(90,741)
Frenzy Earn-Out shares issued	1,363,720	330,702	-	-	-	-	-	-	330,702
Commitment to issue shares – Acquisition of Digital Motorsports	2,047,762	1,370,554	-	(1,370,554)	-	-	-	-	-
Deferred compensation shares issued to WPG	-	2,146,682	-	-	-	-	-	-	2,146,682
Deferred compensation shares issued to GameAddik	-	2,485,524	-	(331,327)	-	-	-	-	2,154,197
Value of warrants and convertible option on issuance of convertible note, net of tax	-	-	-	-	125,515	-	-	-	125,515
Repayment of convertible notes	-	-	-	-	(96,741)	-	-	-	(96,741)
Shares issued for services	70,175	17,895	-	-	-	-	-	-	17,895
Share-based payments	-	-	-	-	511,867	-	-	-	511,867
Loss and comprehensive loss for the year	-	-	-	-	-	128,024	(6,352,971)	(442,873)	(6,667,820)
Balance October 31, 2023	81,052,663	52,288,061	1,050	2,235,346	6,032,669	(11,432)	(56,951,453)	(916,090)	2,678,151
Frenzy Earn-Out shares issued	681,860	47,801	-	-	-	-	-	-	47,801
Shares issued for acquisition of Bombee	30,000,000	2,550,000	-	-	-	-	-	-	2,550,000
Deferred compensation shares issued to WPG	-	250,053	-	-	-	-	-	-	250,053
Deferred compensation shares issued to GameAddik	-	1,040,689	-	(252,922)	-	-	-	-	787,767
Extinguishment of commitment to issue shares	-	-	-	(1,879,382)	-	-	1,879,382	-	-
Share-based payments	-	-	-	-	456,507	-	-	-	456,507
Loss and comprehensive loss for the year	-	-	-	-	-	25,035	(6,719,824)	(95,225)	(6,790,014)
Balance October 31, 2024	111,734,523	$ 56,176,604	$ 1,050	$ 103,042	$ 6,489,176	$ 13,603	$ (61,791,895)	$ (1,011,315)	$ (19,735)

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

ESE ENTERTAINMENT INC.
Consolidated Statements of Cash Flows
For the Years Ended October 31, 2024 and 2023
(Expressed in Canadian Dollars)

	2024	2023
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss from continuing operations for the year	$ (6,578,260)	$ (7,427,062)
Items not affecting cash:		
Accretion on convertible notes	97,493	511,839
Accretion on lease liabilities	4,492	12,370
Amortization	140,444	190,537
Income tax recovery	(9,073)	(49,748)
Share-based payments	1,494,327	4,962,746
Gain on revaluation of consideration payable	(15,934)	(496,350)
Loss on extinguishment of convertible note	-	132,314
Loss on sale of Investment in GameAddik	234,978	-
Equity income from Investment in GameAddik	(339,452)	(149,000)
Impairment of investment in GR Games	342,728	-
Gain on revaluation of GameAddik	-	(1,166,493)
Shares issued for services	-	17,895
Write-off of equipment	42,714	13,133
Changes in non-cash working capital items:		
Receivables	1,806,590	3,122,459
Accrued revenue	(117,465)	-
Inventory	-	6,709
Prepaid expenses and deposits	18,076	(64,083)
Deferred revenue	(50,653)	(20,826)
Accounts payable and accrued liabilities, income tax payable and shareholder loans	543,286	(2,317,186)
Net cash used in operating activities from continuing operations	(2,385,709)	(2,720,746)
Net cash used in operating activities from discontinued operations (Note 23)	199,270	1,188,140
Net cash used in operating activities	(2,186,439)	(1,532,606)
INVESTING ACTIVITIES		
Cash paid for deferred acquisition payment	-	(2,129,394)
Proceeds from sale of GameAddik	-	5,941,389
Proceeds from sale of investment in GameAddik	4,030,925	-
Cash paid for acquisition of Bombee	(750,000)	-
Cash acquired on acquisition of Bombee	76,800	-
Cash transferred on disposition of GameAddik	-	(731,958)
Net cash provided by investing activities from continuing operations	3,357,725	3,080,037
Net cash used in investing activities from discontinued operations (Note 23)	-	(63,853)
Net cash provided by investing activities	3,357,725	3,016,184
FINANCING ACTIVITIES		
Convertible note units issued for cash	-	1,175,394
Shares issued for cash, net of share issue cost	-	1,921,959
Loans received	200,496	437,290
Repayment of loans	(255,643)	(572,027)
Repayment of convertible notes	(2,000,000)	(2,528,889)
Repayment of lease liabilities	(114,554)	(114,554)
Net cash (used in) provided by financing activities from continuing operations	(2,169,701)	319,173
Net cash used in financing activities from discontinued operations (Note 23)	(268,361)	(530,107)
Net cash used in financing activities	(2,438,062)	(210,934)
Foreign exchange effect on cash	(19,538)	40,387
Change in cash for the year	(1,286,314)	1,313,031
Cash, beginning of year	2,125,251	812,220
Cash, end of year	$ 838,937	$ 2,125,251

Supplemental disclosures with respect to cash flows – Note 24

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

1 Nature and Continuance of Operations

ESE Entertainment Inc. (the "Company" or "ESE") is a global entertainment company focused on gaming and esports, primarily in the business of attracting gamers and fans to its clients, such as video game developers, publishers, and brands. The Company provides a range of services to leading video game developers, publishers, and brands by providing infrastructure, and fan engagement services internationally. The Company was incorporated on June 14, 2018 in British Columbia, Canada. The Company's registered office is at 6th Floor, 905 West Pender Street, Vancouver, British Columbia, V6C 1L6 and its head office is located at 1000-409 Granville Street, Vancouver, British Columbia, V6C 1T2.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At October 31, 2024, the Company has not achieved profitable operations, has accumulated losses of $61,791,895 (2023 - $56,951,453) since inception and expects to incur further losses in the development of its business. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its operating activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global changes such as the rise of higher inflation and energy prices, may create further uncertainty and risk with respect to the prospects of the Company's business. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

2 Basis of Preparation

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2025.

Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs except for certain financial instruments which are measured at fair value. The consolidated financial statements are presented in Canadian dollars.

(Expressed in Canadian Dollars)

3 Material Accounting Policies

The accounting policies set out below have been applied consistently in the consolidated financial statements.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries at the end of the reporting year.

		Percentage of ownership	
	Jurisdiction	**2024**	**2023**
ESE Entertainment Holdings Inc.	Canada	100%	100%
ESE Europe SP. Z O.O. ("ESE Europe")	Poland	100%	100%
World Performance Group Ltd. ("WPG")	Canada	51%	51%
Auto Simulation Limited (DBA "Digital Motorsports")	Ireland	100%	100%
Frenzy sp. Z.o.o ("Frenzy")	Poland	100%	100%
9327-7358 Quebec Inc. (DBA "GameAddik")	Canada	0%	30%
Bombee Global Entertainment Ltd. ("Bombee")	Canada	100%	0%

The results of subsidiaries are fully consolidated from the date on which control is transferred to the Company. The results of these subsidiaries will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated on consolidation.

When a parent loses control of a subsidiary, the parent derecognizes the assets and liabilities of the former subsidiary, and recognizes any investment retained in the former subsidiary at its fair value when control is lost. That fair value shall be regarded as the cost on initial recognition of an investment in associate when appropriate. The parent shall recognize the gain or loss associated with the loss of control attributable to the former controlling interest.

Financial Instruments

The Company classified cash, receivables, term deposits, accounts payable and accrued liabilities, lease liabilities, acquisition payment commitment, loans and credit facilities, and convertible notes as amortized cost, initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment, and investment in GR Games and consideration payable as fair value through profit or loss, initially and subsequently measured at fair value.

Foreign Currency

The consolidated financial statements are presented in Canadian dollars which is the functional currency of ESE Entertainment Inc., ESE Entertainment Holdings Inc., GameAddik and Bombee. The functional currency of ESE Europe and Frenzy is Polish Zloty. The functional currency of WPG is the US dollars. The functional currency of Digital Motorsports is the Euro.

Assets and liabilities of the subsidiary having a functional currency other than the Canadian dollar are translated at the rate of exchange at the reporting period date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in the accumulated other comprehensive income.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in profit or loss.

Property and Equipment

Equipment is stated at cost less accumulated amortization and impairment losses. Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of equipment.

The residual value, useful life and amortization method are evaluated every reporting period and changes to the residual value, estimated useful life or amortization method resulting from such review are accounted for prospectively. Amortization is provided for using a combination of the declining-balance method and straight line method at 4%-50% per annum. Leasehold improvements and right-of-use assets are amortized straight line over the remaining term of the lease.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit ("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.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognised.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill is not subject to amortization and an impairment test is performed annually or as events occur that could indicate impairment. Goodwill is reported at cost less any impairment.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable CGUs. To test for impairment, goodwill is allocated to each of the Company's CGUs, groups of CGUs, or an operating segment expected to benefit from the acquisition. Goodwill is tested by combining the carrying amounts of equipment and leasehold improvements, intangible assets and goodwill and comparing this to the recoverable amount. Fair value less costs of disposal is the price to be received in an orderly transaction between market participants. Value in use is assessed using the present value of the expected future cash flows. Any excess of the carrying amount over the recoverable amount is recorded as impairment. Impairment charges, which are not tax affected, are recognized in in profit or loss and are not reversed.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss. The amount of the loss, if any, is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred. An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive income (loss).

The Company recognizes a loss allowance for expected credit losses 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 Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at every reporting period. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at least annually.

Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive income (loss).

Investment in Associate

An associate is an entity over which the Company has significant influence, and which is neither a subsidiary nor a joint arrangement.

The Company has significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control.

Under the equity method, the Company’s investment in the associate is initially recognized at cost and subsequently increased or decreased to recognize the Company’s share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate’s reserves, and for impairment losses after the initial recognition date. The Company’s share of income and losses of the associate is recognized in profit or loss during the period.

Dividends and repayment of capital received from an associate are accounted for as a reduction in the carrying amount of the Company’s investment.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating there is a significant or prolonged decline in the fair value of an equity investment below its cost. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal and value-in-use. If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in profit or loss in the period in which the reversal occurs.

Convertible Notes

Convertible notes issued by the Company represent a compound financial instrument that includes the host debt liability and the convertible component, with the proceeds received allocated between the two components at the date of issue. The Company assesses whether the convertible component qualifies as equity or is considered a derivative liability. If the conversion feature meets the definition of equity, the fair value of the liability component is estimated at the date of issue of the instrument using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability (net of transaction costs) on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequent remeasured. Transaction costs are apportioned between the liability and equity components of the convertible instrument, based on the allocation of proceeds to the financial liability and equity components when the instruments are initially recognized. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

If the conversion feature of a convertible instrument does not meet the definition of equity, it is classified as an embedded derivative and measured accordingly. The debt component of the instrument is determined by deducting the fair value of the embedded derivative at inception from the fair value of the consideration received for the instrument as a whole. The debt component is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Share Capital

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the date of announcement of the unit private placements. The remaining balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to contributed surplus.

Revenue Recognition

Revenue is recognized when control of the promised goods or services are transferred to the customers, in an amount that reflects the consideration receivable in exchange for those goods or services, net of discounts and sales taxes and collection is reasonably assured.

The Company generates revenues through content creation, sponsorship management, and broadcast and event management services. Revenue from these services is recognized as goods are delivered or services are provided and collection is reasonably assured.

Revenue from sales of long-distance minutes is recognized as minutes are consumed and collection is reasonably assured. Revenue from providing call center service is recognized as services are provided and collection is reasonably assured. With respect to the sale of simulators and accessories, there is one performance obligation to fulfil and revenue is recognized upon delivery of the product. These revenue streams have been included as part of the discontinued operations for the years ended October 31, 2024 and 2023.

For contracts with a single performance obligation, revenue is recognized upon delivery of the product or upon completion of services. Payments received from customers prior to satisfaction of the performance obligation are recorded as deferred revenue.

For contracts with multiple promised services, contract revenue is allocated to each distinct performance obligation. The majority of the Company's contracts list the stand alone selling price for each deliverable.

Share-based payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant. Stock options are fair valued using the Black-Scholes valuation model and recorded as compensation expense in profit or loss, with a corresponding increase to contributed surplus. Restricted share units are measured based on the fair value of the underlying shares on the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of the equity-settled share-based payments that will eventually vest.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility was determined based on comparison to similar companies as the Company does not have enough trading history.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

All equity-settled share-based payments are reflected in contributed surplus until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. Amounts recorded in contributed surplus for options that expire unexercised remain in contributed surplus.

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss by the weighted average number of outstanding shares in issue during the reporting period. Diluted loss per share is computed similar to basic loss except that the weighted average number of outstanding shares include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In a loss reporting period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Issued but unvested shares are excluded from the weighted average number of shares outstanding.

All the outstanding stock options, restricted share units, warrants and convertible notes as of October 31, 2024 and 2023 were not included in the calculation of diluted per share amounts.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case the income tax is also recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, with certain exceptions.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

<u>Business combinations</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

<u>Leases</u>

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

The lease liability is recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated amortization and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are amortized over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is amortized over the asset's useful life.

Recent accounting pronouncements and changes in accounting policies

The Company has adopted these accounting standards effective November 1, 2023.

Amendments to IAS 8 – Definition of Accounting Estimates

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

There was no significant impact to the consolidated financial statements as a result of the adoption of these amendments.

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

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

These amendments reduced the note disclosures in the consolidated financial statements.

The following accounting standards and amendments are effective for future periods.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2024. The Company does not expect the amendments to have a significant impact on future consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

1. Three defined categories for income and expenses (operating, investing and financing) to improve the structure of the income statement, and require all companies to provide new defined subtotals, including operating profit.
2. Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement.
3. Enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company is currently in the process of assessing its impact on future consolidated financial statements.

Significant accounting judgement, estimates and uncertainties

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes to the consolidated financial statements. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimates are revised.

Critical judgement exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is as follows:

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.

Discontinued operations

Discontinued operations are reported when a component of the Company, representing a separate major line of business or geographical area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Discontinued operations are reported as a separate element on the consolidated statements of loss and comprehensive loss for both the current and comparative periods. GameAddik, Digital Motorsports and WPG have been classified and reported as discontinued operations.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are as follows:

Valuation of receivables

Management monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade balances will be paid. Credit risks for outstanding customer receivables are regularly assessed and allowances are recorded for estimated losses, if required.

Purchase price allocation

The acquisition of Bombee on October 21, 2024 was accounted for as a business combination at fair value in accordance with IFRS 3, Business Combinations. The purchase price allocation process resulting from a business combination requires management to estimate the fair value of the consideration paid, and the fair value of the identifiable assets acquired, including intangible assets, and liabilities assumed. The Company relies on work performed by third-party valuation specialists. These valuations are closely linked to the assumptions used by management including revenue growth rates, earnings margins, royalty rate, attrition rate and the discount rate applied.

Convertible notes

The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible note at issuance and the subsequent measurement of interest on the liability component. The determination of fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates, and the presence of any derivative financial instruments. Additionally, significant judgement is required when accounting for the redemption, conversion or modification of these instruments. The key assumptions applied in the valuation include an estimated 20% market discount rate.

4 Acquisition of WPG

On April 12, 2021, the Company acquired 51% of the issued and outstanding shares of WPG. The purchase price consisted of (i) $10,000 refundable deposit (paid), (ii) $128,019 in cash on closing of the transaction (the "Closing") (paid), and (iii) issuance of 585,156 common shares of the Company. The Company is also required to (i) issue 6,664,845 common shares (the "Deferred Compensation Shares"), vesting over three years, and (ii) advance $750,000 to WPG (the "Working Capital Amount"). The Deferred Compensation Shares are considered a post-combination expense (Note 19b). Pursuant to the agreement, WPG is not required to repay or reimburse the Company all or any portion of the Working Capital Amount.

The transaction was accounted for as a business combination, as the operations of WPG meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed.

On August 31, 2023, WPG sold its two European operating subsidiaries, WPG Racing Solutions SRL and Foresight Resolution SRL for gross proceeds of $2. $133,701 was recognized as loss on disposal. During the year ended October 31, 2024, WPG has ceased all operations and is treated as a discontinued operation.

5 Acquisition of Digital Motorsports

On September 15, 2021, the Company acquired 100% of the issued and outstanding shares of Digital Motorsports. The purchase price consisted of (i) $1,681,250 in cash on closing of the transaction (the "Closing") (paid), (ii) issuance of 941,500 common shares of the Company, and (iii) up to 8,473,500 contingent earn-out shares (the "DMS Contingent Shares") to be issued in six equal installments, with the first installment being issued on October 14, 2021, subject to Digital Motorsports generating revenue greater than €2,587,005 for the prior four quarters, assessed every six months between Closing and January 1, 2027. The Company will also advance €250,000 to Digital Motorsports (the "DMS Working Capital Amount"). Pursuant to the agreement, Digital Motorsports is not required to repay or reimburse the Company all or any portion of the DMS Working Capital Amount.

The transaction was accounted for as a business combination, as the operations of Digital Motorsports meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed.

The fair value of the 941,500 common shares issued ($950,915) was determined based on the share price of the Company on the date of acquisition. The estimated fair value of the 8,473,500 DMS Contingent Shares ($5,664,314) was determined as the present value based on the share price of the Company on the date of acquisition and discounted using a WACC rate of 31% to account for the timing of the future share issuances. The calculation was based on the assumption that the revenue threshold would be met, given the revenue forecast prepared by management.

(Expressed in Canadian Dollars)

The changes in the number of DMS Contingent Shares to be issued and commitment to issue shares during the years ended October 31, 2024 and 2023 are as follows:

	Number of DMS Contingent Shares	Commitment to issue shares
Balance, October 31, 2022	5,649,000	$ 3,249,936
Issued	(2,047,762)	(1,370,554)
Balance, October 31, 2023	3,601,238	1,879,382
Extinguishment of commitment to issue shares	(3,601,238)	(1,879,382)
Balance, October 31, 2024	-	$ -

As of October 31, 2023, the Company decided to discontinue the business of Digital Motorsports. During the year ended October 31, 2024, the Company recognized an extinguishment of commitment to issue shares of $1,879,382 (2023 - $nil), as operations of Digital Motorsports have ceased and the DMS Contingent Shares installments can no longer be earned.

6 Acquisition of Frenzy

On November 12, 2021, the Company completed the acquisition of 100% of the issued and outstanding shares of Frenzy, a European esports media and technology company. The acquisition of Frenzy is a key addition to ESE's ability to produce, host, and execute esports and gaming events and content. The acquisition included key equipment, operators, and distribution channels that allow ESE to expand its service offerings and capacity for new media business.

The purchase price consisted of (i) $1,380,044 in cash paid on the closing of the transaction which includes a working capital adjustment (paid); (ii) $1,183,123 in cash payable six months following closing; (iii) 656,606 common shares of the Company issued on closing (issued); and (iv) a minimum of 1,363,720 common shares (the "Frenzy Earn Out Shares") to be issued in four equal instalments, subject to Frenzy generating revenue (as defined) greater than PLN7,460,950 for the prior four quarters, assessed every six months following closing. The Company has also agreed to discharge a loan owed by Frenzy in the amount of $118,754 concurrently with closing.

The transaction was accounted for as a business combination, as the operations of Frenzy meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed.

The fair value of the 656,606 common shares issued ($866,720) was determined based on the share price of the Company on the date of acquisition. The estimated fair value of the 1,363,720 Frenzy Earn Out Shares ($1,223,446) was determined as the present value based on the share price of the Company on the date of acquisition and discounted using a WACC rate of 31% to account for the timing of the future share issuances. The calculation was based on the assumption that the revenue threshold would be met, given the revenue forecast prepared by management. As the number of the Frenzy Earn Out Shares to be issued was contingent on the share prices of the Company on the earn out dates and the Company had an obligation to make a cash payment if the shares were not issued, the Frenzy Earn Out Shares meet the definition of a financial liability and were recorded as such and revalued on each subsequent reporting date with the changes in the fair value recorded in profit and loss.

(Expressed in Canadian Dollars)

The changes in the consideration payable during the years ended October 31, 2024 and 2023 are as follows:

Balance, October 31, 2022	$	890,787
Second tranche of Frenzy Earn Out Shares issued		(235,242)
Third tranche of Frenzy Earn Out Shares issued		(95,460)
Gain on revaluation of consideration payable		(496,350)
Balance, October 31, 2023		63,735
Fourth tranche of Frenzy Earn Out Shares issued		(47,801)
Gain on revaluation of consideration payable		(15,934)
Balance, October 31, 2024	$	-

The Frenzy acquisition payment commitment at October 31, 2024 was $862,801 (2023 - $862,801). There was no change in the Frenzy acquisition payment commitment during the years ended October 31, 2024 and 2023.

7 Acquisition of GameAddik

On February 1, 2022, the Company completed the acquisition of 100% of the issued and outstanding shares of GameAddik, a Canadian technology and data company focused on gaming and esports, primarily in the business of attracting gamers and fans to its clients, such as video game developers, publishers, and brands. The acquisition of GameAddik allowed ESE to bring a new revenue channel of video game advertising to expand its service offerings. GameAddik creates and executes its performance technology software to generate users and increase the reach of video games for its customers, which are primarily video game developers.

The purchase price consisted of: (i) $2,061,000 in cash to be paid on closing or within 5 days of closing (paid); (ii) $2,751,000 in cash to be paid 6 months from closing, plus working capital adjustment of $2,378,394 (paid); and (iii) 7,377,143 common shares of ESE (the "Consideration Shares") (issued). The Company had the right to repurchase 6,497,959 of the Consideration Shares for nominal consideration if revenues of GameAddik did not reach $5,000,000 for 2022 and $6,250,000 for the 2023 and 2024 fiscal years. 5,378,887 of the Consideration Shares are considered a post-combination expense (Note 19b), and 1,119,072 of the Consideration Shares are considered an acquisition cost.

The transaction was accounted for as a business combination, as the operations of GameAddik meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed. The goodwill resulting from the allocation of the purchase price to the total fair value of net liabilities represented the sales and growth potential of GameAddik.

The fair value of the 879,184 common shares issued ($1,213,274) was determined based on the share price of the Company on the date of acquisition. The estimated fair value of the 1,119,072 Consideration Shares ($1,040,906) was determined as the present value based on the share price of the Company on the date of acquisition and discounted using a WACC rate of 31% to account for the timing of the future share issuances. The calculation was based on the assumption that the revenue threshold would be met, given the revenue forecast prepared by management.

(Expressed in Canadian Dollars)

The changes in the GameAddik acquisition payment commitment during the years ended October 31, 2024 and 2023 are as follows:

Balance, October 31, 2022	$	2,129,394
Payment		(2,129,394)
Balance, October 31, 2023 and 2024	$	-

In August 2023, the Company sold 70% of the issued and outstanding shares of GameAddik (see Note 13). In July 2024, the Company sold the remaining 30% of the issued and outstanding shares of GameAddik (see Note 13).

8 Acquisition of Bombee

On October 21, 2024, the Company completed the acquisition of 100% of the issued and outstanding shares of Bombee, the North American arm of a global production company specialized in live production, special effects, broadcast and event management for the gaming sector. The acquisition of Bombee is a key addition to ESE's ability to produce, host, and execute esports and gaming events and content. The acquisition allows ESE to expand its service offerings and capacity for new media business.

The purchase price consisted of: (i) $750,000 in cash to be paid on closing (paid); (ii) $375,000 in cash to be paid 6 months from closing, plus working capital adjustment; (iii) $375,000 in cash to be paid 12 months from closing; and (iv) 30,000,000 common shares of ESE (issued).

The transaction was accounted for as a business combination, as the operations of Bombee meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed. The goodwill resulting from the allocation of the purchase price to the total fair value of net assets represents the sales and growth potential of Bombee.

The fair value of the 30,000,000 common shares issued ($2,550,000) was determined based on the share price of the Company on the date of acquisition.

(Expressed in Canadian Dollars)

The consideration was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The purchase price was allocated as follows:

Cash	$	750,000
30,000,000 common shares of the Company		2,550,000
Deferred cash payments		750,000
Fair value of consideration		4,050,000
Allocated to the fair value of net assets acquired (liabilities assumed):		
Cash		76,800
Receivables		581,441
Term deposit		70,114
Equipment		14,133
Brand presence (Note 11)		495,000
Customer relationships (Note 11)		750,000
Goodwill (Note 12)		3,442,596
Accounts payable and accrued liabilities		(859,859)
Loans payable		(203,000)
Deferred revenue		(153,482)
Deferred income tax liability		(163,743)
Total net assets acquired	$	4,050,000

The operating results for Bombee have been recognized in the consolidated statement of loss and comprehensive loss beginning on October 21, 2024, the effective date of obtaining control. During the year ended October 31, 2024, the Company recorded revenues of $8,828 and net loss of $33,605 related to Bombee.

If Bombee had been acquired on November 1, 2023, the Company would have recorded total revenues of $6,528,271 and a net loss of $694,603 related to Bombee.

The changes in the Bombee acquisition payment commitment during the year ended October 31, 2024 are as follows:

Balance, October 31, 2023	$	-
Incurred		750,000
Balance, October 31, 2024	$	750,000

9 Receivables

		October 31, 2024		October 31, 2023
Sales taxes receivable	$	4,494	$	343,196
GameAddik holdback (Note 25)		-		1,079,573
Sublease receivable (Note 16)		-		103,007
Trade accounts receivable, net of loss allowance		736,693		759,955
Receivables	$	741,187	$	2,285,731

(Expressed in Canadian Dollars)

During the years ended October 31, 2024 and 2023, the movement of the Company's loss allowance recorded in profit or loss is as follows:

Balance, October 31, 2022	$	35,395
Provision for loss allowance recognized		49,328
Foreign exchange		3,650
Balance, October 31, 2023		88,373
Provision for loss allowance recognized		40,560
Foreign exchange		9,725
Balance, October 31, 2024	$	138,658

10 Property and Equipment

	Equipment	Software	Right of Use Asset	Total
Cost as at October 31, 2022	$ 1,494,021	$ 54,063	$ 1,521,276	$ 3,069,360
Additions – discontinued operations	60,105	4,159	264,138	328,402
Sale of Gameaddik	(757,902)	-	(1,238,018)	(1,995,920)
Disposals and write-off – continuing operations	(17,659)	-	(309,022)	(326,681)
Disposals and write-off – discontinued operations	(305,646)	-	(238,374)	(544,020)
Foreign exchange	61,914	9,549	-	71,463
Cost as at October 31, 2023	534,833	67,771	-	602,604
Acquisition of Bombee	14,133	-	-	14,133
Disposals and write-off – continued operations	(53,393)	-	-	(53,393)
Disposals and write-off – discontinued operations	-	(5,542)	-	(5,542)
Foreign exchange	25,018	3,105	-	28,123
Cost as at October 31, 2024	$ 520,591	$ 65,334	$ -	$ 585,925
Accumulated amortization as at October 31, 2022	$ 248,146	$ 3,603	$ 317,393	$ 569,142
Amortization – continuing operations	83,582	3,948	103,007	190,537
Amortization – discontinued operations	86,054	515	219,430	305,999
Sale of GameAddik	(126,810)	-	(199,496)	(326,306)
Disposals and write-off – continuing operations	(4,527)	-	(206,014)	(210,541)
Disposals and write-off – discontinued operations	(130,095)	-	(234,320)	(364,415)
Foreign exchange	5,968	755	-	6,723
Accumulated amortization as at October 31, 2023	162,318	8,821	-	171,139
Amortization – continuing operations	127,371	13,073	-	140,444
Disposals and write-off – continued operations	(10,679)	-	-	(10,679)
Disposals and write-off – discontinued operations	-	(524)	-	(524)
Foreign exchange	8,969	610	-	9,579
Accumulated amortization as at October 31, 2024	$ 287,979	$ 21,980	$ -	$ 309,959
Net Book Value as at October 31, 2023	$ 372,515	$ 58,950	$ -	$ 431,465
Net Book Value as at October 31, 2024	$ 232,612	$ 43,354	$ -	$ 275,966

(Expressed in Canadian Dollars)

11 Intangible Assets

	Customer Relationships	Brand and Media Presence	Total
Cost as at October 31, 2022	$ 1,366,000	$ 3,365,000	$ 4,731,000
Write-off - discontinued operations	(136,000)	(575,000)	(711,000)
Sale of GameAddik	(1,230,000)	(2,790,000)	(4,020,000)
Cost as at October 31, 2023	-	-	-
Acquisition of Bombee (Note 8)	750,000	495,000	1,245,000
Cost as at October 31, 2024	$ 750,000	$ 495,000	$ 1,245,000
Accumulated amortization and impairment as at October 31, 2022	$ 442,658	$ 575,000	$ 1,017,658
Amortization – discontinued operations	321,260	-	321,260
Write-off – discontinued operations	(136,000)	(575,000)	(711,000)
Sale of GameAddik	(627,918)	-	(627,918)
Accumulated amortization and impairment as at October 31, 2023 and 2024	$ -	$ -	$ -
Net Book Value as at October 31, 2023	$ -	$ -	$ -
Net Book Value as at October 31, 2024	$ 750,000	$ 495,000	$ 1,245,000

12 Goodwill

Balance, October 31, 2022	$ 3,160,975
Sale of GameAddik	(3,160,975)
Balance, October 31, 2023	-
Acquisition of Bombee (Note 8)	3,442,596
Balance, October 31, 2024	$ 3,442,596

13 Investment in GameAddik

On August 5, 2023, the Company entered into a definitive share purchase agreement (the “SPA”) with an affiliate of BlackPines Capital Partners Ltd., (“BlackPines” or the “Purchaser”) for the sale of 70% of the issued and outstanding shares (the “Transaction”) of GameAddik. The remaining 30% of the issued and outstanding shares of GameAddik were retained by the Company. The Transaction was completed on August 13, 2023. As a result of this transaction, the Company’s ownership of GameAddik decreased from 100% to 30%, which led to a loss of control and deconsolidation of GameAddik from the Company’s consolidated financial statements. GameAddik has been recognized as discontinued operations (see Note 25). The Company retained significant influence over GameAddik, resulting in GameAddik being recorded on the Company’s consolidated financial statements as an investment in associate.

(Expressed in Canadian Dollars)

Fair value of the remaining 30% of GameAddik based on consideration received	$	3,612,567
Net assets of GameAddik remaining (30%)		2,446,074
Gain on revaluation of assets	$	1,166,493

On July 18, 2024, the Company sold its remaining 30% interest in GameAddik to BlackPines. As consideration for the sale, the Company received: (i) cash consideration of $4,030,925 and (ii) addition of $34,649 to its holdback receivable. The Company incurred $1,787,533 in transaction costs.

Balance, October 31, 2022	$	-
Fair value of initial cost		3,612,567
Equity income		149,000
Balance, October 31, 2023		3,761,567
Equity income		339,452
Balance, July 18, 2024		4,101,019
Consideration received		4,065,574
Less: Transaction costs		(199,533)
Loss on sale of investment in GameAddik	$	(234,978)

14 Investment in GR Games

During the year ended October 31, 2021, the Company made a deposit to GR Games SP. Z O.O. (“GR Games”), a private entity in Poland, for the purchase of 50,000 “Series B” shares in GR Games. The Company received the share certificate in the year ended October 31, 2022. During the year ended October 31, 2024, the Company recognized an impairment of $342,728 (2023 - $nil) related to its Investment in GR Games.

15 Accounts Payable and Accrued Liabilities

		October 31, 2024		**October 31, 2023**
Trade payables	$	3,263,400	$	1,281,590
Interest payable (Note 18)		112,909		136,803
Due to WPGI		24,227		56,842
Accrued liabilities		579,091		720,498
Sales tax payable		79,770		-
Accounts payable and accrued liabilities	$	4,059,397	$	2,195,733

(Expressed in Canadian Dollars)

16 Lease Liabilities

Balance, October 31, 2022	$	1,242,956
Cash flows		
Principal payments – continuing operations		(102,184)
Principal payments – discontinued operations		(171,904)
Interest payments – continuing operations		(12,370)
Interest payments – discontinued operations		(147,389)
Non-cash changes		
Interest expense – continuing operations		12,370
Interest expense – discontinued operations		147,389
Modification		240,110
Sale of GameAddik		(1,098,916)
Balance, October 31, 2023		110,062
Cash flows		
Principal payments – continuing operations		(110,062)
Interest payments – continuing operations		(4,492)
Non-cash changes		
Interest expense – continuing operations		4,492
Balance, October 31, 2024		-
Less: Current portion		-
Non-current portion	$	-

The Company had the following lease liabilities:

- A premise lease entered into by WPG in February 2021 with expiry of January 2024 and 34 monthly payments of \$3,634 with an interest rate of 5.45%. During the year ended October 31, 2023, WPG terminated and derecognized the lease.

- A premise lease entered into by DMS in April 2021. The lease with expiry of December 2025 and monthly lease payments of €1,500 for the first 12 months and €2,000 for the remainder of the term with an interest rate of 12%. During the year ended October 31, 2023, DMS terminated and derecognized the lease.

- A premise lease entered into by ESE Holdings in November 2021 expiring in October 2024, had 36 monthly payments of \$9,546 with an interest rate of 7.45%. During the year ended October 31, 2023, the Company subleased the premise out to a subtenant (see Note 9).

- A premise lease entered into by GameAddik in October 2020 with an expiry in September 2026, had 72 monthly payments of \$3,988, increasing by 3% each year, with an interest rate of 8.45%. During the year ended October 31, 2023, the Company derecognized the lease due to the sale of GameAddik.

- A premise lease entered into by GameAddik in January 2020 with an expiry in January 2030 had 120 monthly payments of \$11,667 with an interest rate of 9.95%. In September 2022, the lease was modified to increase the lease space. The modified lease was to expire in January 2030 and had 89 monthly payments of \$18,302 with an interest rate of 13.20%. During the year ended October 31, 2023, the Company derecognized the lease due to the sale of GameAddik.

17 Loans and Credit Facilities

	Loans	Facilities	Total
Balance, October 31, 2022	$ 858,090	$ 1,533,719	$ 2,391,809
Loans received	437,290	-	437,290
Repayment of loan – continuing operations	(572,027)	-	(572,027)
Exchanged to convertible note (Note 18)	(500,000)	-	(500,000)
Credit facility received – discontinued operations	-	5,836,448	5,836,448
Repayment of credit facility – discontinued operations	-	(6,349,602)	(6,349,602)
Net exchange difference	120,291	(14,933)	105,358
Sale of GameAddik	-	(675,000)	(675,000)
Balance, October 31, 2023	343,644	330,632	674,276
Loans received – continuing operations	200,496	-	200,496
Repayment of loan – continuing operations	(255,643)	-	(255,643)
Credit facility received – discontinued operations	-	338,443	338,443
Repayment of credit facility – discontinued operations	-	(606,804)	(606,804)
Net exchange difference	(26,670)	-	(26,670)
Balance, October 31, 2024	$ 261,827	$ 62,271	$ 324,098

During the year ended October 31, 2021, a loan payable of $583,718 was assumed upon acquisition of Frenzy. The loan accrues interest at the WIBOR 1-year rate plus 2.25% per annum. The loan matured on December 31, 2022. As at October 31, 2024, the amount outstanding was $160,294 (2023 - $343,644).

During the year ended October 31, 2021, WPG obtained a revolving demand credit facility of $400,000 which bore interest at Royal Bank Prime plus 2% for loans in Canadian dollars, and at Royal Bank US Base Rate plus 2% for loans in US dollars. The facility is secured by a general security agreement in all personal property of WPG, a first ranking security interest in all accounts receivable of WPG, and a guarantee and postponement of claim in the amount of $300,000 signed by the Company. During the year ended October 31, 2023, the Company drew $1,326,448 and repaid $1,264,602. During the year ended October 31, 2024, the Company drew $338,443 and repaid $606,804. As at October 31, 2024, the amount drawn from the credit facility was $62,271 (2023 - $330,632). On May 22, 2024, the Company entered into a forbearance agreement with the Royal Bank of Canada for repayment of WPG's revolving demand credit facility and repaid the principal of $300,000 and the accrued interest as at September 30, 2024.

During the year ended October 31, 2022, GameAddik obtained a revolving demand credit facility of $2,000,000, bearing interest at National Bank Prime plus 1% for loans in Canadian currency. The facility was secured by a general security agreement with a first ranking security interest in all accounts receivable of GameAddik. During the year ended October 31, 2023, the Company drew $4,510,000 and repaid $5,085,000. As at August 13, 2023, the amount drawn from the credit facility was $675,000, which was derecognized due to the sale of GameAddik.

During the year ended October 31, 2022, the Company obtained a $500,000 promissory note, inclusive of a $25,000 discount for gross proceeds of $475,000. The loan was secured by cash and cash equivalents of the Company in the amount of $250,000. On January 31, 2023, the $500,000 promissory note was amended and exchanged for a convertible note with a principal amount of $500,000 (Note 18).

During the year ended October 31, 2023, the Company obtained a $100,000 promissory note. The loan was to mature on November 28, 2024, was unsecured, and bore interest at a simple rate of 10% per annum. During the year ended October 31, 2023, the loan and accrued interest of $7,261 was repaid.

(Expressed in Canadian Dollars)

During the year ended October 31, 2023, Frenzy obtained a PLN150,000 promissory note. The loan accrued interest at the WIBOR 3-month rate plus 2% per annum. During the year ended October 31, 2023, the loan and accrued interest was repaid.

During the year ended October 31, 2023, the Company obtained $290,000 in promissory notes from a related party. The loans were to mature in 2 years and bore simple interest at 10% per annum payable quarterly. During the year ended October 31, 2023, the loans and accrued interest of $5,775 were repaid.

During the year ended October 31, 2024, Frenzy obtained an aggregate of PLN585,000 promissory notes. During the year ended October 31, 2024, Frenzy repaid PLN305,000 of the promissory notes. These loans accrue interest at the WIBOR 3-month rate plus 2% per annum and $101,533 remains outstanding as of October 31, 2024.

18 Convertible Notes

Balance, October 31, 2022	$	2,806,965
Additions, net of issuance costs, transaction fees and issuance discount		1,595,278
Repayments		(2,528,889)
Accretion expense		511,839
Loss on extinguishment		132,314
Balance, October 31, 2023		2,517,507
Repayments		(2,000,000)
Accretion expense		97,493
Balance, October 31, 2024	$	615,000

On February 16, 2022, the Company raised gross proceeds of $1,575,000 through the issuance of 1,575 convertible note units at a price of $1,000 per unit. Each unit consisted of $1,000 in principal amount of an unsecured convertible note and 250 common share purchase warrants of the Company. The convertible note matured on February 16, 2024 bearing interest at a simple rate of 10% per annum. Interest was payable quarterly on the last business day of each quarter, commencing on March 31, 2022. The entire principal amount of the convertible note was convertible at the election of the holder into common shares of the Company at a conversion price of $1.60 per share at any time prior to the maturity date. The accrued but unpaid interest was also convertible into common shares at a conversion price equal to the greater of (i) $1.60 and (ii) the market price of the Company’s common shares on the conversion date. Each warrant was exercisable into one common share of the Company at a price of $1.60 per share expiring two years from closing.

During the year ended October 31, 2023, the Company repaid $639,000 of the principal amount of the convertible notes and accrued interest of $148,749. During the year ended October 31, 2024, the Company repaid $500,000 of the principal amount of the convertible notes and accrued interest of $31,893. During the year ended October 31, 2024, the Company accrued interest of $71,632 (2023 - $148,749). The remaining convertible debentures were extended to February 16, 2025 bearing simple interest at 10%.

On April 8, 2022, April 14, 2022 and April 21, 2022, the Company raised gross proceeds of $1,680,000 through the issuance of 1,680 convertible note units at a price of $1,000 per unit. Each unit consisted of $1,000 in principal amount of an unsecured convertible note and 313 common share purchase warrants of the Company. The convertible notes matured on April 7, 2024, April 13, 2024 and April 20, 2024, respectively, and bore interest at a simple rate of 10% per annum. Interest was payable quarterly on the last business day of each quarter, commencing on June 30, 2022. Each warrant was exercisable into one common share of the Company at a price of $1.60 per share expiring two years from closing.

During the year ended October 31, 2023, the Company repaid $1,000 of the principal amount of the convertible notes and accrued interest of $128,104. During the year ended October 31, 2024, the Company repaid $1,500,000 of the principal amount of the convertible notes and accrued interest of $191,718. During the year ended October 31, 2024, the Company accrued interest of $128,084 (2023 - $128,104).

On January 16, 2023, the Company raised gross proceeds of $1,250,000 through the issuance of 1,250 convertible note units at a price of $1,000 per unit. Each unit was comprised of one secured convertible debenture having a principal amount of $1,111 and 2,500 common share purchase warrants of the Company. The aggregate principal amount of the debentures issued pursuant to the offering was $1,388,889, inclusive of a 10% original issue discount. The convertible note was to mature on January 16, 2025. On the one-year anniversary of the closing date, the principal amount then outstanding increased by 10%. Each warrant is exercisable into one common share of the Company at a price of $0.70 per share expiring two years from closing. The Company incurred cash transaction costs of $76,200.

During the year ended October 31, 2023, the Company repaid $1,388,889 of the principal amount of the convertible notes and recognized a loss on extinguishment of convertible note of $132,314 due to the early repayment.

On January 31, 2023, the Company amended a $500,000 promissory note that it obtained during the year ended October 31, 2022 (Note 17). Pursuant to the amendment, the promissory note was exchanged for a convertible note having a principal amount of $500,000, and the lender was issued 1,144,578 common share purchase warrants of the Company. The convertible note matured on August 5, 2023 and bore interest at a simple rate of 10% per annum. Interest was payable on March 31, 2023, June 30, 2023 and on the maturity date. Each warrant is exercisable into one common share of the Company at a price of $0.70 per share expiring two years from the amendment date.

During the year ended October 31, 2023, the Company repaid $500,000 of the principal amount of the convertible notes and accrued interest of $18,647.

A deferred income tax recovery of $49,748 was recorded against the equity components of the convertible notes during the year ended October 31, 2023.

During the year ended October 31, 2024, $97,493 (2023 - $511,839) of accretion and $199,716 (2023 - $322,259) of interest expense was recorded on the convertible notes. As at October 31, 2024, $112,909 (2023 - $136,803) of accrued interest is recorded in accounts payable and accrued liabilities (Note 15).

19 Share Capital

a) Authorized

Unlimited common shares, without par value.

b) Issued

During the year ended October 31, 2024:

681,860 Frenzy Earn Out Shares were issued in May 2024 (Note 6). The fair value of the common shares was determined to be $47,801.

On October 21, 2024, the Company issued 30,000,000 common shares pursuant to the acquisition of Bombee. The fair value of the common shares was determined to be $2,550,000 (Note 8).

During the year ended October 31, 2024, the fair value of the Deferred Compensation Shares issued to WPG recorded in share capital and share-based payments was $250,053. The fair value was determined based on the share price of the Company on the date of issuance.

During the year ended October 31, 2024, the fair value of the GameAddik Consideration Shares recorded in share capital was $1,040,689 and the vesting of post-combination expense Consideration Shares recorded as share-based payments was $787,767.

During the year ended October 31, 2023:

On December 30, 2022, January 23, 2023 and January 27, 2023, the Company closed three tranches of a non-brokered private placement financing of a total of 5,000,502 units of the Company at a price of $0.40 per unit for gross proceeds of $2,000,200. Each unit consists of one common share and one-half of one common share purchase warrant of the Company. Within the unit, a value of $0.35 was attributed to the common share and $0.05 to the warrant using the residual value method. Each warrant is exercisable into one common share of the Company at a price of $0.70 per share expiring three years from closing.

The Company paid cash finders' fees of $90,741 and issued a total of 226,851 Agent's warrants. Each Agent's warrant is exercisable at $0.40 per share expiring three years from closing. The Agent's warrants were fair valued at $66,350 using the Black-Scholes option valuation model with the following assumptions: Weighted average share price at the time of issuance $0.45; weighted average risk-free interest rate of 3.46%; weighted average expected life of three years; weighted average dividend rate – 0%; weighted average forfeiture rate – 0% and weighted average annualized volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

2,047,762 DMS Contingent Shares were issued in February 2023 (Note 5).

681,860 Frenzy Earn Out Shares were issued in April 2023 (Note 6). The fair value of the common shares was determined to be $235,242.

On April 18, 2023, the Company issued 70,175 common shares in the amount of $17,895 for services.

681,860 Frenzy Earn Out Shares were issued in October 2023 (Note 6). The fair value of the common shares was determined to be $95,460.

During the year ended October 31, 2023, 65,000 stock options were exercised for total proceeds of $20,150. The Company also transferred $18,100 from contributed surplus. The weighted average share price on the date of exercise was $0.38 per share.

During the year ended October 31, 2023, the fair value of the Deferred Compensation Shares issued to WPG recorded in share capital and share-based payments was $2,146,682. The fair value was determined based on the share price of the Company on the date of issuance.

During the year ended October 31, 2023, the fair value of the GameAddik Consideration Shares recorded in share capital was $2,485,524 and the vesting of post-combination expense Consideration Shares recorded as share-based payments was $2,154,197.

c) Stock Options

The Company adopted an equity incentive plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options can be granted for a maximum of ten years and vest as determined by the Board of Directors. The exercise price of each option granted may not be less than the price as permitted by the stock exchange.

On September 12, 2024, the Company granted 250,000 stock options to a director of the Company. The stock options entitle the holder thereof the right to purchase one common share for each option at $0.11 per share expiring on September 12, 2026. The stock options vested immediately. The fair value of the stock options of $20,000 was determined using the Black-Scholes option valuation model.

On April 10, 2024, the Company granted 750,000 stock options to an officer, an employee and consultants of the Company. The stock options entitle the holder thereof the right to purchase one common share for each option at $0.12 per share expiring on April 10, 2027. The stock options vested immediately. The fair value of the stock options of $60,000 was determined using the Black-Scholes option valuation model.

On October 3, 2023, the Company granted 1,250,000 stock options to an officer, an employee and consultants of the Company. The stock options entitle the holder thereof the right to purchase one common share for each option at $0.13 per share expiring on October 3, 2028. The stock options vested immediately. The fair value of the stock options of $125,000 was determined using the Black Scholes option valuation model.

On September 22, 2023, the Company granted 1,700,000 stock options to an officer, a consultant, directors and employees of the Company. The stock options entitle the holder thereof the right to purchase one common share for each option at $0.155 per share expiring on September 22, 2028. The stock options vested immediately. The fair value of the stock options of $187,000 was determined using the Black Scholes option valuation model.

On May 4, 2023, the Company granted 350,000 stock options to consultants of the Company. The stock options entitle the holder thereof the right to purchase one common share for each option at $0.24 per share expiring on May 4, 2028. The stock options vested immediately. The fair value of the stock options of $63,000 was determined using the Black Scholes option valuation model.

On December 28, 2022, the Company granted 550,000 stock options to consultants and an employee of the Company. The stock options entitle the holder thereof the right to purchase one common share for each option at $0.32 per share expiring on December 28, 2027. 375,000 of the stock options vested immediately, and the remainder vests upon the satisfaction of performance conditions. The fair value of the stock options of $132,000 was determined using the Black Scholes option valuation model. The share-based compensation for the 175,000 stock options that vest upon the satisfaction of performance conditions was recorded based on the probability and expected timing of when the stock options will ultimately vest.

During the year ended October 31, 2024, the Company recorded $64,156 (2023 - $511,867) in share-based compensation related to stock options.

(Expressed in Canadian Dollars)

The fair value of each option grant during the years ended October 31, 2024 and 2023 was estimated using the Black-Scholes option pricing model with assumptions as follows:

	2024	**2023**
Weighted average exercise price	$0.12	$0.18
Weighted average grant date share price	$0.12	$0.17
Risk-free interest rate	3.83%	4.04%
Expected life	2.75 years	5 years
Expected volatility	110%	100%
Dividend rate	0%	0%
Fair value	$0.08	$0.13

The following table summarized the continuity of the Company's stock options:

	Number of Stock Options Outstanding	**Weighted Average Exercise Price**
Balance, October 31, 2022	6,885,000	$ 0.68
Granted	3,850,000	0.18
Cancelled	(3,330,000)	0.89
Exercised	(65,000)	0.31
Balance, October 31, 2023	7,340,000	0.32
Granted	1,000,000	0.12
Cancelled	(1,835,000)	0.54
Balance, October 31, 2024	6,505,000	$ 0.23

As at October 31 2024, the Company had stock options outstanding enabling holders to acquire the following:

Number of Options Outstanding	**Number of Options Vested**	**Exercise price per option**	**Expiry date**
1,305,000	1,305,000	$0.25	August 17, 2025
250,000	250,000	$0.11	September 12, 2026
750,000	750,000	$0.12	April 10, 2027
200,000	200,000	$0.50	August 19, 2027
250,000	250,000	$0.51	September 16, 2027
500,000	500,000	$0.51	September 19, 2027
250,000	250,000	$0.32	December 28, 2027
350,000	350,000	$0.24	May 4, 2028
1,600,000	1,600,000	$0.155	September 22, 2028
1,050,000	1,050,000	$0.13	October 3, 2028
6,505,000	6,505,000		

(Expressed in Canadian Dollars)

d) Share Purchase Warrants

The following table summarized the continuity of the Company's share purchase warrants:

	Number of Share Purchase Warrants	Weighted Average Exercise Price
Balance, October 31, 2022	8,895,420	$ 1.83
Issued	6,769,827	0.70
Expired	(6,318,100)	1.95
Balance, October 31, 2023	9,347,147	0.93
Expired	(2,577,320)	1.54
Balance, October 31, 2024	6,769,827	$ 0.70

As at October 31, 2024, the Company had share purchase warrants outstanding enabling holders to acquire the following:

Number of Share Purchase Warrants	Exercise price per warrant	Expiry date
3,125,000	$0.70	January 16, 2025[1]
1,144,578	$0.70	January 31, 2025[1]
248,687	$0.70	December 30, 2025
1,186,330	$0.70	January 23, 2026
1,065,232	$0.70	January 27, 2026
6,769,827		

[1]Subsequent to October 31, 2024, these share purchase warrants expired unexercised.

e) Agent's Warrants

The following table summarized the continuity of the Company's Agent's Warrants:

	Number of Agent's Warrants	Weighted Average Exercise Price
Balance, October 31, 2022	704,592	$1.35
Granted	226,851	0.40
Expired	(608,035)	1.31
Balance, October 31, 2023	323,408	0.76
Expired	(96,557)	1.60
Balance, October 31, 2024	226,851	$0.40

(Expressed in Canadian Dollars)

As at October 31, 2024, the Company had agent's warrants outstanding enabling holders to acquire the following:

Number of Agent's Warrants	Exercise price per warrant	Expiry date
24,928	$0.40	December 30, 2025
149,041	$0.40	January 23, 2026
52,882	$0.40	January 27, 2026
226,851		

f) Restricted Share Units

The Company adopted an equity incentive plan under which it is authorized to grant restricted share units ("RSU") to officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The RSUs can be granted for a maximum of three years and vest as determined by the Board of Directors. On the vesting date, the Company will be obligated to redeem the RSUs in cash or by issuing one common share for each RSU, at the election of the Company.

On April 10, 2024, the Company granted 6,650,000 restricted share units to officers, directors, employees and consultants of the Company. The restricted share units vest on April 10, 2025.

The following table summarized the continuity of the Company's Restricted Share Units:

	Number of Restricted Share Units
Balance, October 31, 2022 and 2023	-
Granted	6,650,000
Balance, October 31, 2024	6,650,000

During the year ended October 31, 2024, the Company recorded $392,351 (2023 - $nil) in share-based compensation related to restricted share units.

g) Nature and Purpose of Reserves

Share Subscriptions Received

The share subscriptions received reserve is used to recognize share subscription proceeds that the Company has received in advance of share issuances.

Commitment to Issue Shares

The commitment to issue shares reserve is used to recognize the value of common shares that the Company is obligated to issue.

Contributed Surplus

The contributed surplus reserve is used to recognize the grant date fair value of options, restricted share units and warrants issued but not exercised, and the value of the convertible option on issuance of convertible notes.

Accumulated Other Comprehensive (Loss) Income

The accumulated other comprehensive (loss) income reserve is used to recognize exchange differences arising from foreign currency translation adjustments of subsidiaries that have a functional currency other than the Canadian dollar.

Non-Controlling Interest

The non-controlling interest reserve is used to recognize the non-controlling interest of the Company's subsidiaries and the associated income or loss.

20 Financial Instruments

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Fair Value:

As at October 31, 2024, the Company believes that the carrying values of cash, receivables, term deposits, accounts payable and accrued liabilities, convertible notes, acquisition payment commitment, and loans and credit facilities approximate their fair values because of their nature and relatively short maturity dates or durations. As at October 31, 2024, there was no item measured at fair value subsequent to initial recognition.

The Company's financial instruments are exposed to certain financial risks which are in common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. The following note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

General Objectives, Policies and Processes

The Board of Directors have overall responsibility for the determination of the Company's risk management objectives and policies and have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors are kept apprised on the process and would monitor the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The Company's risk exposures and the impact on the Company's consolidated financial statements are summarized below.

Financial risk factors

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and trade accounts receivable. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Trade accounts receivable balances are monitored on an ongoing basis. The Company maintains an allowance for expected credit losses to provide for the estimated amount of doubtful accounts. The allowance for expected credit losses is based on management's assessment of a customer's credit quality as well as subjective factors and trends, including the aging of receivable balances. The Company considers a financial asset not recoverable when the customer is more than 120 days past due or information obtained from the customer and other external factors indicate that the customer is unlikely to pay its creditors in full. Financial assets (and the related allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. The Company applied the simplified model and determined the lifetime expected credit loss allowance as at October 31, 2024 was $138,658 (2023 – $88,373).

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to floating rate of interest. The Company pays interest on its convertible notes at a fixed rate of 10% per annum. The loan payable assumed upon acquisition of Frenzy accrues interest at WIBOR 1-year rate plus 2.25% per annum and the Frenzy loans received during the year ended October 31, 2024 accrues interest at WIBOR 3-month rate plus 2% per annum. WPG's revolving demand credit facility bears interest at Royal Bank Prime plus 2% for loans in Canadian dollars, and at Royal Bank US Base Rate plus 2% for loans in US dollars. Therefore the Company is exposed to interest rate risk on its loans and credit facilities.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in the note.

The Company monitors its ability to meet its short-term administrative expenditures by matching investment income received to expenditures to be incurred. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

On October 7, 2019, the Company obtained a credit facility of $50,000 which bears interest at prime rate plus 3% which is secured by the CEO of the Company. As at October 31, 2024 and 2023, the Company had not utilized any of the credit facility.

During the year ended October 31, 2021, WPG obtained a revolving demand credit facility of $400,000 which bears interest at Royal Bank Prime plus 2% for loans made in Canadian currency, and at Royal Bank US Base Rate plus 2% for loans made in US Currency. The facility is secured by a general security agreement in all personal property of WPG, a first ranking security interest in all accounts receivable of WPG, and a guarantee and postponement of claim in the amount of $300,000 signed by the Company. As at October 31, 2024, the amount drawn from the credit facility is $62,271.

As at October 31, 2024, the Company had a cash balance of $838,937 and receivables of $741,187 to settle current liabilities of $6,723,311. The Company intends to raise adequate funds to meet its liquidity needs for the next twelve months via cash flows from operations, private placement or the sale of over-performing investments.

Contractual cash flow requirements as at October 31, 2024 were as follows:

	< 1 year $	1 – 2 years $	2 – 5 years $	>5 years $	Total $
Accounts payable and accrued liabilities	4,059,397	-	-	-	4,059,397
Acquisition payment commitment	1,612,801	-	-	-	1,612,801
Credit facilities	62,271	-	-	-	62,271
Loans payable	261,827	-	-	-	261,827
Convertible notes	615,000	-	-	-	615,000
Total	6,611,296	-	-	-	6,611,296

Foreign currency risk

The Company may be exposed to foreign currency risk on fluctuations related to cash, receivables, accounts payable and accrued liabilities, lease liabilities and loans and credit facilities that are denominated in a foreign currency.

As at October 31, 2024, the Company held cash, receivables, accounts payable and accrued liabilities, and loans and credit facilities of around $318,000 in foreign currencies other than the functional currencies of the Company and its subsidiaries. These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the profitability of the Company. A 10% change in the exchange rate would change profit or loss by approximately $32,000.

The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

21 Capital Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. In order to pay for general administrative costs, the Company will raise additional amounts as needed.

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders' equity and working capital as components of its capital base. The Company may access capital through the issuance of shares, debt or the disposition of assets. Management historically funds the Company's expenditures by issuing share capital or debt instruments. The Company is not subject to externally imposed capital requirements. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto. There was no change to the Company's approach to capital management during the year ended October 31, 2024.

(Expressed in Canadian Dollars)

22 Related Party Transactions

Related party transactions are comprised of services rendered by directors and/or officers of the Company or by a company with a director and/or officer in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Key Management Compensation

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include the Company's executive officers and members of the Board of Directors. Key management compensation consisted of the following:

	2024	2023
Wages, Benefits and Consulting Fees		
Konrad Wasiela, CEO and Wasiela Services Ltd., a company controlled by Konrad Wasiela	$240,000	$230,000
Andrea Lieuwen, CFO (effective September 12, 2022)	133,000	174,667
	373,000	404,677
Share-based payments incurred with directors and officers	231,793	169,411
Interest expense		
Konrad Wasiela, CEO	-	5,775
Legal fees, included in professional fees		
Segev LLP, of which Ron Segev, former Director is a principal partner	104,322	185,522
	$709,115	$765,375

Included in accounts payable and accrued liabilities at October 31, 2024 is $12,955 (2023 - $2,411) in unpaid legal fees, consulting fees and other balances owing to officers of the Company and to companies with an officer or director in common. The balance owing is unsecured, non-interest bearing and due in 30 days.

During the year ended October 31, 2023, the Company incurred total due diligence fees of $1,099,750 to companies controlled by Eric Jodain, former COO and former directors of GameAddik to assist with the sale of 70% of the issued and outstanding shares of GameAddik (Note 25). During the year ended October 31, 2024, the Company incurred additional consulting fees of $1,588,000 to companies controlled by Eric Jodain, former COO and former directors of GameAddik.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, unless otherwise noted.

(Expressed in Canadian Dollars)

23 Segmented Information and Revenue Disclosures

Segmented information

The Company operates in one industry segment of digital media and entertainment. Information for the segment as at and for the year ended October 31, 2024 is as follows:

	Digital media and entertainment	Corporate	Discontinued operations	Total
Types of products and services from which each reportable segment derives its revenues	Contract revenue – promotions and events	Activities not directly attributable to an operating segment		
Total assets	$ 6,192,953	$ 665,293	$ -	$ 6,858,246
Total liabilities	$ 1,696,583	$ 4,760,352	$ 421,046	$ 6,877,981
Revenue	$ 2,851,463	$ -	$ -	$ 2,851,463
Net loss from continuing operations	$ (1,098,081)	$ (5,489,252)	$ -	$ (6,587,333)

Information for the segment as at and for the year ended October 31, 2023 as follows:

	Digital media and entertainment	Corporate	Discontinued operations	Total
Types of products and services from which each reportable segment derives its revenues	Contract revenue – promotions and events	Activities not directly attributable to an operating segment		
Total assets	$ 1,714,103	$ 6,992,480	$ 404,987	$ 9,111,570
Total liabilities	$ 1,130,666	$ 4,363,399	$ 939,354	$ 6,433,419
Investment in GameAddik	$ -	$ 3,761,567	$ -	$ 3,761,567
Revenue	$ 3,607,163	$ -	$ -	$ 3,607,163
Net loss from continuing operations	$ (582,275)	$ (6,844,787)	$ -	$ (7,427,062)

(Expressed in Canadian Dollars)

Information about geographical areas

The Company's non-current assets are allocated to geographic segments as at October 31, 2024 and 2023 as follows:

	2024	**2023**
Canada	$ 4,701,548	$ 3,761,567
Poland	262,014	757,761
Romania	-	5,018
Total non-current assets	$ 4,963,562	$ 4,524,346

The Company's net loss from continuing operations is allocated to geographic segments for the years ended October 31, 2024 and 2023 as follows:

	2024	**2023**
Canada	$ (5,631,009)	$ (6,959,153)
Poland	(956,324)	(467,909)
Net loss from continuing operations	$ (6,587,333)	$ (7,427,062)

The Company's revenues are allocated to geographic segments for the years ended October 31, 2024 and 2023 as follows:

	2024	**2023**
Poland	$ 2,842,635	$ 3,607,163
Canada	8,828	-
Total revenue	$ 2,851,463	$ 3,607,163

Three customers (2023 – one customer) in the digital media and entertainment segment accounted for more than 10% of total revenue for the Company and in aggregate accounted for 47% (2023 – 59%) of sales.

(Expressed in Canadian Dollars)

Disaggregation of revenue

All of the revenue and gross profit are derived from the digital media and entertainment segment during the years ended October 31, 2024 and 2023.

During the year ended October 31, 2024, the Company recognized as revenue $9,305 (2023 - $20,826) which was included in deferred revenue at the beginning of the period. The Company expects to recognize as revenue the remaining performance obligations represented by the deferred revenue balance as at October 31 in the next twelve months.

Segmented information - cash flows

Cash flows are derived from the following sources during the year ended October 31, 2024:

	Digital media and entertainment	Corporate	Discontinued operations	Total
Operating Activities	$ (2,205,665)	$ (180,044)	$ 199,270	$ (2,186,439)
Investing Activities	$ -	$ 3,357,725	$ -	$ 3,357,725
Financing Activities	$ (169,701)	$ (2,000,000)	$ (268,361)	$ (2,438,062)

Cash flows are derived from the following sources during the year ended October 31, 2023:

	Digital media and entertainment	Corporate	Discontinued operations	Total
Operating Activities	$ (678,520)	$ (2,042,226)	$ 1,188,140	$ (1,532,606)
Investing Activities	$ -	$ 3,080,037	$ (63,853)	$ 3,016,184
Financing Activities	$ 672,802	$ (353,629)	$ (530,107)	$ (210,934)

(Expressed in Canadian Dollars)

24 Supplemental Disclosures with Respect to Cash Flows

		2024		2023
Supplemental cash-flow disclosures				
Interest paid – continuing operations	$	267,404	$	307,870
Interest paid – discontinued operations	$	-	$	147,389
Taxes paid – continuing operations	$	-	$	-
Taxes paid – discontinued operations	$	-	$	971,563
Non-cash investing and financing activities				
Fair value of stock options and warrants exercised	$	-	$	18,100
Fair value of agent's warrants issued	$	-	$	66,350
Fair value of shares issued to acquire Bombee	$	2,550,000	$	-
Fair value of Frenzy Earn-Out Shares issued	$	47,801	$	330,702
Fair value of deferred compensation shares issued to GameAddik	$	787,767	$	2,154,197
Fair value of shares issued for commitment to issue shares	$	252,922	$	1,701,881

(Expressed in Canadian Dollars)

Reconciliation of liabilities arising from financing activities for the years ended October 31, 2024 and 2023:

				Non-cash items		
	October 31, 2023	**Cash flow from continuing operations**	**Cash flow from discontinued operations**	**Accretion**	**Foreign Exchange**	**October 31, 2024**
	$	**$**	**$**	**$**	**$**	**$**
Lease liabilities	110,062	(114,554)	-	4,492	-	-
Credit facilities	330,632	-	(268,361)	-	-	62,271
Loans payable	343,644	(55,147)	-	-	(26,670)	261,827
Convertible notes	2,517,507	(2,000,000)	-	97,493	-	615,000
Total	3,301,845	(2,169,701)	(268,361)	101,985	(26,670)	939,098

						Non-cash items					
	October 31, 2022	**Cash flow from continuing operations**	**Cash flow from discontinued operations**	**Addition**	**Accretion**	**Foreign Exchange**	**Sale of Game-Addik**	**Loss on Extinguishment**	**Bifurcation to Equity**	**Conversion to Convertible Note**	**October 31, 2023**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Lease liabilities	1,242,956	(114,554)	(319,293)	240,110	159,759	-	(1,098,916)	-	-	-	110,062
Credit facilities	1,533,719	-	(513,153)	-	-	(14,934)	(675,000)	-	-	-	330,632
Loans payable	858,090	(134,737)	-	-	-	120,291	-	-	-	(500,000)	343,644
Convertible notes	2,806,965	(1,256,754)	-	-	511,839	(1,594)	-	132,314	(175,263)	500,000	2,517,507
Total	6,441,730	(1,506,045)	(832,446)	240,110	671,598	103,763	(1,773,916)	132,314	(175,263)	-	3,301,845

(Expressed in Canadian Dollars)

25 Discontinued Operations

On August 5, 2023, the Company entered into the Transaction for the sale of 70% of the issued and outstanding shares of GameAddik. The remaining 30% of the issued and outstanding shares of GameAddik were retained by the Company. The Transaction was completed on August 13, 2023.

The consideration consisted of (i) $7,349,750 in cash paid on the closing of the transaction, which includes a purchase price adjustment, and (ii) a 15% holdback of $1,079,573 for certain indemnification obligations of the Company under the SPA. The holdback will be released to the Company in two equal tranches on each of the 6-month and 12-month anniversaries of the closing, respectively, subject to any outstanding or pending claims for indemnification. As part of the transaction costs in connection with the Transaction, the Company paid ZDK Holdings Ltd., DBA Kepler Acquisitions Group a fee of 2% of the transaction value for providing M&A advisory services in connection with the Transaction.

The following tables outline the net assets disposed of, the consideration received and the gain on sale of GameAddik. The remaining 30% of the net assets of GameAddik were revalued based on the transaction price and recognized as an Investment in GameAddik.

GameAddik

Cash	$	7,349,750
Holdback receivable		1,079,573
Fair value of consideration received		8,429,323
Allocated to the net assets disposed (70% basis):		
Cash		512,371
Receivables		3,009,138
Prepaids		66,398
Equipment and right-of-use assets		1,168,731
Customer relationships		421,458
Brand and media presence		1,953,000
Goodwill		2,212,682
Accounts payable and accrued liabilities		(1,692,083)
Credit facility		(472,500)
Lease liability		(769,242)
Provision for income taxes		(65,061)
Deferred tax liability		(637,386)
Total net assets disposed		5,707,506
Less: transaction costs		(1,408,261)
Gain on sale of GameAddik	$	1,313,556

(Expressed in Canadian Dollars)

As at October 31, 2023, the Company had decided to discontinue the business of Digital Motorsports. GameAddik and Digital Motorsports are considered to be discontinued operations for the Company, as each represents a separate major line of business and has been discontinued. GameAddik and Digital Motorsports' net incomes and cash flows have been presented in these consolidated financial statements as discontinued operations. During the year ended October 31, 2024, WPG has ceased all operations and as it represents a separate major line of business and had been discontinued, WPG's net incomes and cash flows have been presented in these consolidated financial statements as discontinued operations.

The results of operations for GameAddik, Digital Motorsports and WPG are presented as discontinued operations for the years ended October 31, 2024 and 2023 as shown below:

	For the year ended October 31, 2024		
	WPG	**Digital Motorsports**	**Total**
Revenue	$ 4,180,637	$ 48,371	$ 4,229,008
Cost of sales	(4,274,923)	(70,124)	(4,345,047)
Gross Profit	(94,286)	(21,753)	(116,039)
Expenses	(98,753)	(20,699)	(119,452)
Other items	(1,298)	-	(1,298)
Loss for the year from discontinued operations	(194,337)	(42,452)	(236,789)
Other comprehensive income (loss)	143	(717)	(574)
Comprehensive loss for the year from discontinued operations	$ (194,194)	$ (43,169)	$ (237,363)

(Expressed in Canadian Dollars)

	For the year ended October 31, 2023			
	GameAddik	**Digital Motorsports**	**WPG**	**Total**
Revenue	$ 19,469,572	$ 3,531,077	$ 15,491,335	$ 38,491,984
Cost of sales	(14,090,694)	(3,453,594)	(15,410,197)	(32,954,485)
Gross Profit	5,378,878	77,483	81,138	5,537,499
Expenses	(3,788,671)	(908,028)	(836,555)	(5,533,254)
Other items	(251,708)	93,408	(142,996)	(301,296)
Income (loss) for the year before taxes	1,338,499	(737,137)	(898,413)	(297,051)
Provision for income taxes	(385,178)	5,301	(5,410)	(385,287)
Income (loss) for the year from discontinued operations	953,321	(731,836)	(903,823)	(682,338)
Gain on sale of GameAddik	1,313,556	-	-	1,313,556
Net income (loss) for the year from discontinued operations	2,266,877	(731,836)	(903,823)	631,218
Other comprehensive income (loss)	-	(29,822)	8,132	(21,690)
Comprehensive income (loss) for the year from discontinued operations	$ 2,266,877	$ (761,658)	$ (895,691)	$ 609,528

(Expressed in Canadian Dollars)

26 Income Tax

Income tax expense varies from the amount that would be computed from applying the statutory income tax rate to income (loss) before taxes as follows:

	2024	2023
Income (loss) for the year before income tax from continuing operations	$ (6,587,333)	$ (7,427,062)
Statutory corporate tax rate	27%	27%
Anticipated tax expense (recovery)	(1,778,600)	(2,005,300)
Change in tax rates resulting from:		
Foreign income taxed at different rate and foreign exchange	18,600	47,500
Permanent differences	553,400	1,113,500
Change in unrecognized tax benefits	1,197,500	800,000
Total current and deferred income tax recovery	$ (9,100)	$ (44,300)

The breakdown of the income tax recovery is as follows:

	2024	2023
Current	$ -	$ 5,400
Deferred	(9,100)	(49,700)
	$ (9,100)	$ (44,300)

In the year ended October 31, 2023, a deferred tax recovery of $49,700 was charged to shareholder's equity as a result of the convertible debt issuance.

The Company has the following unrecognized deductible temporary differences expiring as follows:

	2024	Expiring	2023	Expiring
Temporary Difference				
Losses in Canada	$ 15,285,426	2036-2044	$ 9,767,439	2036-2043
Losses in Poland	1,133,628	2025-2029	1,479,540	2024-2028
Financing Costs	440,595	2025-2027	685,084	2024-2027
Other	995,063	-	559,801	-

27 Subsequent Events

On December 18, 2024, the Company received a loan with the principal amount of $500,000, less an Original Issue Discount of 10% ($50,000), for net proceeds of $450,000 to the Company. The loan matures on December 18, 2025, is unsecured, and bears interest at a simple rate of 10% per annum. In addition to the repayment of the principal and interest, the Company will pay the lender a one-time bonus of $100,000, if the Company successfully completes a listing of its shares on the Nasdaq Stock Exchange or completes the sale or disposition of its main operating assets.

On November 8, 2024, the Company repaid $94,000 of the principal amount of the convertible notes and $17,460 of accrued interest. On January 3, 2025, the Company repaid $270,000 of the principal amount of the convertible notes and $54,296 of accrued interest.

On February 5, 2025, the Company granted 250,000 stock options to a director of the Company. The stock options entitle the holder thereof the right to purchase one common share for each option at $0.07 per share expiring on February 5, 2028.

Subsequent to October 31, 2024, the exercise price of the 3,125,000 share purchase warrants with an expiry date of January 16, 2025 has been amended from $0.70 to $0.125.