

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Amendment No. 1

ELRAY RESOURCES, INC.

3651 Lindell Road, Suite D131, Las Vegas, NV 89103

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<http://elraygaming.com>

info@elraygaming.com

7370

Quarterly Report

For the Period Ending: September 30, 2021
(the "Reporting Period")

As of September 30, 2021, the number of shares outstanding of our Common Stock was:

2,405,612,176

As of June 30, 2021, the number of shares outstanding of our Common Stock was:

2,405,612,176

As of December 31, 2020, the number of shares outstanding of our Common Stock was:

2,405,612,176

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: ☐ No: ☒

1) Name and address(es) of the issuer and its predecessors (if any)

¹ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Elray Resources Inc. December 13, 2006

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Nevada – active

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

3651 Lindell Road, Suite D131, Las Vegas NV 89103

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address: ☒

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

2) Security Information

Trading symbol: ELRA
Exact title and class of securities outstanding: Common Stock
CUSIP: 29015T702
Par or stated value: \$0.001

Total shares authorized:	<u>2,500,000,000</u>	as of date: <u>September 30, 2021</u>
Total shares outstanding:	<u>2,405,612,176</u>	as of date: <u>September 30, 2021</u>
Number of shares in the Public Float ² :	<u>2,171,193,184</u>	as of date: <u>September 30, 2021</u>
Total number of shareholders of record:	<u>103</u>	as of date: <u>September 30, 2021</u>

² "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

All additional class(es) of publicly traded securities (if any): None

Transfer Agent

Name: Empire Stock Transfer Inc.
Phone: 702-818-5898
Email: info@empirestock.com
Address: 1859 Whitney Mesa Dr., Henderson NV 89014

Is the Transfer Agent registered under the Exchange Act? Yes: ☒ No: ☐

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☒

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u> Date <u>12/31/2018</u> Common: <u>2,405,612,176</u> Preferred: <u>199,083,333</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shares Outstanding on Date of This Report: <u>Ending Balance:</u> Date <u>09/30/2021</u> Common: <u>2,405,612,176</u> Preferred: <u>199,083,333</u>									

Use the space below to provide any additional details, including footnotes to the table above:

3 To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☐

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
<u>05/06/2013</u>	<u>\$10,670</u>	<u>\$50,000</u>	<u>\$8,840</u>	<u>12/03/2013</u>	Conversion Price: 50% multiplied by the market price	JSJ Investments, Inc. <u>Sameer Hirji</u>	<u>Loan</u>
<u>08/21/2014</u>	<u>\$45,560</u>	<u>\$50,000</u>	<u>\$64,198</u>	<u>02/21/2015</u>	Conversion Price: 40% multiplied by the market price	JSJ Investments, Inc. <u>Sameer Hirji</u>	<u>Loan</u>
<u>01/20/2015</u>	<u>\$40,000</u>	<u>\$40,000</u>	<u>\$32,104</u>	<u>07/20/2015</u>	Conversion Price: 40% multiplied by the market price	JSJ Investments, Inc. <u>Sameer Hirji</u>	<u>Loan</u>
<u>01/20/2015</u>	<u>\$32,623</u>	<u>\$60,000</u>	<u>\$25,670</u>	<u>01/20/2010</u>	Conversion Price: 50% multiplied by the market price	JSJ Investments, Inc. <u>Sameer Hirji</u>	<u>Loan</u>
<u>09/23/2014</u>	<u>\$116,936</u>	<u>\$75,000</u>	<u>\$163,986</u>	<u>09/23/2015</u>	Conversion Price: 50% multiplied by the market price	WHC Capital, LLC <u>Hamin Abdullah</u>	<u>Loan</u>
<u>09/02/2014</u>	<u>\$10,966</u>	<u>\$30,000</u>	<u>\$17,668</u>	<u>03/02/2015</u>	Conversion Price: 50% multiplied by the market price	Beaufort Capital Partners LLC <u>Robert Marino</u>	<u>Loan</u>
<u>10/13/2014</u>	<u>\$15,393</u>	<u>\$55,000</u>	<u>\$26,080</u>	<u>10/13/2015</u>	Conversion Price: 45% multiplied by the market price	Tangiers Investment Group, LLC <u>Michael Sobeck</u>	<u>Loan</u>
<u>10/13/2014</u>	<u>\$33,000</u>	<u>\$33,000</u>	<u>\$42,186</u>	<u>10/13/2015</u>	Conversion Price: 45% multiplied by the market price	Tangiers Investment Group, LLC <u>Michael Sobeck</u>	<u>Loan</u>
<u>02/23/2015</u>	<u>\$4,654</u>	<u>\$20,000</u>	<u>\$3,750</u>	<u>01/23/2017</u>	Conversion Price: 40% multiplied by the market price	Microcap Equity Group, LLC <u>Ibrahim Almagarby</u>	<u>Loan</u>
<u>01/23/2014</u>	<u>\$481,500</u>	<u>\$1,500,000</u>	<u>\$541,706</u>	<u>01/23/2017</u>	Conversion Price: 100% multiplied by the market price	Virtual Technology Group, LLC <u>Andrew McGreer</u>	<u>Loan</u>
<u>01/23/2014</u>	<u>\$2,324,000</u>	<u>\$2,800,000</u>	<u>\$2,614,595</u>	<u>01/23/2017</u>	Conversion Price: 100% multiplied by the market price	GoldGlobe Investments Ltd <u>Anastasia Themistocleous</u>	<u>Loan</u>
<u>04/15/2014</u>	<u>\$5,800</u>	<u>\$25,000</u>	<u>\$6,426</u>	<u>04/14/2016</u>	Conversion Price: 60% multiplied by the market price	Vista Capital Investments, LLC <u>David Clark</u>	<u>Loan</u>

Use the space below to provide any additional details, including footnotes to the table above:

4) Financial Statements

A. The following financial statements were prepared in accordance with:

☒ U.S. GAAP

☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)⁴:

Name: **Anthony B. Goodman**

Title: **CEO and CFO**

Relationship to Issuer: **Officer and director**

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance Sheet;
- D. Statement of Income;
- E. Statement of Cash Flows;
- F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- G. Financial notes; and
- H. Audit letter, if audited

The Unaudited Financial Statements for the nine months ending September 30, 2021 and 2020 are appended hereto.

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Elray Gaming was formed in 2004 when a group of Successful Online Software marketing specialists identified an opportunity: the market need for professional and qualified consultants to effectively manage, market and operate online e-commerce businesses.

- B. Please list any subsidiaries, parents, or affiliated companies.

None

- C. Describe the issuers' principal products or services.

Elray Gaming was formed in 2004 when a group of Successful Online Software marketing specialists identified an opportunity: the market need for professional and qualified consultants to effectively manage, market and operate online e-commerce businesses. Elray Tech provides a complete turnkey solution for numerous successful online e-commerce companies as well as performs strategic marketing and consulting services for companies from all parts of the world.

6) Issuer's Facilities

⁴ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Issuer uses shared office space at a nominal monthly cost located at 3651 Lindell Road, Suite D131, Las Vegas NV 89103

7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>Anthony Brian Goodman</u>	<u>Director, CEO, CFO, President and Secretary</u>	<u>Dover Heights, Australia</u>	<u>234,418,992</u>	<u>Common</u>	<u>9.7%</u>	_____
<u>Weiting Feng</u>	<u>Treasurer and Director</u>	<u>Bondi Junction, Australia</u>	<u>5</u>	<u>Common</u>	<u>0%</u>	_____
<u>Virtual Technology Group Inc. B/O: Andrew McGreer</u>	<u>5% or great holder</u>	<u>Jackson's Gap, AL</u>	<u>192,000,000</u> <u>5,000,000</u> <u>290</u>	<u>Preferred B</u> <u>Preferred C</u> <u>Common</u>	<u>100%</u> <u>70.59%</u> <u>0%</u>	
<u>Yangjiu Xie</u>	<u>5% or great holder</u>	<u>No. 51-19 Hanxibei Road</u>	<u>2,083,333</u>	<u>Preferred C</u>	<u>29.41%</u>	_____

8) Legal/Disciplinary History

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: Sharon D. Mitchell
Firm: SD Mitchell & Assoc PLC
Address 1: 829 Harcourt Rd
Address 2: Grosse Point Park, MI 48230
Phone: 248-515-6035
Email: sharondmac2013@gmail.com

Accountant or Auditor

None

Investor Relations

None

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared or provided information with respect to this disclosure statement.** This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

Name: Jacqueline Danforth
Firm: The Ideal Connection
Nature of Services: Compliance consulting
Address 1: 30 North Gould, Suite 5953
Address 2: Sheridan WY 82801
Phone: 646-831-6244
Email: jd@theidealconnection.com

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Anthony Brian Goodman certify that:

1. I have reviewed this Amendment No. 1 to the Quarterly Disclosure Statement for the nine months ended September 30, 2021 of Elray Resources Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 23, 2021

/s/Anthony B. Goodman

President, CEO, CFO and Director
(Principal Executive and Financial Officer)

ELRAY RESOURCES, INC.**Balance Sheets****(Unaudited)**

	<u>September 30,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash	6,396	13,412
Account receivable-related party	237,938	318,088
Prepaid Expenses	9,971	9,971
Total current assets	<u>254,305</u>	<u>341,471</u>
Rent deposit and other deposit	<u>26,145</u>	<u>26,145</u>
Total assets	<u>280,450</u>	<u>367,616</u>

LIABILITIES AND SHAREHOLDERS' DEFICIT

Current liabilities:		
Accounts payable and accrued liabilities	5,312,037	4,786,187
Accounts payable – related parties	3,121,839	3,189,574
Advances from shareholders	59,391	59,391
Other payable-related party	39,824	39,824
Short-term debt	1,727,266	1,689,905
Notes payable	45,429	45,429
Convertible notes payable, net of discounts	3,121,102	3,131,981
Derivative liabilities - note conversion feature	3,311,785	2,987,119
Total liabilities	<u>16,738,673</u>	<u>15,929,410</u>

Shareholders' deficit:

Series A preferred stock, par value \$0.001, 300,000,000 shares authorized, 0 and 0 shares issued and outstanding, respectively		
Series B preferred stock, par value \$0.001, 280,000,000 shares authorized, 192,000,000 and 192,000,000 shares issued and outstanding, respectively	192,000	192,000
Series C preferred stock, par value \$0.001, 10,000,000 shares authorized, 7,083,333 and 7,083,333 shares issued and outstanding, respectively	7,083	7,083

Common stock, par value		
\$0.001,2,500,000,000 shares authorized,		
2,405,612,176 and 2,405,612,176 shares		
issued and outstanding, respectively	2,405,612	2,405,612
Additional paid-in capital	15,742,685	15,721,464
Subscription receivable	(75,672)	(75,672)
Stock issuable	5,022	5,022
Accumulated deficit	<u>(34,734,953)</u>	<u>(33,817,303)</u>
Total shareholders' deficit	<u>(16,458,223)</u>	<u>(15,561,794)</u>
Total liabilities and shareholders' deficit	<u>280,450</u>	<u>367,616</u>

ELRAY RESOURCES, INC.

Statements of Operations

(unaudited)

**For the Three Months
Ended September 30,**

**For the Nine Months
Ended September 30,**

	2021	2020	2021	2020
Revenues – related parties	-	-	-	-
Gross Profit	-	-	-	-
Costs and expenses				
General and administrative expenses	14,437	656	19,965	3,005
Total operating expenses	14,437	656	19,965	3,005
Loss from operations	(14,437)	(656)	(19,965)	(3,005)
Other income (expense):				
Interest expense	(185,748)	(186,059)	(551,798)	(554,131)
Unrealized gain (loss) on derivative liability - note conversion feature	949,449	128,631	(345,887)	(1,028,717)
Total other income (expense)	763,701	(57,428)	(897,685)	(1,582,848)
Net profit (loss)	749,264	(58,084)	(917,650)	(1,585,853)
Net loss per common share - basic	-	-	-	-
Net loss per common share - diluted	-	-	-	-
Weighted average number of common shares outstanding - basic	2,405,612,176	2,405,612,176	2,405,612,176	2,405,612,176
Weighted average number of common shares outstanding - diluted	3,547,410,128	2,405,612,176	2,405,612,176	2,405,612,176

ELRAY RESOURCES, INC.
Statement of Shareholders' Deficit
Nine Months Ended September 30, 2020 and 2021

	Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid-in Capital	Subscription Receivable	Stock Issuable	Accumulated Deficit	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2019	192,000,000	192,000	7,083,333	7,083	2,405,612,176	2,405,612	15,721,464	(75,672)	5,022	(32,382,999)	(14,127,490)
Net loss	-	-	-	-	-	-	-	-	-	(1,325,401)	(1,325,401)
Balance at March 31, 2020	192,000,000	192,000	7,083,333	7,083	2,405,612,176	2,405,612	15,721,464	(75,672)	5,022	(33,708,400)	(15,452,891)
Net loss	-	-	-	-	-	-	-	-	-	(202,368)	(202,368)
Balance at June 30, 2020	192,000,000	192,000	7,083,333	7,083	2,405,612,176	2,405,612	15,721,464	(75,672)	5,022	(33,910,768)	(15,655,259)
Net loss	-	-	-	-	-	-	-	-	-	(58,084)	(58,084)
Balance at September 30, 2020	192,000,000	192,000	7,083,333	7,083	2,405,612,176	2,405,612	15,721,464	(75,672)	5,022	(33,968,852)	(15,713,343)

Balance at December 31, 2020	192,000,000	192,000	7,083,333	7,083	2,405,612,176	2,405,612	15,721,464	(75,672)	5,022	(33,817,303)	(15,561,794)
Net loss	-	-	-	-	-	-	-	-	-	(791,264)	(791,264)
Balance at March 31, 2021	192,000,000	192,000	7,083,333	7,083	2,405,612,176	2,405,612	15,721,464	(75,672)	5,022	(34,608,567)	(16,353,058)
Net loss	-	-	-	-	-	-	-	-	-	(875,650)	(875,650)
Balance at June 30, 2021	192,000,000	192,000	7,083,333	7,083	2,405,612,176	2,405,612	15,721,464	(75,672)	5,022	(35,484,217)	(17,228,708)
Settlement of derivative liabilities	-	-	-	-	-	-	21,221	-	-		21,221
Net profit	-	-	-	-	-	-	-	-	-	749,264	749,264
Balance at September 30, 2021	192,000,000	192,000	7,083,333	7,083	2,405,612,176	2,405,612	15,742,685	(75,672)	5,022	(34,734,953)	(16,458,223)

Elray Resources. INC
Cash Flow Statement
(Unaudited)

	For the Nine Months Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(917,650)	(1,585,853)
Adjustments to reconcile net loss to net cash		
Loss on derivative liabilities - note conversion feature	345,887	1,028,717
Changes in operating assets and liabilities:		
Accounts receivable - related parties	80,150	130,750
Accounts payable	552,332	558,960
Accounts payable - related parties	(67,735)	(132,400)
CASH USED FOR OPERATING ACTIVITIES	(7,016)	174
NET INCREASE (DECREASE) IN CASH	(7,016)	174
CASH AT BEGINNING OF PERIOD	13,412	8,027
CASH AT END OF PERIOD	6,396	8,201
Supplemental disclosure of non-cash activities		
Settlement of derivative liabilities	21,221	-
Transfer of convertible notes payable and interest payable into short-term debt	37,361	-

ELRAY RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Elray Resources, Inc. ("Elray" or the "Company"), a Nevada Company formed on December 13, 2006, has been providing marketing and support for online gaming operations. The Company maintains its administrative office in Australia and its gaming operations is currently targeting the Asian market.

The accompanying unaudited consolidated financial statements of Elray have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Derivative Instruments

Derivatives are measured at their fair value on the balance sheet. In determining the appropriate fair value, the Company uses the Black-Scholes-Merton option pricing model. Changes in fair value are recorded in the statements of operations.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one more significant inputs or significant value drivers are unobservable.

Our financial instruments include cash, accounts receivable – related parties, accounts payable and accrued liabilities, notes payable, short term debt payable, convertible notes payable, advances from shareholders, and derivative liabilities. The carrying values of these financial instruments approximate their fair value due to their short-term nature except for derivative liabilities. The derivative liabilities are stated at their fair value as a level 3 measurement.

Revenues

Prior to January 1, 2018, revenues were recognized when the four basic criteria for recognition were met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) consideration is fixed or determinable; and (4) collectability is reasonably assured. The Company adopted new accounting guidance for revenue recognition effective January 1, 2018 which did not have a material impact on the Company's financial statements.

Beginning January 1, 2018, the Company analyzes contracts to determine the appropriate revenue recognition using the following steps: (i) identification of contracts with customers; (ii) identification of distinct performance obligations in the contract; (iii) determination of contract transaction price; (iv) allocation of contract transaction price to the performance obligations; and (v) determination of revenue recognition based on timing of satisfaction of the performance obligation. The Company recognizes revenues upon the satisfaction of its performance obligations (upon transfer of control of promised goods or services to customers) in an amount that reflects the consideration to which it expects to be entitled to in exchange for those goods or services.

The Company currently has no revenues during the nine months ended September 30, 2021.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. On December 22, 2017, new federal tax reform legislation was enacted in the United States (the “2017 Tax Act”), resulting in significant changes from previous tax law. The 2017 Tax Act reduces the federal corporate income tax rate to a flat 21% effective January 1, 2018.

Tax benefits are initially recognized in the financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially, and subsequently, measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority, assuming full knowledge of the position and all relevant facts. No deferred tax asset attributable to the net operating loss carry forward has been recognized, as it is not deemed likely to be realized.

Loss Per Common Share

Basic net earnings (loss) per common share are computed by dividing net earnings (loss) available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents. In periods when losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

The dilutive effect of outstanding stock options and warrants is reflected in diluted earnings per share by application of the treasury stock method. The dilutive effect of outstanding convertible securities and preferred stock is reflected in diluted earnings per share by application of the if-converted method.

As of September 30, 2021, the nine-month potentially diluted loss per share excludes notes convertible to 1,141,795,827 shares of the Company’s common stock and preferred stock convertible to 2,125 shares of the Company’s common stock.

Subsequent Events

Elray evaluated subsequent events through the date these financial statements were issued for disclosure purposes.

Recent Accounting Pronouncements

In February 2016, a pronouncement was issued that creates new accounting and reporting guidelines for leasing arrangements. The new guidance requires organizations that lease assets to recognize assets and liabilities on the balance sheet related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with early application permitted. The new standard is to be applied using a modified retrospective approach. The Company is currently evaluating the impact of the new pronouncement on its financial statements.

Elray's management does not believe that any other recently issued effective pronouncements, or pronouncements issued but not yet effective, if adopted, would have a material effect on the accompanying financial statements.

NOTE 2 – GOING CONCERN

The accompanying unaudited consolidated financial statements of Elray have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company sustained a loss of \$917,650 for the nine months ended September 30, 2021. The factor raises substantial doubt regarding the Company's ability to continue as a going concern. Without realization of additional capital, it would be unlikely for Elray to continue as a going concern. Elray's management plans on raising cash from public or private debt, on an as needed basis, and in the longer term, revenues from the gambling business. Elray's ability to continue as a going concern is dependent on these additional cash financings, and, ultimately, upon achieving profitable operations through the development of its gambling business.

NOTE 3 – SHORT-TERM DEBT

On December 20, 2013, the Company entered into a settlement agreement with Tarpon Bay Partners LLC ("Tarpon") whereby Tarpon acquired certain notes and accounts payable against the Company in the amount of \$2,656,214. Pursuant to the agreement, the Company and Tarpon submitted the settlement agreement to the Circuit Court of the Second Judicial Circuit, Leon County, Florida for a hearing on the fairness of the agreement and the exemption from registration under the Securities Act of 1933 for the shares that will be issued to Tarpon for resale ("Settlement Shares"). 75% of the proceeds less all applicable fees and charges from the resale of the Settlement Shares will be remitted to the original claim holders of the Company ("Remittance Amount"). The Company agreed to issue sufficient shares to generate proceeds such that the aggregate Remittance Amount equals \$2,656,214. The settlement agreement was effective on January 27, 2014 when the court granted approval.

On May 17, 2018, the Company entered into a cancellation and release agreement with Tarpon. Pursuant to the agreement, the outstanding balance of the original notes and accounts payable of the Company shall continue to be an obligation of the Company. The Company reclassified \$1,689,905 of the outstanding settlement payable to short-term debt and \$472,254 of the outstanding settlement payable to accounts payable.

GSM Fund Management LLC

On January 30, 2015, the Company entered into an assignment and modification agreement to assign \$62,500 of the convertible promissory note of VTG dated January 23, 2014 to GSM Fund Management LLC ("GSM"). The note bears interest at 12% and matured on January 30, 2016. GSM has the right after a period of 180 days to convert the balance outstanding into the Company's common stock at a rate equal to 50% of the lowest closing bid price in the 15 trading days prior to the conversion date. The Company recorded a loss on extinguishment of debt of \$52,364 related to the exchange. On April 9, 2018, the Company issued 150,221,707 shares of common stock for the conversion of this note in the amount of \$7,511.

On July 23, 2021, the Company, Pursuant to Chapter 104 - Uniform Commercial Code—Original Articles, NRS 104.3603 - Tender of payment. NV Rev Stat § 104.3603 (2013) and other applicable law, issued a Notice of Tender to GSM Fund Management LLC by a registered letter. The Company tendered full payment for the then outstanding balance of the Note, in the amount of \$37,297. Such tender of payment by the Company to GSM Fund Management LLC was in full discharge of the Company's obligations under the Note. The registered letter was received by the counter party on August 3, 2021, but the Company did not receive any responses from GSM Fund Management LLC. As per the statute, the Company has decided to cease to incur penalty interest on the date the letter was received by GSM Fund Management LLC and will move from convertible liability to a short-term debt and be a fixed amount going forward. As of September 30, 2021, balance of the debt was \$37,361.

NOTE 4 – NOTES PAYABLE

Notes payable

Notes payable on September 30, 2021 and December 31, 2020 consisted of the following:

	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Morchester International Limited	July 14, 2012	15%	\$ 35,429	\$ 35,429
Morchester International Limited	July 14, 2012	8%	10,000	10,000
Total			<u>\$ 45,429</u>	<u>\$ 45,429</u>

On December 9, 2011, Elray entered into an Amended Splitrock Agreement whereby the Company acquired certain assets and liabilities of Splitrock. As part of the liabilities assumed in terms of the Amended Splitrock Agreement, the Company assumed notes payable of \$292,929 bearing interest of 8% or 15% per annum. On December 20, 2013, the Company entered into a settlement agreement with Tarpon Bay Partners LLC ("Tarpon") whereby Tarpon acquired \$247,500 of the notes payable against the Company. The remaining notes issued to Morchester International Limited not purchased by Tarpon are currently in default. The default had no effect on the notes' interest rate.

Convertible notes payable

Convertible notes payable, at September 30, 2021 and December 31, 2020, consisted of the following:

	<u>Interest Rate</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
JSJ Investments, Inc.	10%~20%	\$ 128,853	\$ 128,853
WHC Capital, LLC	22%	116,936	116,936
Beaufort Capital Partners, LLC	12%	10,966	10,966
Tangiers Investment Group, LLC	20%	48,393	48,393
GSM Fund Management, LLC	18%	-	10,879
Microcap Equity Group, LLC	10%	4,654	4,654
Virtual Technology Group, Ltd	24%	481,500	481,500
Gold Globe Investments Ltd	24%	2,324,000	2,324,000
Vista Capital Investments, LLC.	12%	5,800	5,800
Total		<u>\$ 3,121,102</u>	<u>\$ 3,131,981</u>

JSJ Investments, Inc.

On May 31, 2013, the Company entered into a convertible promissory note with JSJ Investments, Inc. ("JSJ") for \$50,000. The note matured on December 2, 2013. The note holder has the option to convert the note to common shares in the Company at a discount of 50% of the average closing price over the last 120 days prior to conversion, or the average closing price over the last seven days prior to conversion. As of September 30, 2021, the remaining principal of \$10,670 has not been converted. The note is currently in default. As of September 30, 2021, accrued interest of this note was \$8,840. The default had no effect on the note's interest rate.

On August 21, 2014, the Company entered into a convertible promissory note with JSJ for \$50,000 cash. The note matured on February 21, 2015. Upon the maturity, the note has a cash redemption premium of 150% of the principal amount. The note is convertible to the Company's common shares at a discount of 60% of the average of the three lowest bids on the twenty days before the date this note is executed, or 60% of the average of the three lowest bids during the twenty trading days preceding the delivery of any conversion notice, whichever is lower. The note is currently in default and has a default interest rate of 20% per annum. As of September 30, 2021, balance of this note was \$45,560, accrued interest of this note was \$64,198.

On January 20, 2015, the Company entered into a convertible promissory note with JSJ for \$40,000. The note bears interest at 12% and matured on July 20, 2015. Upon the maturity, the note has a cash redemption premium of 150% of the principal amount. The note is convertible to the Company's common shares at 40% of the lowest trading price on the twenty days before the date this note is executed, or 40% of the lowest trading price during the twenty trading days preceding the delivery of any conversion notice, whichever is lower. The note is currently in default. The default had no effect on the note's interest rate. As of September 30, 2021, balance of this note was \$40,000, accrued interest of this note was \$32,104.

On January 20, 2015, the Company entered into a convertible promissory note with JSJ for \$60,000, which was issued in exchange for a portion of the promissory note issued to VTG on January 23, 2014. The note bears interest at 12% and matured on January 20, 2015. JSJ has the right to convert the balance outstanding into the Company's common stock at a rate equal to 50% of the lowest trading price on the twenty days before the date this note is executed, or 50% of the lowest trading price during the twenty trading days preceding the delivery of any conversion notice, whichever is lower. The Company recorded a loss on extinguishment of debt of \$441 related to the exchange. The note is currently in default. The default had no effect on the note's interest rate. As of September 30, 2021, balance of this note was \$32,623, accrued interest of this note was \$25,670.

WHC Capital, LLC

On September 23, 2014, the Company entered into a convertible promissory note with WHC Capital, LLC ("WHC") for \$75,000. The note bears interest at 12% and matured on September 23, 2015. WHC has the right at any time during the period beginning on the date of this note to convert the balance outstanding into the Company's common stock at a rate equal to 50% of the lowest intra-day trading price during the fifteen trading days prior to the conversion date. On September 23, 2015, the Company failed to repay the outstanding balance of this note and a penalty of \$41,978 was added to the outstanding balance pursuant to the note terms. As of September 30, 2021, balance of this note was \$116,936, accrued interest of this note was \$163,986. This note is currently in default and has a default interest rate of 22% per annum.

Beaufort Capital Partners, LLC

On September 2, 2014, the Company entered into a convertible promissory note with Beaufort Capital Partners, LLC ("Beaufort") for \$21,000. The note matured on March 2, 2015. Beaufort has the right after the maturity date to convert the balance outstanding into the Company's common stock at a rate equal to 50% of the lowest trading prices during the fifteen trading days prior to the conversion date. Under certain conditions, the conversion price would be reset to \$0.0001 or 65% off the lowest price of the previous five trading days. As of September 30, 2021, balance of this note was \$10,966, accrued interest of this note was \$17,668. This note is currently in default. The default had no effect on the note's interest rate.

Tangiers Investment Group, LLC

On October 13, 2014, the Company entered into a convertible promissory note with Tangiers Investment Group LLC ("Tangiers") for \$55,000. The note matured on October 13, 2015. Tangiers has the right after a period of 180 days to convert the balance outstanding into the Company's common stock at a rate equal to 45% of the lowest trading prices during the twenty trading days prior to the conversion date. As of September 30, 2021, balance of this note was \$15,393, accrued interest of this note was \$26,080. This note is currently and has a default interest rate of 20% per annum.

On October 13, 2014, the Company entered into a convertible promissory note with Tangiers for \$33,000. The note bears interest at 10% and matured on October 13, 2015. Tangiers has the right after a period of 180 days to convert the balance outstanding into the Company's common stock at a rate equal to 45% of the lowest trading prices during the twenty trading days prior to the conversion date. As of September 30, 2021, balance of this note was \$33,000, accrued interest of this note was \$42,186. This note is currently in default and has a default interest rate of 20% per annum.

GSM Fund Management LLC

On January 30, 2015, the Company entered into an assignment and modification agreement to assign \$62,500 of the convertible promissory note of VTG dated January 23, 2014 to GSM Fund Management LLC (“GSM”). The note bears interest at 12% and matured on January 30, 2016. GSM has the right after a period of 180 days to convert the balance outstanding into the Company’s common stock at a rate equal to 50% of the lowest closing bid price in the 15 trading days prior to the conversion date. The Company recorded a loss on extinguishment of debt of \$52,364 related to the exchange. On April 9, 2018, the Company issued 150,221,707 shares of common stock for the conversion of this note in the amount of \$7,511.

On July 23, 2021, the Company, Pursuant to Chapter 104 - Uniform Commercial Code—Original Articles, NRS 104.3603 - Tender of payment. NV Rev Stat § 104.3603 (2013) and other applicable law, issued a Notice of Tender to GSM Fund Management LLC by a registered letter. The Company tendered full payment for the then outstanding balance of the Note, in the amount of \$37,297. Such tender of payment by the Company to GSM Fund Management LLC was in full discharge of the Company’s obligations under the Note. The registered letter was received by the counter party on August 3, 2021, but the Company did not receive any responses from GSM Fund Management LLC. As per the statute, the Company has decided to cease to incur penalty interest on the date the letter was received by GSM Fund Management LLC and will move from convertible liability to a short-term debt and be a fixed amount going forward.

Microcap Equity Group, LLC

On February 23, 2015, the Company entered into a convertible promissory note with Microcap Equity Group LLC ("Microcap") for \$20,000, which was issued in exchange for a portion of the promissory note issued to VTG on January 23, 2014. The note matured on January 23, 2017. Microcap has the right to convert the balance outstanding into the Company’s common stock at a rate equal to 40% of the lower of the lowest bid price during the thirty trading days prior to the conversion date, or the lowest bid price on the day that the converted shares are cleared for physical delivery. The Company recorded a loss on extinguishment of debt of \$28,213 related to the exchange. As of September 30, 2021, balance of this note was \$4,654, accrued interest of this note was \$3,750. The note is currently in default. The default had no effect on the note’s interest rate.

Virtual Technology Group, Ltd

On January 23, 2014, the Company entered into a convertible promissory note with VTG for \$1,500,000. VTG has the right after a period of 180 days to convert the balance outstanding into the Company’s common stock at a rate equal to 100% of the average of the closing bid prices for the seven trading days prior to the conversion date when the Company’s shares are traded in the OTCQB or during the ten trading days prior to the conversion date when the Company’s shares are traded on another other exchange. On November 10, 2014, \$50,000 of this note was replaced with a note issued to LG. On January 20, January 23 and January 30, 2015, \$60,000, \$20,000 and \$62,500 of this note were replaced with notes issued to JSJ, Microcap and GSM. As of September 30, 2021, balance of this note was \$481,500, accrued interest of the note was \$541,706. The note is currently in default and has a default interest rate of 24% per annum.

Gold Globe Investments Ltd

On January 23, 2014, the Company entered into a convertible promissory note with GGIL for \$2,800,000. GGIL has the right after a period of 180 days to convert the balance outstanding into the Company’s common stock at a rate equal to 100% of the average of the lowest three trading prices during the seven trading days prior to the conversion date when the Company’s shares are traded in the OTCQB or during the ten trading days prior to the conversion date when the Company’s shares are traded on another exchange. On December 3, 2014, \$45,000 of this note was replaced with a note issued to Tangiers. As of September 30, 2021, balance of this note was \$2,324,000, accrued interest of this note was \$2,614,595. The note is currently in default and has a default interest rate of 24% per annum.

Vista Capital Investments, LLC.

On April 15, 2014, the Company entered into a convertible promissory note with Vista Capital Investments, LLC (“Vista”) for \$250,000. The note has an original issuance discount of \$25,000. The note matures 2 years from the date of each payment of the principal from Vista. In the event that the note remains unpaid at maturity date, the outstanding balance shall immediately increase to 120% of the

outstanding balance. Vista has the right to convert the outstanding balance into the Company's common stock at a rate equal to the lesser of \$0.008 per share or 60% of the lowest trade occurring during the twenty-five consecutive trading days preceding the conversion date. Due to certain events that occurred during 2014, the conversion price has been reset to \$0.005 per share or 50% of the lowest trade occurring during the twenty-five consecutive trading days preceding the conversion date. Pursuant to the agreement, if the conversion price calculated under this agreement is less than \$0.01 per share, the principal amount outstanding shall increase by \$10,000 ("Sub-Penny"). \$25,000 net proceeds were received on April 23, 2014. The remaining fund of this note has not been received. As of September 30, 2021, balance of this note was \$5,800 which matured on April 15, 2016, accrued interest of this note was \$6,426. The note is currently in default. The default had no effect on the note's interest rate.

Loans from shareholders

On September 5, 2008, Elmside Pty Ltd, a company related to a former director, agreed to an interest free loan of \$55,991 to the Company on an as-needed basis to fund the business operations and expenses of the Company until December 9, 2011, the due date of the loan. The note is in default.

As of September 30, 2021 and 2020, the Company had advances of \$59,391 from its officer. The advances from the officers are due on demand, unsecured with no interest.

NOTE 5 – DERIVATIVE LIABILITIES – NOTE CONVERSION FEATURE

Due to the conversion features contained in the convertible notes issued, the actual number of shares of common stock that would be required if a conversion of the note as further described in Note 4 was made through the issuance of the Company's common stock cannot be predicted, and the Company could be required to issue an amount of shares that may cause it to exceed its authorized share amount. As a result, the conversion feature requires derivative accounting treatment and will be bifurcated from the note and "marked to market" each reporting period through the income statement. The fair value of the conversion future of these notes was recognized as a derivative liability instrument and will be measured at fair value at each reporting period.

The Company remeasured the fair value of the instrument as of September 30, 2021, and recorded a loss of \$345,887 for the period ended September 30, 2021. The Company determined the fair values of these liabilities using a Black-Scholes valuation model.

On July 23, 2021, the Company, Pursuant to Chapter 104 - Uniform Commercial Code—Original Articles, NRS 104.3603 - Tender of payment. NV Rev Stat § 104.3603 (2013) and other applicable law, issued a Notice of Tender to GSM Fund Management LLC by a registered letter. The Company tendered full payment for the then outstanding balance of the Note, in the amount of \$37,297. Such tender of payment by the Company to GSM Fund Management LLC was in full discharge of the Company's obligations under the Note. The registered letter was received by the counter party on August 3, 2021, but the Company did not receive any responses from GSM Fund Management LLC. As per the statute, the Company has decided to cease to incur penalty interest on the date the letter was received by GSM Fund Management LLC and will move from convertible liability to a short-term debt and be a fixed amount going forward. As such the derivative liability of \$21,221 was settled.

The following table provides a summary of the changes in fair value of the derivative financial instruments measured at fair value on a recurring basis using significant unobservable inputs:

Fair value at December 31, 2020	\$ 2,987,119
Change in fair value of derivative liabilities	345,887
Settlement of derivative liabilities	(21,221)
Fair value at September 30, 2021	<u>\$ 3,311,785</u>

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, we may be party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not involved currently in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

Commitments and Contingencies

On January 22, 2018, the Company entered into a lease agreement for an office located at Tenancy 2, Level 3, 2 Grosvenor Street, Bondi Junction, Australia. The Company pays approximately \$68,585 per year plus applicable local sale tax and sharing expenses. The agreement, as amended, expires on November 14, 2020. On January 1, 2019, the Company and Articulate Pty Ltd (“Articulate”) entered into a Cancellation of Strategic Partnership Agreement. Pursuant to the agreement, ELRA will no longer utilize the commercial premises located at Suite 302, 2 Grosvenor Street Bondi Junction NSW Australia, and Articulate will continue to utilize these premises and as such the parties have agreed that there will be an assignment of a commercial lease from ELRA to Articulate and as such Articulate will take on all responsibilities for the lease.

NOTE 7 – RELATED PARTY TRANSACTIONS

Elmside Pty Ltd

On September 5, 2008, Elmside Pty Ltd, a company related to a former director, agreed to an interest free loan to the Company on an as-needed basis to fund the business operations and expenses of the Company until December 9, 2011, the due date of the loan. As of September 30, 2021 and December 31, 2020, loans from Elmside, a shareholder, were \$55,991. The loans are currently in default.

Articulate Pty Ltd and Brian Goodman

As of September 30, 2021 and December 31, 2020, the Company had accounts payable of \$2,919,339 and \$2,987,074, respectively, to its chief executive officer and Articulate Pty Ltd (“Articulate”), a company controlled by the Company’s chief executive officer, for consulting fees, reimbursement of expenses and compensation.

On August 24, 2016, the Company entered into a strategic partnership agreement with Articulate. Pursuant to the agreement, Articulate will provide non-exclusive back office services to the Company’s clients. In exchange for the service, Elray agreed to pay \$10,000 for each month Articulate provides services. Elray will receive 0.5% of the software usage fee paid by Elray’s clients through Articulate. On January 1, 2019, the Company entered into a Cancellation of Strategic Partnership Agreement with Articulate, pursuant to which Articulate will no longer provide support, marketing and back-office services to the Company and the Company will not charge Articulate software usage fees. As of September 30, 2021 and December 31, 2020, receivable from Articulate for software usage fee was \$237,938 and \$318,088, respectively.

Jay Goodman and Brett Goodman

On May 15, 2013, the Company entered into an agreement with Jay Goodman, son of the Company’s chief executive officer, to provide consulting services assisting the Company with data segmentation, financial and statistical services. In consideration for such services, the Company pays \$3,000 per month to Jay Goodman. On January 1, 2019, the consulting agreement was cancelled. As of September 30, 2021 and December 31, 2020, the Company had \$202,500 payable to Jay Goodman.

Globaltech Software Services LLC

The Company’s chief executive officer is a member of Globaltech Software Services LLC (“Globaltech”). As of September 30, 2021 and December 31, 2020, the Company had other payable to Globaltech of \$39,824.

NOTE 8 – EQUITY

Preferred Stock – Series A

On May 3, 2012, the Company authorized the creation of 300,000,000 shares of Series A preferred stock. The Class A Preferred Series shares are convertible at a rate of 0.0000003 common shares for each Series A Preferred Share. As of September 30, 2021 and December

31, 2020, there were no Series A Preferred Stock outstanding.

Preferred Stock – Series B

On July 1, 2012, the Company authorized the creation of 100,000,000 shares of Series B preferred stock. On September 24, 2012, the authorized Series B Preferred Stock was increased from 100,000,000 to 280,000,000. After a series of reverse stock splits, the Series B Preferred stock is convertible at a rate of 0.000000003 common stock for each Series B Preferred stock.

On July 14, 2013, the Company entered into a 12-month consultancy agreement with VTG to assist the Company in developing marketing and supporting the technology of virtual online horse racing products and to provide the Company the exclusive use right to certain website domains. In consideration for such services and domains, the Company issued 192,000,000 Series B Preferred shares to VTG. The 192,000,000 Series B Preferred stock have been recorded at their estimated fair value of \$43,031.

Preferred Stock – Series C

On June 20, 2014, the Company authorized the creation of 10,000,000 shares of Series C preferred stock. The Series C preferred shares are convertible at a rate of 0.0003 common shares for each Series C Preferred Share.

On September 18, 2014, the Company entered into an agreement to acquire a 25% interest in Globaltech Software Services LLC doing business as Golden Galaxy (“Golden Galaxy”) which operates online casinos. Under the terms of the purchase agreement, the Company will be entitled to 1% of the gross wagering generated by Golden Galaxy. In consideration for the purchase, the Company issued 5,000,000 shares of the Company’s Series C preferred stock in June 2015 and recorded \$5,000 of other asset. On April 1, 2015, the Company terminated the agreement and stopped receiving 1% of the gross wagering generated by Golden Galaxy. During the year ended December 31, 2017, the management recorded an impairment of \$5,000 due to the uncertain recoverability of the other asset.

On September 18, 2014, the Company entered into an agreement with Yangjiu Xie, owner of Asialink Treasure Limited (“ATL”). Pursuant to the agreement, the Company issued 2,083,333 shares of its Series C preferred stock as part of the consideration to acquire 49% of the outstanding shares of ATL in a series of transactions. These shares were recorded at their par value of \$2,083 with a subscription receivable at the same amount. The Company has not received the certificate of ownership from ATL.

NOTE 9 – SUBSEQUENT EVENTS

None.