

FansUnite Entertainment Inc.

**Condensed Consolidated Interim Financial Statements
(Unaudited)**

For the three and nine months ended September 30, 2021 and 2020

Expressed in Canadian Dollars



NOTICE OF NO AUDITOR REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the unaudited condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

FansUnit Entertainment Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	September 30 2021	December 31 2020
Assets		
Current		
Cash	\$ 35,239,724	\$ 4,431,139
Restricted cash related to customer deposits	203,621	-
Short-term investment	-	5,896
Receivables	372,403	585,228
Due from related parties (note 6)	59,112	-
Prepaid expenses and deposits	683,652	783,739
Digital currencies	85,274	22,453
Total current assets	36,643,786	5,828,455
Non-current		
Equipment	15,128	10,538
Goodwill (note 3)	9,757,668	9,757,668
Intangible assets (note 3)	8,165,515	9,556,407
Right of use assets	11,326	14,821
Long-term investment	78,042	87,792
Total Assets	\$ 54,671,465	\$ 25,255,681
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 652,888	\$ 496,588
Due to related parties (note 6)	29,629	500,350
Subscription receipts liability	-	776,865
Lease liability	11,815	27,865
Total current liabilities	694,332	1,801,668
Non-current		
Long-term debt	48,554	91,517
Deferred tax liability	95,432	469,589
Total liabilities	838,318	2,362,774
Shareholders' Equity		
Share capital (note 4)	73,522,954	39,690,610
Share-based payment reserve (note 5)	3,021,014	2,500,289
Warrant reserve (note 4)	5,491,367	896,599
Accumulated other comprehensive income	77,188	28,462
Deficit	(28,279,376)	(20,223,053)
Total Shareholders' Equity	53,833,147	22,892,907
Total Liabilities and Shareholders' Equity	\$ 54,671,465	\$ 25,255,681

Nature of operations and going concern – Note 1
Subsequent events – note 11

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements
Approved on behalf of the Board on November 29, 2021:

Director: Scott Burton

Director: Darius Eghdami

FansUnit Entertainment Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited – Amounts Expressed in Canadian dollars)

	For the three months ended September 30				For the nine months ended September 30			
	2021		2020		2021		2020	
Revenue (note 10, 11)	\$	580,024	\$	473,562	\$	2,623,315	\$	802,446
Cost of sales (note 11)		496,224		303,882		1,588,915		539,933
Gross Margin		83,800		169,680		1,034,400		262,513
Expenses								
Amortization of intangible assets (note 3)		515,705		378,351		1,399,223		684,185
Amortization of equipment		13,705		8,309		39,714		8,815
Foreign exchange loss (gain)		1,394		(17,282)		2,794		(3,244)
General and administrative		407,837		159,729		1,213,748		349,386
Professional fees		501,411		430,596		1,628,519		748,909
Salaries and wages (note 6)		772,091		428,386		2,448,396		798,236
Sales and marketing		667,536		711,419		2,058,661		1,068,264
Share-based payments (note 5)		243,506		536,840		735,531		7,710,348
Total expenses (note 11)		3,123,185		2,636,348		9,526,586		11,364,899
Loss before other items		(3,039,385)		(2,466,668)		(8,492,186)		(11,102,386)
Other items								
Interest income		(15,745)		(37,800)		(17,157)		(78,466)
Unrealized fair value gain on digital currencies and investments		(24,245)		(4,040)		(57,310)		(23,606)
Excess paid over identifiable assets acquired		-		20,753		-		191,992
Total other items		(39,990)		(21,087)		(74,467)		89,920
Net loss before taxes		(2,999,395)		(2,445,581)		(8,417,719)		(11,192,306)
Income tax expense (recovery):								
Current		13,604		-		13,604		-
Deferred, net		(375,000)		-		(375,000)		-
		(361,396)		-		(361,396)		-
Net loss for the period		(2,637,999)		(2,445,581)		(8,056,323)		(11,192,306)
Other comprehensive loss (income)								
Currency translation adjustment		5,982		2,920		(48,726)		1,049
Total comprehensive loss	\$	(2,643,981)	\$	(2,448,501)	\$	(8,007,597)	\$	(11,193,335)
Loss per share – basic and diluted	\$	(0.01)	\$	(0.02)	\$	(0.04)	\$	(0.15)
Weighted average number of common shares outstanding – basic and diluted		210,853,220		116,656,596		187,159,508		74,397,986

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

FansUnite Entertainment Inc.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Amounts Expressed in Canadian dollars)

Nine months ended September 30, 2020

	Share Capital		Share-based		Accumulated	other		
	Number of	Amount	payment	Warrant	Comprehensive		Deficit	Total
	Shares		reserve	reserve	income (loss)			
Balance as at December 31, 2019	34,915,500	\$ 6,172,515	\$ 1,118,953	\$ -	\$ (460)	\$ (6,759,823)	\$	531,185
Shares issued in connection with HIC/FansUnite amalgamation (note 4(f))	19,075,633	6,676,470	-	266,397	-	-		6,942,867
Shares and warrants issued in connection with March 26, 2020 financing (note 4(e))	8,948,326	3,077,732	-	162,926	-	-		3,240,658
Shares issued in connection with McBookie purchase (note 4(g))	3,497,143	1,224,000	-	-	-	-		1,224,000
Shares issued in connection with V2G loan (note 4(h) and 5)	3,142,857	1,100,000	-	-	-	-		1,100,000
Warrants exercise (note 4(i))	124,320	6,216	-	-	-	-		6,216
Shares issued in connection with Askott amalgamation (note 4(j))	71,929,812	18,345,495	-	-	-	-		18,345,495
Shares issued in connection with Askott Financing (note 4(j))	12,712,115	4,000,510	-	-	-	-		4,000,510
Share based payments (note 5)	-	-	712,511	74,750	-	-		787,261
Net and comprehensive loss	57,273	-	-	-	(589)	(11,192,286)		(11,192,875)
Balance as at September 30, 2020	154,402,979	\$ 40,602,938	\$ 1,831,464	\$ 504,073	\$ (1,049)	\$ (17,952,109)	\$	24,985,317

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

FansUnite Entertainment Inc.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Amounts Expressed in Canadian dollars)

Nine months ended September 30, 2021							
	Share Capital		Share-based payment reserve	Warrant reserve	Accumulated other Comprehensive income (loss)		Total
	Number of Shares	Amount				Deficit	
Balance as at December 31, 2020	156,168,237	\$ 39,690,610	\$ 2,500,289	\$ 896,599	\$ 28,462	\$ (20,223,053)	\$ 22,892,907
Shares and warrants issued in connection with January 11, 2021 financing (note 4(a))	22,402,241	9,611,655	-	2,533,240	-	-	12,144,895
Shares and warrants issued in connection with July 15, 2021 financing (note 4(b))	28,235,774	20,797,129	-	2,061,528	-	-	22,858,657
Options exercised (note 4(c) and 5)	1,967,088	829,895	-	-	-	-	829,895
Warrants exercised (note 4(d))	4,532,866	2,378,859	-	-	-	-	2,378,859
Share-based payments (note 5)	-	214,806	520,725	-	-	-	735,531
Comprehensive income (loss)	-	-	-	-	48,726	(8,056,323)	(8,007,597)
Balance as at September 30, 2021	213,306,206	\$ 73,522,954	\$ 3,021,014	\$ 5,491,367	\$ 77,188	\$ (28,279,376)	\$ 53,833,147

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

FansUnit Entertainment Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Amounts Expressed in Canadian dollars)

	Nine months ended September 30	
	2021	2020
Operating activities:		
Net loss for the period	\$ (8,056,323)	\$ (11,192,306)
Advances from related parties (note 6)	29,731	-
Restricted cash related to customer deposits	(203,621)	-
Adjustments for non-cash items:		
Amortization of equipment	39,714	8,815
Amortization of intangible assets (note 3)	1,399,223	684,185
Conversion of subscription receipt liability (note 4(a))	(776,865)	-
Marketing expenses paid with digital currencies	4,239	-
Unrealized fair value gain on digital currencies and investments	(57,310)	(23,606)
Share-based payments (note 5)	735,531	7,710,348
Income tax recovery	(375,000)	-
Changes in non-cash working capital items:		
Receivables	212,825	310,837
Prepaid expenses and deposits	100,087	(1,149,066)
Accounts payable	156,300	(556,122)
Net cash flows used in operating activities	(6,791,469)	(4,206,915)
Investing activities		
Proceeds from sale of investments	-	55,100
Purchase of equipment	(4,946)	(1,927)
Net cash flows (used in) provided by investing activities	(4,946)	53,173
Financing activities		
Net proceeds from private placements	-	7,078,244
Proceeds from amalgamation with HIC	-	316,530
Funds used in acquisition of McBookie	-	(365,508)
Proceeds from the acquisition of Askott Entertainment Inc.	-	638,292
Proceeds from V2G Loan	-	238,257
Repayment of lease liability	(46,533)	(4,903)
Net proceeds from brokered financings (note 4(a) and (b))	35,003,551	-
Proceeds from warrant/option exercise (note 4© and (d))	3,208,755	6,216
Proceeds from government loan	-	40,000
Repayment of note payable (note 6)	(500,350)	-
Payment to related parties (note 6)	(59,112)	-
Repayment of loan	(42,963)	-
Net cash flows provided by financing activities	37,563,348	7,947,128
Effect of foreign exchange	41,652	(394)
Change in cash	30,808,585	3,792,992
Cash, beginning of the period	4,431,139	84,058
Cash, end of the period	\$ 35,239,724	\$ 3,877,050

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

FansUnite Entertainment Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Amounts Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

FansUnite Entertainment Inc. (the “Company”) was incorporated under the Business Corporations Act of British Columbia on November 9, 2018 under the name HIC Horizon Investments Capital Ltd. (“HIC”). On March 26, 2020, the Company changed its name to FansUnite Entertainment Inc. The Company is a sports and entertainment company, focusing on technology related to regulated and lawful online sports betting, casino and other related products.

The Company’s registered office, head office and principal address is at Suite 1080, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

On March 26, 2020, the Company purchased McBookie Ltd. (“McBookie”), a United Kingdom domiciled white label sports betting operation.

On March 26, 2020, the Company completed an amalgamation with FansUnite Holdings Inc. (“FansUnite,” formerly FansUnite Entertainment Inc.), a Company existing under the laws of British Columbia with its head office in Vancouver, British Columbia.

The Company’s shares commenced trading on the Canadian Securities Exchange (“CSE”) on May 5, 2020 under the symbol FANS.

On August 11, 2020, the Company completed an amalgamation with Askott Entertainment Inc. (“Askott”), a Company existing under the laws of British Columbia with its head office in Vancouver, British Columbia.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards (“IFRS”). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations. For the three and nine months ended September 30, 2021, the Company reported a net loss of \$2,637,999 and \$8,056,323 respectively. For the nine months ended September 30, 2021, the Company reported negative cash flow from operations of \$6,791,469 and an accumulated deficit of \$28,279,376 as at September 30, 2021. These conditions cast significant doubt on the Company’s ability to continue as a going concern. Accordingly, these condensed consolidated interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed consolidated interim financial statements. These adjustments could be material.

The extent to which the ongoing COVID-19 pandemic may impact the Company’s business and activities will depend on future developments which remain highly uncertain and cannot be predicted with confidence, such as the spread of the disease, the duration of the outbreak, severity of the coronavirus and actions taken by the Canadian and US authorities, the postponement, suspension, cancellation, rescheduling and resumption of sporting events, the impact of the pandemic on consumer and advertiser spending, and the ability or willingness of suppliers and vendors to provide products and services.

1. Nature of Operations and Going Concern (continued)

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the regional economies in which the Company operates, could continue to negatively impact stock markets, including the Company's trading price, could cause continued interest rate volatility and movements and could adversely impact the Company's ability to raise capital.

Any of these developments, and others, could have a material adverse effect on the Company's business, affairs, operations, results of operations, financial condition, liquidity, availability of credit and foreign exchange exposure. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's financial statements could change in the near-term and the effect of any such changes could be material, which could result in, among other things, an impairment of non-current assets. The Company monitors the situation and its impacts or potential impacts on its business on an ongoing basis.

2. Basis of Presentation

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The condensed consolidated interim financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, critical estimates and methods described in the Company's 2020 annual consolidated financial statements. Given that certain information and footnote disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these financial statements should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended December 31, 2020, including the accompanying notes thereto.

For comparative purposes, the Company has reclassified certain immaterial items on the comparative consolidated statement of financial position and the consolidated statement of comprehensive loss to conform with current period's presentation.

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on November 29, 2021.

FansUnite Entertainment Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited – Amounts Expressed in Canadian dollars)

2. Basis of Presentation (continued)

b) Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its controlled entities. Details of the controlled entities are as follows:

	Country of incorporation	Percentage owned	
		September 30, 2021	December 31, 2020
FansUnite Holdings Inc.	Canada	100%	100%
FansUnite Media Inc.	Canada	100%	100%
FansUnite Limited	Gibraltar	100%	100%
McBookie	United Kingdom	100%	100%
Askott	Canada	100%	100%
Askott Malta Ltd.	Malta	100%	100%
EGG Ltd.	Malta	100%	100%
EGG N.V *	Curacao	0%	0%
Winana Worldwide Limited *	Cyprus	0%	0%

* Though the Company does not legally own these entities, it has rights to the economic benefit of their operations and has demonstrated control over their operational decision-making process.

Intercompany transactions, balances, income and expenses, and gains or losses are eliminated on consolidation.

c) Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the parents' functional currency. Under IFRS, the Canadian dollar is the functional currency of the Company, FansUnite Holdings Inc., FansUnite Media Inc. and Askott. The functional currency of FansUnite Limited and McBookie is the British Pound. The functional currency of Askott Malta Ltd, EGG Ltd, EGG N.V. and Winana Worldwide Limited is the Euro.

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the unaudited condensed consolidated interim statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Assets and liabilities of the subsidiaries with different functional currency are translated into Canadian dollars at year-end exchange rates and their revenue and expenses are translated at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive loss.

2. Basis of Presentation (continued)

d) New accounting policies adopted in the current year

(i) Gaming revenue recognition

In sports-betting transactions where the Company generates a net gain or loss on a bet which is determined by an uncertain future event, the transaction is within the scope of IFRS 9 ("Financial Instruments"). Revenue is recorded as the gain or loss on betting transactions settled during the period. The Company recognizes the gain or loss on a betting transaction as revenue when a bet is settled. The gain or loss is calculated as the total of sums bet less amounts paid out in respect of such bets when such bets are settled with the customer.

Gross gaming revenue is calculated as dollar amounts wagered by customers, less the dollar amounts paid out to customers in respect of such wagers which have settled in the applicable period. Net gaming revenue is measured as gross gaming revenue, less free bets, promotional costs, bonuses and fair value adjustments on open bets (unsettled bets).

e) Recent Accounting Pronouncements

As of the date of authorization of these unaudited condensed consolidated interim financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Upon adoption, such new standards, interpretations, and amendments are not expected to have a material impact on the Company's unaudited condensed consolidated financial statements.

IAS 1 - Presentation of Financial Statements ("IAS 1") was amended in January 2020 to address inconsistencies with how entities apply the standard over classification of current and non-current liabilities. The amendment addresses whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The 2020 amendments are subject to future developments. Certain application issues resulting from the 2020 amendments have been raised with the IFRS Interpretations Committee, which referred them to the IASB. In June 2021, the Board tentatively decided to propose further amendments to IAS 1 and to defer the effective date of the 2020 amendments to no earlier than January 1, 2024.

On May 7, 2021, the IASB Issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)*. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact that the amendments will have on its annual consolidated financial statements.

FansUnite Entertainment Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited – Amounts Expressed in Canadian dollars)

3. Intangible Asset

	Websites	Intellectual Property	Developed Technology	Total Intangibles	Goodwill
Cost					
Balance - December 31, 2020	\$ 1,364,518	\$ 1,838,722	\$ 7,984,597	\$11,187,837	\$9,757,668
Additions	-	-	-	-	-
Balance – September 30, 2021	1,364,518	1,838,722	7,984,597	11,187,837	9,757,668
Accumulated amortization					
Balance - December 31, 2020	\$ 751,365	\$ 572,900	\$ 307,165	\$ 1,631,430	\$ -
Amortization	204,781	531,018	663,424	1,399,223	-
Foreign currency translation	(151)	(8,180)	-	(8,331)	-
Balance – September 30, 2021	955,995	1,095,738	970,589	3,022,322	-
Net carrying amount					
At December 31, 2020	\$ 613,153	\$ 1,265,822	\$ 7,677,432	\$ 9,556,407	\$9,757,668
At September 30, 2021	408,523	742,984	7,014,008	8,165,515	9,757,668

Amortization is recognized on a straight-line basis over five years for websites, two years for the intellectual property, and ten years for developed technology. Developed technology consists of the Chameleon Platform and RNG Games acquired in the acquisition of Askott. Intellectual property consists of gaming licenses, Askott and McBookie customer lists, and McBookie trade name. For the three and nine month periods ending September 30, 2021, the Company recorded amortization of \$515,705 (September 30, 2020 - \$378,351) and \$1,399,223 (September 30, 2020 - \$684,165), respectively.

4. Share Capital

Authorized share capital - Unlimited common shares without par value.

On February 14, 2020, the Company completed a 2:1 share consolidation of its issued shares. All share and per share information in those financial statements have been retroactively restated to reflect this consolidation.

Issued share capital

As at September 30, 2021, there were 213,306,206 issued and fully paid common shares outstanding (December 31, 2020 – 156,168,237).

Nine months ended September 30, 2021

- On January 11, 2021, the Company issued 21,420,992 Special Warrants, comprised of one common share and one half of one transferable common share purchase warrant for gross proceeds of \$13,388,120 (“the Special Warrant Financing”). Each full share purchase warrant had an exercise price of \$0.78 with an expiry date of January 11, 2023. In connection with the financing, the Company incurred share issuance cash costs of \$1,243,225 that were recorded to share capital. The total consideration of the Special Warrants and common shares issued, being \$12,144,895 net of financing costs, was allocated to share capital.

4. Share Capital (continued)

Issued share capital (continued)

a) (continued)

In connection with the financing, the Company issued 2,845,624 broker warrants valued at \$2,533,240 to brokers and agents, which was allocated to share issuance costs and warrant reserve. 1,569,999 of the broker warrants entitle the holder to purchase one common share at a price of \$0.625 per share for a period of twenty-four months from the date of closing. 1,275,625 of the broker warrants entitle the holder to purchase one common share at a price of \$0.78 per share for a period of twenty-four months from the date of closing. The fair value of the warrants issued as part of the Special Warrant issue was determined to be \$2,532,757 in aggregate using the Black Scholes model utilizing the following assumptions: risk free rate of 0.19%, volatility of 277%, expected life of 2 years and an exercise price of \$0.625 on 1,569,999 broker warrants and \$0.78 on 1,275,625 broker warrants.

As of December 31, 2020, the Company had \$776,865 in subscription liabilities associated with the financing. These subscription liabilities were converted into 1,242,984 common shares when the financing closed on January 11, 2021.

- b) On July 15, 2021, the Company issued 28,235,774 Units, each comprised of one common share and one half of one common share purchase warrant for gross proceeds of \$24,792,390 ("the Offering"). Each full share purchase warrant had an exercise price of \$1.30 with an expiry date of July 15, 2024. In connection with the financing, the Company incurred share issuance cash costs of \$1,933,734 that were recorded to share capital. The total consideration of the Units issued, being \$22,858,656 net of financing costs, was allocated to share capital. Of the Units issued, 688,677 were given to brokers which were treated as share issuance costs and were recorded to share capital.

In connection with the financing, the Company issued 2,855,514 broker warrants valued at \$2,061,528 to brokers and agents, which was allocated to share issuance costs and warrant reserve. 1,903,676 of the broker warrants entitle the holder to purchase one common share at a price of \$0.90 per share for a period of thirty-six months from the date of closing. 951,838 of the broker warrants entitle the holder to purchase one common share at a price of \$1.30 per share for a period of thirty-six months from the date of closing. The fair value of the warrants was determined to be \$2,061,528 using the Black Scholes model utilizing the following assumptions: risk free rate of 0.19%, volatility of 300%, expected life of 3 years and an exercise price of \$0.90 on 1,903,676 broker warrants and \$1.30 on 951,838 broker warrants.

- c) Throughout the period, 1,967,088 options were exercised for gross proceeds of \$829,895 (note 5).
- d) Throughout the period, 4,532,866 warrants were exercised for gross proceeds of \$2,378,859.

Nine months ended September 30, 2020

- e) On March 18, 2020, the Company completed a Subscription Receipt Financing for gross proceed of \$3,131,919 whereby, upon conversion of the subscription receipts on March 26, 2020, the Company issued 8,948,326 common shares at a price of \$0.35 per share. The Company recorded \$53,783 in share issuance cash costs associated with the financing.

4. Share Capital (continued)**Issued share capital (continued)**

- f) On March 26, 2020, the Company issued a total of 19,075,633 shares with a fair value of \$6,676,472 in connection with the amalgamation with FansUnite. Included in this, the Company issued 1,400,000 shares with a fair value of \$490,000 as advisory fees in connection with this amalgamation.
- g) On March 26, 2020, the Company also issued 1,022,477 shares with a fair value of \$210,074 in connection with the purchase of McBookie. In relation to the acquisition, the Company issued to the former directors of McBookie 2,474,666 shares at a fair value of \$0.35 per share. These shares are subject to a 36 month restriction period. The Company recorded share-based payment as these shares became unrestricted.
- h) On April 16, 2020, the Company completed an agreement with V2 Games Inc. ("V2"), to purchase a one half interest in a loan agreement between V2 and Just Games Interactive Entertainment LLC, as well as 50,000 shares in GoLeague Technologies Inc. and 239,583 shares in 1166117 BC Ltd. The Company issued 3,142,857 shares at the fair value of \$1,100,000 in connection with this acquisition.
- i) On June 18, 2020, 124,320 warrants that had been assumed by the Company on March 26, 2020 were exercised. The exercise price was \$0.05 per share, and total proceeds were \$6,216. In exchange, the Company issued 124,320 common shares in the Company.
- j) On August 11, 2020, the Company issued 71,171,212 shares in connection with the acquisition of Askott and 12,712,115 shares in connection with the recently completed private placement (note 6). The Company assumed 3,493,122 stock options exercisable at \$0.26 (note 9), and 239,912 warrants exercisable at \$0.32 (note 10) as part of the transaction. The Company also issued 758,600 shares in connection with the M&A Advisory Shares.

Warrants

The following table summarizes the continuity of the Company's warrants:

	Number of warrants	Weighted average exercise price \$
Outstanding, December 31, 2019	-	-
Granted	564,439	0.35
Acquired in connection with FansUnite amalgamation	814,000	0.05
Acquired in connection with Askott amalgamation	7,281,981	0.54
Exercised	(1,754,351)	0.51
Outstanding, December 31, 2020	6,906,069	0.43
Issued in connection with January 11, 2021 brokered financing	13,556,120	0.76
Issued in connection with July 15, 2021 financing	16,973,401	1.26
Exercised	(4,532,866)	0.52
Outstanding, September 30, 2021	32,902,724	0.99

4. Share Capital (continued)

Warrants (continued)

Additional information regarding warrants outstanding as at September 30, 2021, is as follows:

Exercise price \$	Number of warrants	Outstanding		Exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
1.30	15,069,726	2.79		15,069,726	
0.90	1,903,676	2.79		1,903,676	
0.78	10,863,620	1.26		10,863,620	
0.625	1,089,839	1.28		1,089,839	
0.55	3,522,649	0.88		3,522,649	
0.35	213,302	0.62		213,302	
0.32	239,912	1.67		239,912	
	32,902,724	2.01	0.99	32,902,724	0.99

5. Stock Options

As of September 30, 2021, the Company has granted 7,581,912 options (December 31, 2020 – 8,906,500) to employees and key advisors of a possible pool of 21,330,621.

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

	Number of options	Weighted average exercise price \$
Balance, outstanding December 31, 2019	3,015,000	0.50
Granted	3,275,000	0.32
Granted in connection with purchase of Askott	3,493,122	0.26
Exercised	(636,711)	0.29
Forfeited	(239,911)	0.32
Balance, outstanding, December 31, 2020	8,906,500	0.36
Granted	750,000	0.76
Exercised	(1,967,088)	0.42
Cancelled	(107,500)	0.49
Balance, outstanding, September 30, 2021	7,581,912	0.39

FansUnit Entertainment Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited – Amounts Expressed in Canadian dollars)

5. Stock Options (continued)

Additional information regarding stock options outstanding as at September 30, 2021, is as follows:

Exercise price \$	Number of options	Outstanding		Number of options	Weighted average exercise price \$
		Weighted average remaining contractual life (years)	Weighted average exercise price \$		
0.79	100,000	9.86		-	
0.76	650,000	9.67		27,913	
0.50	1,908,500	7.21		1,650,525	
0.42	546,875	8.60		300,416	
0.35	416,700	8.51		229,200	
0.26	2,578,420	3.08		1,122,946	
0.25	1,381,417	8.60		427,869	
	7,581,912	6.48	0.39	3,758,869	0.39

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	September 30, 2021	December 31, 2020
Risk-free interest rate	0.48% - 0.60%	1.04%
Expected life (in years)	9.83 - 10	8.1
Expected volatility	151% - 153%	130%

The fair value of stock options vested during the nine months ended September 30, 2021 was \$520,725 (September 30, 2020 - \$712,511). There were 750,000 stock options granted in the nine months ended September 30, 2021 (September 30, 2020 - 4,428,210), with weighted average fair value of \$0.70 (September 30, 2020 - \$0.29).

The fair value of stock options vested during the three months ended September 30, 2021 was \$184,630 (September 30, 2020 - \$462,089). There were 150,000 stock options granted in the three months ended September 30, 2021 (September 30, 2020 - 3,253,210), with weighted average fair value of \$0.78 (September 30, 2020 - \$0.26).

A reconciliation of the share-based compensation follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Stock options granted	\$ 184,630	\$ 462,089	\$ 520,725	\$ 712,511
Listing expense related to amalgamation with FansUnit	-	-	-	6,923,086
Shares issued to active shareholders in McBookie	58,876	-	214,806	-
	\$ 243,506	\$ 462,089	\$ 735,531	\$ 7,635,597

6. Related Party Transactions and Balances

In connection with the McBookie acquisition in 2020, the Company owed £300,000 (\$502,917) to the former shareholders of McBookie. On January 28, 2021 the Company repaid the £300,000 (\$500,350) note payable. In addition to the repayment, and as part of the contractual agreement for the purchase of McBookie the Company also owed 10% of McBookie's EBITDA to the active shareholders for a total period of three years. The Company has determined that this arrangement is to be accounted for as a compensation arrangement rather than additional purchase price consideration in accordance with IFRS 3. On July 5, 2021, the Company paid £28,455 (\$48,647) to the shareholders of McBookie (for the nine months ended September 30, 2020 – nil). As such, the Company has accrued a total of £17,304 (\$29,629) as of September 30, 2021 (December 31, 2020 – nil).

The Company has receivables of \$59,112 (December 31, 2020 – nil) owing from management. This receivable is unsecured, accrues interest at 1% annually and is repayable on December 31, 2022.

Key Management Compensation

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors and the Company's executive leadership team. Such compensation was comprised of:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Executive compensation	\$ 201,382	\$ 119,234	\$ 584,225	\$ 249,234
Share-based payments	56,077	229,885	251,747	404,623
	\$ 257,459	\$ 349,119	\$ 835,972	\$ 653,857

7. Commitments and Contingencies

On April 30, 2020, the Company received \$40,000 from the Government of Canada through the Canada Emergency Business Account ("CEBA"). The CEBA is a one-time, interest free loan that does not have to be repaid until December 31, 2022. In conjunction with the purchase of Askott Entertainment Inc., FansUnite assumed Askott's \$40,000 CEBA loan, for a total of \$80,000 in CEBA loans. If the Company repays the loans on or before December 31, 2022, the Government of Canada will forgive \$10,000 of each loan, for \$20,000 total.

8. Capital Risk Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company considers the items included in shareholders' equity as capital. The Company's primary source of capital comes from the issuance of capital stock.

The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek to obtain additional funding through issuance of new shares or new debt. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long-term but recognizes there will be risks involved that may be beyond its control. The Company is not subject to external capital requirements.

9. Risk Management and Financial Instruments

The Company's financial instruments consist of cash, restricted cash related to customer deposits, accounts receivable, amounts due from related parties, accounts payable and amounts due to related parties. The carrying values of accounts receivable, due from related parties and accounts payable approximate fair value due to the short-term nature of these instruments. Fair value of financial assets and liabilities, information related to risk management positions and discussion of risks associated with financial assets and liabilities are presented as follows:

Fair value

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 quoted prices in active markets for identical assets or liabilities;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 inputs for the asset or liability that are not based upon observable market data.

The fair value of cash and the investment of GoLeague Technologies Inc. were determined using level 1 inputs. The fair value of the investment in 1166117 BC Ltd was determined with level 2 inputs.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary exposure to credit risk is in its cash accounts, trade receivable and amounts due from related parties. All the Company's cash is held through a Canadian or British chartered bank. The Company does not believe that there is any significant credit risk associated with the receivables.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. At September 30, 2021, the Company had a cash balance of \$35,239,724 and current liabilities of \$694,332. With the exception of the CEBA loans (note 7), the Company's financial liabilities have contractual maturities of less than 90 days. The Company will continue to monitor its exposure to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as amount due from and to related parties are carried at a fixed interest rate throughout their term.

9. Risk Management and Financial Instruments (continued)

Foreign exchange risk

Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currencies. The Company has financial assets and liabilities denominated in Canadian dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is a summary, presented in Canadian dollars, of financial assets and liabilities that are denominated in currencies other than the Canadian dollar at September 30, 2021:

		GBP		EUROS		USD
Cash	\$	891,968	\$	46,799	\$	159,289
Restricted cash related to customer deposits		203,621		-		-
Accounts receivable		67,352		164,227		-
Total assets	\$	1,162,941	\$	211,026	\$	159,289
Accounts payable	\$	203,621	\$	237,384	\$	-
Amount due to related parties		29,629		-		-
Total liabilities	\$	233,250	\$	237,384	\$	-

10. Revenue

The Company generated gross gaming revenue of \$729,916 and \$3,096,871 for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 – \$579,932 and \$945,725, respectively). After taking into account promotional costs, the Company generated net gaming revenue of \$562,342 and \$2,481,824 for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 – \$460,368 and \$789,252, respectively).

Revenue from licensing and other activities for the three and nine months ended September 30, 2021 were \$17,682 and \$141,491, respectively (2020 - \$13,194 and \$13,194, respectively).

11. Segmented Information

For the three months ended September 30, 2021:

	Europe	Americas	Corporate	Consolidated
Revenue				
Business to consumer	\$ 562,342	\$ -	\$ -	\$ 562,342
Business to business	-	17,682	-	17,682
Total revenue	\$ 562,342	\$ 17,682	\$ -	\$ 580,024
Total cost of sales	\$ 410,822	\$ 85,402	\$ -	\$ 496,224
Total expenses	\$ 729,408	\$1,267,469	\$ 1,126,308	\$ 3,123,185
Total other items	\$ -	\$ 923	\$ (40,913)	\$ (39,990)

	Europe	Americas	Corporate	Consolidated
Total assets	\$ 2,259,103	\$ 17,952,975	\$ 34,459,387	\$ 54,671,465
Total liabilities	\$ 429,925	\$ 285,006	\$ 123,387	\$ 838,318

FansUnit Entertainment Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited – Amounts Expressed in Canadian dollars)

11. Segmented Information (continued)

For the three months ended September 30, 2020:

	Europe	Americas	Corporate	Consolidated
Revenue				
Business to consumer	\$ 460,368	\$ -	\$ -	\$ 460,368
Business to business	-	13,194	-	13,194
Total revenue	\$ 460,368	\$ 13,194	\$ -	\$ 473,562
Total cost of sales	\$ 302,529	\$ 1,353	\$ -	\$ 303,882
Total expenses	\$ 429,357	\$ 617,440	\$ 1,589,551	\$ 2,636,348
Total other items	\$ -	\$ 923	\$ (40,913)	\$ (39,990)

	Europe	Americas	Corporate	Consolidated
Total assets	\$2,003,201	\$ 22,644,220	\$ 1,455,398	\$ 26,102,819
Total liabilities	\$ 79,170	\$ 925,914	\$ 112,418	\$ 1,117,502

For the nine months ended September 30, 2021:

	Europe	Americas	Corporate	Consolidated
Revenue				
Business to consumer	\$2,481,824	\$ -	\$ -	\$ 2,481,824
Business to business	-	141,491	-	141,491
Total revenue	\$2,481,824	\$ 141,491	\$ -	\$ 2,623,315
Total cost of sales	\$1,480,580	\$ 108,335	\$ -	\$ 1,588,915
Total expenses	\$1,888,232	\$3,310,207	\$ 4,328,147	\$ 9,526,586
Total other items	\$ -	\$ 9,502	\$ (83,969)	\$ (74,467)

For the nine months ended September 30, 2020:

	Europe	Americas	Corporate	Consolidated
Revenue				
Business to consumer	\$ 789,252	\$ -	\$ -	\$ 789,252
Business to business	-	13,194	-	13,194
Total revenue	\$ 789,252	\$ 13,194	\$ -	\$ 802,446
Total cost of sales	\$ 538,580	\$ 1,353	\$ -	\$ 539,933
Total expenses	\$ 562,949	\$1,037,654	\$ 9,764,296	\$ 11,364,899
Total other items	\$ -	\$ (90,592)	\$ 180,512	\$ 89,920

12. Subsequent Events

On November 22, 2021, the Company announced a definitive agreement ("Definitive Agreement") pursuant to which the Company has acquired all of the issued and outstanding shares of American Affiliate LLC ("American Affiliate") in a cash and share transaction for total consideration of approximately US\$58.2 million (\$73.8 million) subject to a working capital adjustment (the "Purchase Price"). The Purchase Price is comprised of: (i) US\$13.5 million (\$17.1 million) in cash paid on closing; (ii) US\$41.7 million (\$52.9 million) to be settled through the issuance of common shares of the Company (the "Common Shares"); (iii) deferred cash payments of US\$3 million (\$3.8 million) payable in twenty four months. In addition to the Purchase Price, the Definitive Agreement provides that the principals of American Affiliate may receive earn-out consideration to be calculated according to EBITDA targets with minimum margin guarantees each fiscal quarter for the three year period following closing. There were 9,104,044 stock options of the Company granted to executives and employees of American Affiliate in connection with the Definitive Agreement.

A director of the Company, Chris Grove, is a related party of American Affiliate, therefore the Transaction is a related party transaction.