

HEADSUP ENTERTAINMENT INTERNATIONAL, INC.

Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)



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COMPILATION ENGAGEMENT REPORT

On the basis of information provided by management, we have compiled the condensed consolidated interim balance sheets of HeadsUp Entertainment International, Inc. as at October 31, 2022 and January 31, 2022, and the condensed consolidated interim statements of operations, equity and cash flows for the nine months ended October 31, 2022 and 2021, and Note 2, which describes the basis of accounting applied in the preparation of the compiled financial information.

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion or provide any form of assurance on the financial information.

Readers are cautioned that these statements may not be appropriate for their purposes.

SHIM & Associates LLP

Chartered Professional Accountants

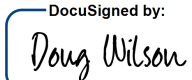
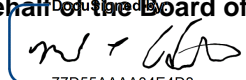
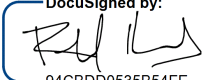
Vancouver, Canada

December 2, 2022

HeadsUp Entertainment International, Inc.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(Unaudited)
As at October 31, 2022 and January 31, 2022
(Expressed in Canadian dollars)

| | October 31, 2022 | January 31, 2022 |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 8,641 | \$ 41,034 |
| Amounts receivable | 43,940 | 20,398 |
| Prepaid expenses | 194,943 | 245,485 |
| Total current assets | 247,524 | 306,917 |
| Long-term investment (Note 4) | 2,586,722 | 2,050,560 |
| Loans and notes receivable (Note 5) | 581,196 | 581,196 |
| TOTAL ASSETS | \$ 3,415,442 | \$ 2,938,673 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 96,671 | \$ 136,690 |
| Short-term loan payable (Note 6) | 1,849,978 | 1,293,870 |
| Due to related parties (Note 7) | 812,042 | 662,011 |
| TOTAL LIABILITIES | 2,758,691 | 2,092,571 |
| EQUITY | | |
| Common shares (Note 8) | 229,090 | 229,090 |
| Preferred shares (Note 8) | 250,000 | 250,000 |
| Subscription received in advance | 9,976 | - |
| Contributed surplus | 3,362,157 | 3,362,157 |
| Deficit | (3,194,472) | (2,995,145) |
| TOTAL EQUITY | 656,751 | 846,102 |
| TOTAL LIABILITIES AND EQUITY | \$ 3,415,442 | \$ 2,938,673 |

Approved and authorized for issuance by the Board of Directors on December 2, 2022:

| | | |
|---|--|---|
| DocuSigned by:  Douglas Wilson, Director | Approved on Behalf of the Board of Directors:  Mark Hutchinson, Director | DocuSigned by:  Richard Keeley, Director |
|---|--|---|

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

HeadsUp Entertainment International, Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
(Unaudited)
For the three and nine months ended October 31, 2022 and 2021
 (Expressed in Canadian dollars)

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|-----------------------------------|-------------|----------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue | \$ 1,738 | \$ 23,206 | \$ 11,350 | \$ 49,698 |
| Operating expenses | | | | |
| Advertising and promotion | 15,774 | 21,826 | 49,997 | 74,403 |
| Consulting fees (Notes 8 and 11) | 30,004 | 20,630 | 89,626 | 213,396 |
| Interest expenses (Note 7) | 3,600 | 3,600 | 10,800 | 10,800 |
| Office and miscellaneous | 32,145 | 12,438 | 58,629 | 35,840 |
| Professional fees | 11,915 | 10,349 | 49,548 | 155,833 |
| Travel | 5,051 | 4,734 | 10,069 | 9,070 |
| Total operating expenses | 98,489 | 73,577 | 268,669 | 499,342 |
| Net loss before other items | (96,751) | (50,371) | (257,319) | (449,644) |
| Gain on settlement | 34,450 | 12,566 | 34,450 | 12,566 |
| Loss on settlement of debt (Note 8) | - | - | - | (943,148) |
| Interest income | 9,638 | 8,911 | 23,542 | 17,889 |
| Net loss for the period | \$ (52,663) | \$ (28,894) | \$ (199,327) | \$ (1,362,337) |
| Loss per share | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.01) |
| Weighted average number of common shares | 229,089,368 | 228,637,755 | 229,089,368 | 225,010,697 |

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HeadsUp Entertainment International, Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EQUITY
(Unaudited)
For the nine months ended October 31, 2022 and 2021
(Expressed in Canadian dollars)

| | <u>Common Stock</u> | | <u>Preferred Stock</u> | | Subscriptions received in advance | Contributed Surplus | Deficit | TOTAL |
|-----------------------------------|---------------------|---------|------------------------|---------|---|------------------------|-------------|-------------|
| | Number of Shares | Amount | Number of Shares | Amount | | | | |
| Balance, January 31, 2021 | 204,207,657 | 204,208 | 5,000,000 | 250,000 | - | 1,765,307 | (1,602,377) | 617,138 |
| Shares issued for cash | 9,105,724 | 9,106 | - | - | - | 562,087 | - | 571,193 |
| Shares issued for services | 20,775,987 | 20,776 | - | - | - | 1,029,763 | - | 1,050,539 |
| Shares cancelled | (5,000,000) | (5,000) | - | - | - | 5,000 | - | - |
| Net loss for the period | - | - | - | - | - | - | (1,362,337) | (1,362,337) |
| Balance, October 31, 2021 | 229,089,368 | 229,090 | 5,000,000 | 250,000 | - | 3,362,157 | (2,964,714) | 876,533 |
| Net loss for the period | - | - | - | - | - | - | (30,431) | (30,431) |
| Balance, January 31, 2022 | 229,089,368 | 229,090 | 5,000,000 | 250,000 | - | 3,362,157 | (2,995,145) | 846,102 |
| Subscriptions received in advance | - | - | - | - | 9,976 | - | - | 9,976 |
| Net loss for the period | - | - | - | - | - | - | (199,327) | (199,327) |
| Balance, October 31, 2022 | 229,089,368 | 229,090 | 5,000,000 | 250,000 | 9,976 | 3,362,157 | (3,194,472) | 656,751 |

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

HeadsUp Entertainment International, Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
For the nine months ended October 31, 2022 and 2021
(Expressed in Canadian dollars)

| | 2022 | 2021 |
|---|------------------|--------------------|
| OPERATING ACTIVITIES | | |
| Net loss | (199,327) | (1,362,337) |
| Adjustment for non-cash items: | | |
| Accrued interest expense | 10,800 | 10,800 |
| Advertising and promotion fees paid in preferred shares | - | 37,500 |
| Consulting fees paid in common shares | - | 107,391 |
| Loss on settlement of debt | - | 943,148 |
| Change in non-cash working capital: | | |
| Amounts receivable | (23,542) | (17,387) |
| Prepaid expenses | 50,542 | 27,745 |
| Accounts payable and accrued liabilities | (40,019) | 83,913 |
| CASH USED IN OPERATING ACTIVITIES | (201,546) | (169,227) |
| INVESTING ACTIVITIES | | |
| Long-term investments | (536,162) | (1,640,239) |
| CASH USED IN INVESTING ACTIVITIES | (536,162) | (1,640,239) |
| FINANCING ACTIVITIES | | |
| Shares issued for cash | - | 571,193 |
| Subscriptions received in advance | 9,976 | - |
| (Repayments) advances from related parties | 139,231 | (6,390) |
| Short-term loan | 556,108 | 1,235,135 |
| CASH PROVIDED BY FINANCING ACTIVITIES | 705,315 | 1,799,938 |
| DECREASE IN CASH | (32,393) | (9,528) |
| CASH - BEGINNING OF PERIOD | 41,034 | 21,289 |
| CASH - END OF PERIOD | 8,641 | 11,761 |
| Cash paid for interest expense | - | - |
| Cash paid for income taxes | - | - |

Supplemental cash flow information (Note 12)

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

HeadsUp Entertainment International, Inc.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

For the nine months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERNS

HeadsUp Entertainment International, Inc. (the "Company") is a global media and entertainment company engaged in the creation of branded entertainment through the development, production and marketing of televised programming based on poker and other entertainment themes. The address of the registered office is 1739 – 246 Stewart Green SW, Calgary, Alberta T3H 3C8.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At October 31, 2022, the Company had a working capital deficiency of \$2,511,167 (January 31, 2022 – \$1,785,654) and had an accumulated deficit of \$3,194,472 (January 31, 2022 – \$2,995,145) which has been funded primarily by equity financing or loans from related parties. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully raise the capital to carry out its business plan. If the Company is unable to fund its future plan, its business, financial condition or results of operations could be materially and adversely affected. The success of the Company depends on its ability to profitably penetrate its target market with its new products on a sustainable basis. The Company has never generated revenue, cash flows or profits from operations.

The Company's ability to launch its operations as intended is dependent on its ability to generate revenue and raise capital sufficient to cover its marketing and other costs. All of these factors indicate a material uncertainty that raise significant doubt about the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the reporting and functional currency of the Company. These condensed consolidated interim financial statements are prepared on a historical cost basis except for certain financial instruments as described at Note 3, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

Consolidated financial statements include the assets, liabilities, and results of operations of all entities controlled by the Company. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the Company's the consolidated financial statements.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, HeadsUp Entertainment Inc., a company incorporated in Canada.

HeadsUp Entertainment International Inc.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – See Notice to Reader)

For the three and nine months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and judgments

The preparation of these condensed consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The condensed consolidated interim financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgments

i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

ii) Receivables

The Company assesses the collectability of receivables on an ongoing basis. A provision for the impairment of receivables involves significant management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends, and analysis of historical bad debts.

Estimates

iii) Fair value of financial instruments

Management uses valuation techniques, in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are provided in the notes regarding financial assets and liabilities.

In applying the valuation techniques, management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. Such estimates include liquidity risk, credit risk and volatility may vary from the actual results that would be achieved in an arm's length transaction at the reporting date.

HeadsUp Entertainment International Inc.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – See Notice to Reader)

For the three and nine months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

Revenue recognition

Revenue is recognized when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably and collection is reasonably ensured.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are expensed in the period they are incurred.

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on a recognized exchange on the date of the agreement to issue the shares or the date of share issuance, whichever is more appropriate.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options, warrants and convertible instruments were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Financial instruments

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI") or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

HeadsUp Entertainment International Inc.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – See Notice to Reader)

For the three and nine months ended October 31, 2022 and 2021

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Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Debt instruments

Subsequent measurement of debt instrument depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of loss and comprehensive loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss and comprehensive loss.
- **FVTPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

HeadsUp Entertainment International Inc.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – See Notice to Reader)

For the three and nine months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of loss and comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Company has classified its financial instruments as follows:

| <u>Financial Instrument</u> | <u>Classification</u> |
|-----------------------------|-----------------------|
| Cash | FVTPL |
| Amounts receivable | Amortized cost |
| Loans and notes receivable | Amortized cost |
| Accounts payable | Amortized cost |
| Short-term loan payable | Amortized cost |
| Due to related parties | Amortized cost |

The three levels of the fair value hierarchy are as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or models inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The fair value of cash is determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. As at October 31, 2022 and January 31, 2022, the Company believes that the carrying values of cash, amounts receivable, loans and notes receivable, accounts payable and accrued liabilities, and due to related parties approximate the fair values because of their nature and relatively short maturity dates or durations.

HeadsUp Entertainment International Inc.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – See Notice to Reader)

For the three and nine months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

4. LONG-TERM INVESTMENT

Interactive Media Inc.

The Company's investment in the amount of \$500,000 in Interactive Media Inc. ("Interactive"), a private company incorporated in Alberta, Canada, is unsecured, non-interest bearing, and due on demand (the "Interactive Loan").

The Interactive Loan is convertible into common shares of Interactive at \$1 per common share.

Spinola Software Solutions Limited

In May 2021, the Company entered into a letter of intent to acquire Spinola Software Solutions Limited and Jackpot Group Limited (together, "Spinola"). As a condition of the closing, the Company and Spinola entered into a Loan Agreement and Promissory Note, to be secured by stock in Spinola (the "Spinola Loan").

The Spinola Loan in the amount of US\$720,000 is effective May 5, 2021, bears interest of 3% per annum, and is due within 12 months. All payments are first applied to accrued interest and the balance to principal. The Spinola Loan can be paid in whole or in part, at any time and from time to time, without penalty or premium. The parties are in a negotiation for the settlement of the loan at a later date.

During the nine months ended October 31, 2022, the Company advanced \$536,162 (2021 – \$920,239) to Spinola. As at October 31, 2022, total amount due from Spinola was \$2,086,722 (January 31, 2022 – \$1,550,560).

At October 31, 2022, the acquisition of Spinola has not been completed.

5. LOANS AND NOTES RECEIVABLE

The loans and notes receivable as of October 31, 2022 and January 31, 2022 are due from non-arm's length parties.

The loans and notes receivable as of October 31, 2022 and January 31, 2022 are unsecured, non-interest bearing, and due on demand.

6. SHORT-TERM LOAN PAYABLE

During the year ended January 31, 2022, the Company received \$1,018,310, \$34,450, and \$162,455 from three non-arm's length parties. The loans are unsecured, non-interest bearing, and due on demand.

During the nine months ended October 31, 2022, the Company received \$556,108 from a non-arm's length party. The loans are unsecured, non-interest bearing, and due on demand.

7. DUE TO RELATED PARTIES

The balance due to related parties as of October 31, 2022 and January 31, 2022 are payable to officers and directors of the Company (the "RP Loan"). The RP Loan is secured by the assets of the Company and is interest-bearing. During the nine months ended October 31, 2022, the Company recorded an interest expense of \$10,800 (2021 – \$10,800). There are no set terms of repayment.

The RP Loan is convertible into common shares of the Company at a price no lower than the last 12-month average closing price of the Company's common shares listed on the OTC pink sheet.

HeadsUp Entertainment International Inc.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – See Notice to Reader)

For the three and nine months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

8. SHARE CAPITAL

(a) Authorized:

During the year ended January 31, 2021, the Company's Articles of Incorporation were amended and restated, which resulted in a change of its authorized share capital as follows:

500,000,000 shares of common stock, with \$0.001 par value.

10,000,000 shares of preferred stock, with \$0.001 par value.

The Company's share capital information has been retroactively restated to present the par value of its common stock, with the remaining amount presented as contributed surplus.

The Company is authorized to divide the 10,000,000 shares of preferred stock from time to time into one or more series. and to determine or change by resolution for each such series its designation, the number of shares of such series, the powers, preferences and rights and the qualifications, limitations, or restrictions for the shares of such series.

The Company designated 5,000,000 Series A Convertible Preferred Stock. The Series A Convertible Preferred Stock shall be pari passu with the Company's common stock. Each holder of outstanding shares of Series A Convertible Preferred Stock shall not be entitled to receive any dividends, except as may be declared by the Board of Directors in its sole and absolute discretion out of funds legally available for that purpose. The holders of Series A Convertible Preferred Stock shall not be entitled to vote on any matters submitted or required to be submitted to a vote of the shareholders of the Company, except as otherwise required by law, in which case every holder of Series A Convertible Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which such shares of Series A Convertible Preferred Stock are convertible, at the record date for the determination of shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited.

Each share of Series A Convertible Preferred Stock shall be convertible, at the option of the holder thereof, at any time, into one share of the Company's Common Stock.

(b) Issued and Outstanding:

During the year ended January 31, 2021, the Company issued 5,000,000 Series A Convertible Preferred Stock with a value of \$0.05 per share for a total fair value of \$250,000 pursuant to a marketing agreement.

On February 2, 2021, the Company issued 19,350,000 shares of common stock, valued at \$0.05 per share, to certain directors and consultants for services rendered to the Company resulting in a loss of \$943,148 (Note 12).

On April 23, 2021, the Company issued 500,000 shares of common stock for \$0.10 (US\$0.08) per share for a gross proceed of \$50,340 (US\$40,000).

On May 26, 2021, the Company issued 416,667 shares of common stock for \$0.07 (US\$0.06) per share for a gross proceed of \$30,733 (US\$25,000).

On June 5, 2021, the Company issued 5,095,752 shares of common stock for \$0.06 (US\$0.046) per share for a gross proceed of \$296,741 (US\$234,405), and 1,425,987 shares of common stock for \$0.06 (US\$0.046) per share to certain consultant for services rendered to the Company.

HeadsUp Entertainment International Inc.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – See Notice to Reader)

For the three and nine months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

On June 8, 2021, the Company issued 243,305 shares of common stock for \$0.07 (US\$0.06) per share for a gross proceed of \$18,068 (US\$14,598).

On June 30, 2021, the Company issued 1,850,000 shares of common stock for \$0.06 (US\$0.05) per share for a gross proceed of \$113,845 (US\$92,500).

On September 10, 2021, the Company issued 1,000,000 shares of common stock for \$0.06 (US\$0.05) per share for a gross proceed of \$61,465 (US\$50,000).

(c) Shares cancelled:

On April 13, 2021, 5,000,000 shares of common stock were returned to treasury and cancelled due to an unfulfilled service agreement.

9. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

10. FINANCIAL INSTRUMENTS

Classification of financial instruments

| | Financial assets – FVTPL | Financial assets – amortized cost | Financial liabilities – amortized cost |
|-------------------------------|--------------------------------|---|--|
| As at October 31, 2022 | | | |
| Cash | \$ 8,641 | \$ - | \$ - |
| Amounts receivable | - | 43,940 | - |
| Loans and notes receivable | - | 581,196 | - |
| Accounts payable | - | - | 96,671 |
| Short-term loan payable | - | - | 1,849,978 |
| Due to related parties | - | - | 812,042 |
| As at January 31, 2022 | | | |
| Cash | \$ 41,034 | \$ - | \$ - |
| Amounts receivable | - | 20,398 | - |
| Loans and notes receivable | - | 581,196 | - |
| Accounts payable | - | - | 136,690 |
| Short-term loan payable | - | - | 1,293,870 |
| Due to related parties | - | - | 662,011 |

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The fair value of the Company's financial assets and liabilities approximates the carrying amount because of their nature and relatively short maturity dates or durations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. The loans and note receivables are due from related parties and are subject to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company intends to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. As at October 31, 2022, the Company had cash of \$8,641 (January 31, 2022 - \$41,034) to settle the total current liabilities of \$2,758,691 (January 31, 2022 - \$2,092,571), of which \$2,648,865 is due to related parties. The Company continues to obtain financing via short term loans or advances from related parties to meet its debt obligations as they become due.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company is not exposed to significant foreign exchange 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 exposed to significant interest rate risk.

11. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers. The aggregate values of transactions relating to key management are as follows:

| Nine Months Ended October 31, | 2022 | 2021 |
|--------------------------------------|-------------|-------------|
| | \$ | \$ |
| <u>Consulting fees</u> | | |
| Directors | 52,654 | 83,520 |

See Notes 5, 6 and 7 for related party transactions.

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12. NON-CASH TRANSACTIONS

There were no non-cash investing and financing transactions for the nine months ended October 31, 2022.

On February 2, 2021, the Company issued 19,350,000 shares of common stock, valued at \$0.05 per share, to certain directors and consultants for services rendered to the Company resulting in a loss of \$943,148 (Note 8).

On June 5, 2021, the Company issued 1,425,987 shares of common stock for \$0.06 (US\$0.046) per share to certain consultant for services rendered to the Company (Note 8).

13. ACQUISITION

On May 13, 2022, the Company entered into an Asset Purchase Agreement (“APA”) whereby the Company acquired certain assets, tangible and intangible, related to marketing and provision of web, mobile web, and native lottery/gambling applications (the “Purchased Assets”). As consideration for the Purchased Assets, the seller shall receive 8% of the gross revenue realized by the Company through the continued use of the Purchase Assets, minus government taxes and minus lottery payouts. The payment to the seller is perpetual and the Company’s obligation only terminate upon the sale of the Purchase Assets to a bona fide third party for a minimum purchase price of \$5,000,000.