



# Champion Gaming Group Inc.

**Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Unaudited – Expressed in Canadian Dollars)**

## INDEX

	Page
Notice to Reader Issued by Management	1
Condensed Interim Consolidated Statements of Financial Position	2
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss	3
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)	4
Condensed Interim Consolidated Statements of Cash Flows	5
Notes to the Condensed Interim Consolidated Financial Statements	6 - 24

# **Champion Gaming Group Inc.**

## Notice to Reader Issued by Management

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice to this effect.

The accompanying unaudited condensed interim consolidated financial statements have been prepared and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of the unaudited condensed interim consolidated financial statements.

June 30, 2023

# Champion Gaming Group Inc.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2023 and December 31, 2022

(Unaudited – Expressed in Canadian Dollars)

	Note	March 31, 2023	December 31, 2022
	#	\$	\$
<b>ASSETS</b>			
Current			
Cash		28,664	47,655
Accounts receivable		3,717	12,818
Prepaid expenses and deposits		96,962	599
Total current assets		129,343	61,072
Property and equipment	6	2,776	3,640
Right-of-use assets	7	177,570	196,099
Total assets		309,689	260,811
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Current			
Accounts payable and accrued liabilities		2,059,866	1,797,249
Contract liability	8	211,124	375,090
Current notes payable	9	856,144	510,821
Current lease liability	10	236,693	226,487
Due to related party	11	727,917	728,124
Total current liabilities		4,091,744	3,637,771
Non-current note payable	9	772,147	722,147
Non-current lease liability	10	411,643	475,356
Total liabilities		5,275,534	4,835,274
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital		16,050,830	15,990,830
Share-based payment reserve		2,171,179	2,066,784
Accumulated other comprehensive income (loss)		(173,905)	(228,788)
Accumulated deficit		(23,013,949)	(22,403,289)
Total shareholder's deficiency		(4,965,845)	(4,574,463)
Total liabilities and shareholders' deficiency		309,689	260,811

**Nature of operations and going concern (Note 1)**

**Related party transactions (Note 15)**

**Subsequent events (Note 18)**

**Approved on behalf of the Board:**

\_\_\_\_\_  
*"Kenneth Hershman", Director*  
 (signed)

\_\_\_\_\_  
*"Cameron Wickham", Director*  
 (signed)

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

# Champion Gaming Group Inc.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss  
For the Three Months Ended March 31, 2023 and 2022  
(Unaudited – Expressed in Canadian Dollars)

	Note	March 31, 2023	March 31, 2022
	#	\$	\$
<b>Revenue</b>	16	<b>257,132</b>	398,321
<b>Expenses</b>			
Salaries and wages		<b>329,766</b>	1,032,882
Marketing		<b>33,363</b>	254,511
Subcontractor fees		<b>35,744</b>	183,336
Office and general		<b>36,526</b>	82,327
Professional fees		<b>52,340</b>	364,382
Insurance		<b>36,611</b>	104,996
Data providers and cloud services		<b>74,374</b>	59,343
Sports writers		<b>21,070</b>	14,928
Rental		<b>2,272</b>	-
Depreciation	6	<b>861</b>	9,149
		<b>622,927</b>	2,105,854
<b>Loss before other expenses (income)</b>		<b>(365,795)</b>	(1,707,533)
<b>Other expenses (income)</b>			
Interest expense	9	<b>101,681</b>	-
Interest on lease liability	10	<b>20,500</b>	24,547
Foreign exchange loss (gain)		<b>(62)</b>	84,620
Share-based compensation	13	<b>104,388</b>	688,611
Depreciation on right-of-use assets	7	<b>18,358</b>	55,278
<b>Net loss</b>		<b>(610,660)</b>	(2,560,589)
Loss per share - basic and diluted		<b>(0.01)</b>	(0.04)
Weighted average number of outstanding common shares - basic and diluted		<b>72,125,840</b>	65,945,840
<b>Net loss</b>		<b>(610,660)</b>	(2,560,589)
Foreign exchange translation adjustment		<b>54,883</b>	51,213
<b>Total comprehensive loss</b>		<b>(555,777)</b>	(2,509,376)

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

## Champion Gaming Group Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the Three Months Ended March 31, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)

	Note	Common Shares	Share Capital	Share-based Payment Reserve	Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity (Deficiency)
	#	#	\$	\$	\$	\$	\$
<b>Balance, December 31, 2021</b>		<b>65,945,840</b>	<b>15,557,999</b>	<b>275,376</b>	<b>(496)</b>	<b>(16,241,491)</b>	<b>(408,612)</b>
Vesting of performance warrants	13	-	-	499,804	-	-	499,804
Vesting of restricted share unit grants	13	-	-	128,126	-	-	128,126
Issuance of options	12	-	-	60,681	-	-	60,681
Net loss for the period		-	-	-	-	(2,560,589)	(2,560,589)
Foreign currency translation adjustment		-	-	-	51,213	-	51,213
<b>Balance, March 31, 2022</b>		<b>65,945,840</b>	<b>15,557,999</b>	<b>963,987</b>	<b>50,717</b>	<b>(18,802,080)</b>	<b>(2,229,377)</b>
<b>Balance, December 31, 2022</b>		<b>71,645,840</b>	<b>15,990,830</b>	<b>2,066,784</b>	<b>(228,788)</b>	<b>(22,403,289)</b>	<b>(4,574,463)</b>
Issuance of common shares related to secured loan	12	600,000	60,000	-	-	-	60,000
Vesting of restricted share unit grants	13	-	-	104,395	-	-	104,395
Net loss for the period		-	-	-	-	(610,660)	(610,660)
Foreign currency translation adjustment		-	-	-	54,883	-	54,883
<b>Balance, March 31, 2023</b>		<b>72,245,840</b>	<b>16,050,830</b>	<b>2,171,179</b>	<b>(173,905)</b>	<b>(23,013,949)</b>	<b>(4,965,845)</b>

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

# Champion Gaming Group Inc.

Condensed Interim Consolidated Statements of Cash Flows  
For the Three Months Ended March 31, 2023 and 2022  
(Unaudited – Expressed in Canadian Dollars)

	March 31, 2023 \$	March 31, 2022 \$
<b>Operating activities</b>		
Net loss for the period	(610,660)	(2,560,589)
Adjusted for non-cash items:		
Depreciation	861	9,149
Depreciation on right-of-use assets	18,358	55,278
Interest expense	101,681	-
Interest on lease liability	20,500	24,547
Foreign exchange gain/loss	(62)	84,620
Share-based compensation	104,388	688,611
<b>Changes in non-cash working capital items:</b>		
Prepaid expenses and deposits	(96,363)	109,100
Accounts receivable	9,101	4,491
Contract liability	(163,966)	253,616
Accounts payable and accrued liabilities	262,617	545,597
<b>Cash used in operating activities</b>	<b>(353,545)</b>	<b>(785,580)</b>
<b>Financing activities</b>		
Due from related party	-	(62,480)
Proceeds from issuance of promissory notes	367,000	-
Repayment of promissory note	-	(17,153)
Payment of lease liabilities	(73,406)	(65,450)
<b>Cash (used in) provided by financing activities</b>	<b>293,594</b>	<b>(145,083)</b>
<b>Effects of foreign exchange</b>	<b>40,960</b>	<b>(23,567)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(59,951)</b>	<b>(930,663)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>47,655</b>	<b>966,974</b>
<b>Cash and cash equivalents, end of period</b>	<b>28,664</b>	<b>12,744</b>

The following are non-cash transactions affecting cash flows from investing activities during the three months ended March 31, 2023:

- The Company issued 600,000 common shares in connection with a secured note (Note 9); and
- The Company incurred share-based compensation expenses in relation to previously issued RSUs (Note 13).

The following are non-cash transactions affecting cash flows from investing activities during the three months ended March 31, 2022:

- The Company incurred share-based compensation expenses in relation to previously issued RSUs (Note 13);
- The Company incurred share-based compensation expenses in relation to previously issued Performance Warrants (Note 13); and
- The Company incurred share-based compensation expenses in relation to the issuance of stock options (Note 13).

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

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

Champion Gaming Group Inc. (the “Company” or “Champion”) was incorporated on September 2, 2004 under the *Business Corporations Act* (Ontario). The address of the Company’s registered office is 217 Queen Street West, Suite 401, Toronto, ON, M5V 0R2. The Company is a publicly-traded company, listed on the TSX Venture Exchange (the “TSXV”) under the symbol “WAGR”. Champion is an industry-leading content, data and analytics company serving all facets of the sports wagering and fantasy sports communities.

On September 3, 2021, Champion Gaming Inc., through its wholly-owned subsidiary, Champion Gaming USA Inc., completed a reverse take-over transaction with EdjSports, LLC, as described in Note 4. On November 30, 2021, the Company completed a reverse take-over transaction with Champion Gaming Inc., as described in Note 5.

The result of these condensed interim consolidated financial statements are those of EdjSports, LLC, the accounting survivor of both reverse take-over transactions as described in Note 4 and Note 5.

These condensed interim consolidated financial statements of the Company have been prepared on a going concern basis which presumes the Company will continue in operation and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of \$610,660 (March 31, 2022 – \$2,560,589) and a comprehensive loss of \$555,777 (March 31, 2022 – \$2,509,376) during the three months ended March 31, 2023 and has a total accumulated deficit of \$23,013,949 (December 31, 2022 – \$22,403,289) as at March 31, 2023. The Company’s ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations.

The Company believes that narrowing losses and continued funding from equity and debt issuances will provide sufficient cash flow for it to continue as a going concern in its present form. However, there can be no assurances that the Company will continue to have the required funding for its operations. These material uncertainties cast significant doubt as to the Company’s ability to continue as a going concern. As at March 31, 2023 and December 31, 2022, these condensed interim consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies in accordance with IFRS and in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2022.

These condensed interim consolidated financial statements have been reviewed and approved by the Company’s Audit Committee and its Board of Directors on June 30, 2023.

### (b) Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except where otherwise disclosed. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### (c) Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiary Champion Gaming Inc., as determined by management, is the Canadian dollar. The functional currency of its subsidiaries Champion Gaming USA Inc., and EdjSports, LLC is the United States dollar.

### (d) Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of the Company’s subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Champion Gaming Inc. and its wholly-owned subsidiary, Champion Gaming USA Inc. and its wholly-owned subsidiary, EdjSports, LLC. All inter-company transactions and balances have been eliminated on consolidation.

### (e) Comparative Figures

Certain prior period figures have been reclassified to conform to the current period’s classification.



# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. BASIS OF PREPARATION (continued)

### (f) Significant Accounting Judgements and Estimates

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain.

#### Critical Judgements

The preparation of these condensed interim consolidated financial statements requires management to make judgements regarding the going concern of the Company, as previously disclosed in Note 1, the determination of functional currency as disclosed above in (c), and the determination of if an acquisition is a business combination or an asset acquisition, as disclosed in Note 4 and Note 5.

#### Key Sources of Estimation Uncertainty

Due to the precise determination of many assets and liabilities being dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the condensed interim consolidated financial statements include:

#### *Revenue recognition*

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple performance obligations. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables. Management also applies judgement in the calculation of the estimated life of a contract, the value of amounts recoverable on contracts and the timing of revenue recognition.

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. BASIS OF PREPARATION (continued)

### (f) Significant Accounting Judgements and Estimates (continued)

#### *Amortization and impairment of non-financial assets*

The Company reviews amortized non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. It also reviews annually non-financial assets with indefinite life for impairment. If the recoverable amount of the respective non-financial asset is less than its carrying amount, it is considered to be impaired. In the process of measuring the recoverable amount, management makes assumptions about future events and circumstances. The actual results may vary and may cause significant adjustments. The amortization expense related to intangible assets and depreciation related to equipment are determined using estimates relating to the useful life of the related assets.

#### *Leases*

To determine the carrying amount of right-of-use assets and lease liabilities, the Company must estimate the incremental borrowing rate for each leased asset if the interest rate implicit in the lease cannot be readily determined. Management determines the incremental borrowing rate for each leased asset by taking into account the Company's credit standing, the guarantee, the term and the value of the underlying leased asset, as well as the economic environment in which the leased asset is operated. Incremental borrowing rates can be changed due to macroeconomic changes in the environment.

#### *Useful lives of depreciable assets*

The Company estimates the useful lives for an item of depreciable assets to its significant parts and depreciates separately each such part. Management reviews the useful lives of depreciable assets and their significant parts at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to a variety of factors including technical obsolescence.

#### *Deferred tax assets*

The Company recognizes deferred tax assets only to the extent that it considers it probable that those assets will be recoverable. The Company makes assumptions about when deferred tax assets are probable to reverse, the extent to which it is probable that temporary differences will reverse and whether or not there will be sufficient taxable profits available to realize the tax assets when they do reverse. In making these judgments, the Company continually evaluates the magnitude and duration of any past losses, current profitability and whether it is sustainable, and earnings forecasts.

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. BASIS OF PREPARATION (continued)

### (f) Significant Accounting Judgements and Estimates (continued)

#### *Fair value of financial assets and financial liabilities*

The fair value of financial assets and financial liabilities on the statements of financial position that cannot be derived from active markets are determined using a variety of techniques including the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared using the same accounting policies, significant accounting judgments and estimates, and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2022, as described in Note 2 and Note 3 of those audited consolidated financial statements.

### **New standards not yet adopted and interpretations issued but not yet effective**

No new standards have been adopted that have a significant impact on the Company's condensed interim consolidated financial statements.

## 4. REVERSE ACQUISITION TRANSACTION OF EDJSPORTS, LLC

On September 3, 2021, Champion Gaming Inc. ("Private Champion Gaming") completed the acquisition (the "Edj Acquisition") of EdjSports, LLC ("Edj LLC"), pursuant to which Champion Gaming USA, Inc., a wholly-owned subsidiary of Private Champion Gaming, acquired all of the outstanding common membership interests of Edj LLC from EdjSports, Inc. ("Edj Inc."). As consideration for the Edj Acquisition, Private Champion Gaming issued an aggregate of 11,000,000 common shares of Private Champion Gaming ("Champion Shares"), at a price of \$0.19 per share, based on the market value of the common shares at the time of issuance, and agreed to pay to Edj Inc. an aggregate of USD \$350,000 on the earlier of: (i) December 31, 2022; or (ii) 60 days following the closing of a \$1,000,000 financing.

The Edj Acquisition constituted a reverse take-over of Private Champion Gaming, as the shareholders of Edj LLC obtained control of a company that did not meet the definition of a business combination pursuant to IFRS 3 – *Business Combinations*. As such, the reverse take-over has been accounted for as a share-based transaction under IFRS 2 – *Share-based Payment*. Since Edj LLC is the deemed acquirer for accounting purposes, these condensed interim consolidated financial statements present the historical information and results of Edj LLC.

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

## 4. REVERSE ACQUISITION TRANSACTION OF EDJSPORTS, LLC (continued)

The fair value of the non-cash consideration of the Edj Acquisition amounted to \$2,712,294, which included the fair value of the common shares acquired in the amount of \$2,090,000 (11,000,000 Champion Shares at a price of \$0.19 per share), the assumed payable of Edj Inc. in the amount of \$438,190 (USD \$350,000) and the negative net assets of Private Champion Gaming of \$184,104, which has been expensed in the post-acquisition period as a cost associated with obtaining a public listing.

Purchase consideration shares	\$	2,090,000
Payable to Edj Inc.		438,190
<b>Fair value of consideration</b>	<b>\$</b>	<b>2,528,190</b>
<b>Identifiable assets acquired:</b>		
Cash and cash equivalents	\$	4,297,352
Shares reserved for issuance		(4,296,500)
Other current assets		1,545,347
Accounts payable and accrued liabilities		(29,270)
Convertible debenture		(787,462)
Derivative liability – conversion feature		(913,571)
<b>Negative net assets acquired</b>	<b>\$</b>	<b>(184,104)</b>
<b>Transaction expense for public listing</b>	<b>\$</b>	<b>2,712,294</b>

## 5. REVERSE ACQUISITION TRANSACTION OF CHAMPION GAMING INC.

On November 30, 2021, Prime City One Capital Corp., 2864754 Ontario Inc. (“Prime City Subco”), a wholly-owned subsidiary of Prime City One Capital Corp., and Private Champion Gaming completed a triangular amalgamation (the “Champion Acquisition”) whereby:

- (i) Private Champion Gaming amalgamated with Prime City Subco under the *Business Corporations Act* (Ontario) to form a new corporation (“Amalco”), new Champion Gaming Inc.;
- (ii) The shareholders of Private Champion Gaming received one common share of Prime City One Capital Corp. (referred to herein as the “Resulting Issuer” following the completion of the Champion Acquisition) on a post-consolidation (as described below) basis in exchange for each one Champion Share held by them immediately prior to the completion of the amalgamation;
- (iii) Amalco became a direct wholly-owned subsidiary of the Resulting Issuer upon completion of the amalgamation;
- (iv) Prime City One Capital Corp. was renamed to Champion Gaming Group Inc. immediately prior to the Champion Acquisition on November 29, 2021; and
- (v) Following completion of the Champion Acquisition, the Resulting Issuer continued to carry on Private Champion Gaming's business, all in the manner contemplated by, and subject to the terms and conditions of the Champion Acquisition.

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

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## 5. REVERSE ACQUISITION TRANSACTION OF CHAMPION GAMING INC. (continued)

The Champion Acquisition constituted a reverse take-over of Prime City One Capital Corp., as the shareholders of Private Champion Gaming obtained control of a company that did not meet the definition of a business combination pursuant to IFRS 3 – *Business Combinations*. As such, the reverse take-over has been accounted for as a share-based transaction under IFRS 2 – *Share-based Payment*. Since Private Champion Gaming is the deemed acquirer for accounting purposes, these condensed interim consolidated financial statements present the historical information and results of Private Champion Gaming.

The fair value of the non-cash cost of the Champion Acquisition amounted to \$878,939, which included the fair value of the common shares issued in the amount of \$762,622 (at a price of \$0.25, based on the most recent financing of Private Champion Gaming prior to the Champion Acquisition, for an aggregate of 3,050,486 common shares), and negative net assets of Prime City of \$116,317, which has been expensed in the post-acquisition period as a cost associated with obtaining a public listing.

Purchase consideration shares	\$	762,622
<b>Fair value of consideration</b>	<b>\$</b>	<b>762,622</b>
<b>Identifiable assets acquired:</b>		
Cash and cash equivalents	\$	3,380
Other current assets		5,421
Accounts payable and accrued liabilities		(57,562)
Note payable		(16,701)
Loan from Private Champion Gaming		(50,855)
<b>Negative net assets acquired</b>	<b>\$</b>	<b>(116,317)</b>
<b>Listing expense</b>	<b>\$</b>	<b>878,939</b>

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

## 6. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	Furniture and fixtures \$	Equipment \$	Leasehold improvements \$	Total \$
<b>Cost</b>				
<b>As at December 31, 2021</b>	<b>99,118</b>	<b>72,842</b>	<b>6,415</b>	<b>178,375</b>
Additions	-	-	-	-
Disposals	(97,466)	(15,624)	(6,524)	(119,614)
Effects of foreign currency	(1,652)	5,239	109	3,696
<b>As at December 31, 2022</b>	<b>-</b>	<b>62,457</b>	<b>-</b>	<b>62,457</b>
Additions (disposals)	-	-	-	-
Effects of foreign currency	-	(3)	-	(3)
<b>As at March 31, 2023</b>	<b>-</b>	<b>62,454</b>	<b>-</b>	<b>62,454</b>
<b>Accumulated depreciation</b>				
<b>As at December 31, 2021</b>	<b>41,151</b>	<b>59,906</b>	<b>3,335</b>	<b>104,392</b>
Depreciation	22,112	10,797	1,245	34,154
Disposals	(63,263)	(11,886)	(4,580)	(79,729)
<b>As at December 31, 2022</b>	<b>-</b>	<b>58,817</b>	<b>-</b>	<b>58,817</b>
Depreciation	-	861	-	861
Disposals	-	-	-	-
<b>As at March 31, 2023</b>	<b>-</b>	<b>59,678</b>	<b>-</b>	<b>59,678</b>
<b>Net book value (\$)</b>				
<b>As at December 31, 2022</b>	<b>-</b>	<b>3,640</b>	<b>-</b>	<b>3,640</b>
<b>As at March 31, 2023</b>	<b>-</b>	<b>2,776</b>	<b>-</b>	<b>2,776</b>

Depreciation recorded on property and equipment for the three months ended March 31, 2023 amounted to \$861 (March 31, 2022 – \$9,149).

## 7. RIGHT-OF-USE ASSETS

The Company recognized the right-of-use asset for its leased property as follows:

	\$
<b>Balance, December 31, 2021</b>	<b>811,762</b>
Additions during the year	-
Depreciation for the year	(161,971)
Impairment of right-of-use asset	(482,731)
Effects of foreign currency movement	29,039
<b>Balance, December 31, 2022</b>	<b>196,099</b>
Depreciation for the period	(18,358)
Effects of foreign currency movement	(171)
<b>Balance, March 31, 2023</b>	<b>177,570</b>

Leased properties are amortized over the terms of their respective leases.

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

## 8. CONTRACT LIABILITY

The Company's contract liability is deferred revenue which relates to revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) which amounted to \$211,124 as at March 31, 2023 (December 31, 2022 – \$375,090). Details of the Company's contract liability is noted as follows:

	March 31, 2023	December 31, 2022
	\$	\$
<b>Opening balance</b>	<b>375,090</b>	349,473
Revenue recognized from contract liability	<b>(233,181)</b>	(1,157,544)
Additions	<b>69,617</b>	1,159,222
Effects of currency movement	<b>(402)</b>	23,939
<b>Ending balance</b>	<b>211,124</b>	375,090

## 9. NOTES PAYABLE

The Company's notes payable were comprised of the following as at March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
	\$	\$
<b>Current notes payable:</b>		
Promissory note payable to an arm's length creditor, in the principal amount of \$300,000. This amount is secured against by a general security agreement over the assets of the Company, bearing interest of 20% per annum, and maturing on January 19, 2024. In connection with this note, the Company issued 600,000 common shares as a loan bonus (Note 12).	251,836	-
Notes payable in the aggregate amount of \$167,000. These amounts are unsecured, due on demand, bearing interest at 20% per annum. In connection with these notes, the Company incurred lenders fees of \$8,350.	177,924	-
Notes payable in the aggregate amount of \$67,720 (US \$50,000). These amounts are unsecured, due on demand, bearing interest at 8% per annum.	72,280	70,986
Note payable in the amount of \$25,000. This amount is unsecured, due on demand, and bearing interest at 8% per annum.	26,705	26,205
Notes payable in the aggregate amount of \$302,000. These amounts are unsecured, due on demand, bearing interest at 20% per annum. In connection with these notes, the Company incurred lenders fees of \$15,100.	327,399	313,630
Notes payable in the amount of \$100,000, unsecured, bearing interest at 20% per annum. This note was the first tranche of the aggregate \$300,000 note which closed on January 19, 2023.	-	100,000
	<b>856,144</b>	510,821
<b>Non-current notes payable:</b>		
Secured promissory note in the amount of \$800,000, secured by a general security agreement over the assets of the Company, bearing interest at 15% per annum, maturing on August 3, 2024 (the "Secured Note"). In connection with the Secured Note, the Company issued 1,600,000 common shares at a fair value of \$0.10 per share, for a total value of \$160,000, as a loan bonus ("Loan Bonus Shares"). The Loan Bonus Shares were deemed to be an issuance cost of the note, and were deducted from the carrying value of the Secured Note, and are being amortized over the term of the Secured Note.	772,147	722,147
<b>Total</b>	<b>1,628,291</b>	1,232,968

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

## 9. NOTES PAYABLE (continued)

Interest expense in relation to these notes payable during the period ended March 31, 2023 amounted to \$101,681 (2022– \$nil).

## 10. LEASE LIABILITY

The following table represents the lease obligations for the Company as at March 31, 2023 and December 31, 2022:

	\$
<b>Balance, December 31, 2021</b>	<b>819,303</b>
Additions during the year	-
Interest expense	93,029
Lease payments	(273,499)
Effects of foreign currency movement	63,010
<b>Balance, December 31, 2022</b>	<b>701,843</b>
Interest expense	20,500
Lease payments	(73,406)
Effects of foreign currency movement	(601)
<b>Balance, March 31, 2023</b>	<b>648,336</b>

### Allocated as:

	March 31, 2023 \$	December 31, 2022 \$
Current	236,693	226,487
Long-term	411,643	475,356
<b>Total</b>	<b>648,336</b>	<b>701,843</b>

The following table presents the contractual undiscounted cash flows for the lease obligations as at March 31, 2023:

	\$
Less than one year	301,959
One to five years	430,239
More than five years	-
<b>Total undiscounted lease obligation</b>	<b>732,198</b>



# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 11. DUE TO RELATED PARTY

As at December 31, 2021, the Company had amounts owing (the “EdjAnalytics Loan”) to EdjAnalytics, LLC (“EdjAnalytics”), a related party by virtue of common officers and directors (Sean O’Leary and Frank Frigo). The EdjAnalytics Loan is unsecured, non-interest bearing and due on the earlier of: (i) October 29, 2023; or (ii) upon the Company completing a financing of USD \$2,500,000. As at March 31, 2023, the outstanding amount of the EdjAnalytics Loan was \$253,878 (USD \$187,599) (December 31, 2022 – \$254,084 (USD \$187,599)). The Company repaid \$67,720 (USD \$50,000) of the EdjAnalytics Loan during the year ended December 31, 2022.

On September 3, 2021 and in connection with the Edj Acquisition (Note 4), the Company agreed to pay Edj Inc. \$438,190 (USD \$350,000) (the “Edj Inc. Payable”). The Edj Inc. Payable is unsecured, non-interest bearing and is due on the earlier of: (i) December 31, 2022; or (ii) 60 days following the closing of a \$1,000,000 financing. As at March 31, 2023, the outstanding amount of the Edj Inc. Payable amounted \$474,039 (USD \$350,000) (December 31, 2022 – \$474,040 (USD \$350,000)).

## 12. SHARE CAPITAL

### *Common Shares*

*Authorized: Unlimited number of common shares*

During the three months ended March 31, 2023, the Company issued the following common shares:

- On January 19, 2023, the Company issued 600,000 common shares at \$0.10 per share in connection with the \$300,000 secured promissory note (Note 9).

During the year ended December 31, 2022, the Company issued the following common shares:

- On August 3, 2022, the Company issued 1,600,000 common shares at \$0.10 per share in connection with the issuance of secured promissory notes (Note 9); and
- On November 10, 2022, the Company closed a non-brokered private placement and issued 4,100,000 units (each a “Unit”) of the Company, at a price of \$0.075 per Unit, for aggregate gross proceeds of \$307,500. Each Unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant shall entitle the holder thereof to acquire one common share of the Company at a price of \$0.15 per share until November 10, 2024. The Company allocated the common shares and warrants using the residual method, where the warrants were determined to have a fair value of \$nil. In connection with the private placement, the Company incurred share issuance costs comprised of cash commissions in the aggregate amount of \$22,468 and the issuance of 299,572 common share purchase warrants to an eligible party in connection with the finders’ fee services provided to the Company. Each finders’ warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.15 per share until November 10, 2024. The value of warrants was estimated as \$12,201 (Note 13 (c)).

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

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## 12. SHARE CAPITAL (continued)

The Company calculated the fair value of the finders' warrants using the Black-Scholes Merton valuation model with following assumptions:

Stock price	\$0.085
Risk-free interest rate	3.82%
Expected life	2 years
Estimated volatility in the market price of the common shares	115%
Dividend yield	Nil

## 13. SHARE-BASED PAYMENT RESERVE

The Company has an omnibus incentive plan (the "Omnibus Plan") under which the board of directors may from time to time, in its discretion, grant non-transferable stock options ("Options"), restricted share units ("RSUs") and other share-based awards (collectively referred to as "Awards") to directors, officers, employees and consultants of the Company. Pursuant to the Omnibus Plan, the aggregate number of common shares reserved for issue under the Omnibus Plan may not exceed ten percent (10%) of the common shares of the Company outstanding from time to time. Furthermore, the Omnibus Plan sets the maximum number of common shares reserved for issuance, in the aggregate, pursuant to the settlement of Awards other than Options at 6,000,000 common shares. Options granted pursuant to the Omnibus Plan shall be exercisable for a period of up to five (5) years at an exercise price of not less than the fair market value, defined as the greater of (a) the volume weighted average trading price of the common shares on the exchange for the five most recent trading days immediately preceding the grant date; (b) the closing price of the common shares on the exchange on the trading day immediately prior to the grant date; and (c) the closing price of the common shares on the exchange on the grant date.

The maximum number of common shares reserved for issue pursuant to Awards granted to participants who are insiders of the Company in any twelve (12) month period may not exceed, in the aggregate, ten percent (10%) of the number of common shares then outstanding. The maximum number of common shares reserved for issue pursuant to Awards granted to any one participant in any twelve (12) month period shall not exceed five percent (5%) of the number of common shares then outstanding. The maximum number of common shares reserved for issue under Awards granted to any one participant (other than a participant who is an eligible director or eligible employee) in any twelve (12) month period shall not exceed two percent (2%) of the number of common shares then outstanding.

### a) Stock Options

As at March 31, 2023 and December 31, 2022, the Company did not have any stock options issued and outstanding.

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 13. SHARE-BASED PAYMENT RESERVE (continued)

During the three months ended March 31, 2023, the Company did not have any stock option grants.

During the year ended December 31, 2022, the Company had the following stock option grants:

- On January 10, 2022, the Company issued options for the purchase of 100,000 common shares of the Company to a consultant for services to be provided. These options will vest upon the achievement of \$1,000,000 in net new cash revenues received by the Company derived solely by the consultant and are exercisable at \$0.30 per share, expiring two years from the date of issuance. During the year ended December 31, 2022, the Company expensed \$nil of the fair value of these options, as the performance obligation had not been achieved, and the consultant was no longer providing the requisite services. These stock options were cancelled during the year ended December 31, 2022;
- On February 2, 2022, the Company issued options for the purchase of 1,250,000 common shares of the Company to a consultant for investor relations services to be provided. These options will vest quarterly in equal instalments over a twelve month period from the date of issuance and are exercisable at \$0.30 per share, expiring one year from the date of issuance. During the year ended December 31, 2022, the Company expensed \$nil of the fair value of these options, as the performance obligation had not been achieved, and the consultant was no longer providing the requisite services. These stock options were cancelled during the year ended December 31, 2022; and
- On February 8, 2022, the Company issued options for the purchase of 250,000 common shares of the Company to a consultant for services to be provided. These options will vest monthly in equal instalments over a five month period from the date of issuance and are exercisable at \$0.30 per share, expiring one year from the date of issuance. During the year ended December 31, 2022, the Company expensed \$nil of the fair value of these options, as the performance obligation had not been achieved, and the consultant was no longer providing the requisite services. These stock options were cancelled during the year ended December 31, 2022.

Share-based compensation expense in relation to these options during the three months ended March 31, 2023 amounted to \$nil (March 31, 2022 - \$60,681).

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

## 13. SHARE-BASED PAYMENT RESERVE (continued)

### b) Restricted Share Units

As at March 31, 2023 and December 31, 2022, the Company had the following RSUs issued and outstanding:

	Number of RSUs (#)	Weighted Average Exercise Price (\$)
<b>Outstanding, December 31, 2021</b>	<b>2,300,000</b>	<b>0.27</b>
Issued	3,490,000	0.12
Expired/Forfeited/Cancelled	(950,000)	0.27
<b>Outstanding, December 31, 2022</b>	<b>4,840,000</b>	<b>0.16</b>
Issued	-	-
Expired/Forfeited/Cancelled	-	-
<b>Outstanding, March 31, 2023</b>	<b>4,840,000</b>	<b>0.16</b>

During the three months ended March 31, 2023, the Company did not have any RSU grants.

During the year ended December 31, 2022 and 2021, the Company had the following RSU activity:

- On December 29, 2021, the Company granted 2,300,000 RSUs to certain officers, directors, employees and consultants of the Company. Of such issued RSUs, 1,400,000 will vest 12 months from the date of issuance and the remaining 900,000 will vest quarterly over the second year from the date of issuance. These RSUs were valued at \$0.265 per RSU, based on the market value of the Company's common stock at the time of issuance for total consideration of \$609,500. During the year ended December 31, 2022, 950,000 of these issued RSUs were cancelled;
- On February 2, 2022, the Company granted 350,000 RSUs to a director of the Company, of which 50% of the RSUs will vest 12 months from the date of issuance, and the remaining 50% will vest quarterly over the following 12 month period; and
- On November 18, 2022, the Company granted an aggregate of 3,140,000 RSUs to certain officers, directors, employees and consultants of the Company that will vest 12 months from the date of issuance.

Share based compensation expense in relation these RSUs amounted to \$104,395 during the three months ended March 31, 2023 (March 31, 2022 – \$128,126).

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

## 13. SHARE-BASED PAYMENT RESERVE (continued)

### c) Warrants

As at March 31, 2023 and December 31, 2022, the Company had the following share purchase warrants issued and outstanding:

	Number of Warrants (#)	Weighted Average Exercise Price (\$)
<b>Outstanding, December 31, 2021</b>	<b>25,288,000</b>	<b>0.02</b>
Issued (Private Placement)	4,100,000	0.15
Issued (Finders' Warrants)	299,572	0.15
Expired (Finders' Warrants)	(1,288,000)	0.30
<b>Outstanding, December 31, 2022</b>	<b>28,399,572</b>	<b>0.02</b>
Issued (Expired)	-	-
<b>Outstanding, March 31, 2023</b>	<b>28,399,572</b>	<b>0.02</b>

  

Outstanding	Exercise Price (\$)	Remaining Life (Years)	Expiry Date
24,000,000	0.00	2.43	September 3, 2025
4,100,000	0.15	1.61	November 10, 2024
299,572	0.15	1.61	November 10, 2024
<b>28,399,572</b>	<b>0.02</b>	<b>2.30</b>	

On September 3, 2021, the Company issued performance warrants (the "Performance Warrants") to certain directors, officers, employees and consultants of the Company to acquire an aggregate of 24,000,000 common shares. Each Performance Warrant entitles the holder thereof to purchase one common share at a price of \$0.0001 per share, exercisable by the holder at any time and from time to time for a period of four years following the date of issuance, subject to the satisfaction of the following vesting conditions and upon completion of a liquidity event such as an initial public offering or a reverse takeover transaction/merger with a reporting issuer (a "Liquidity Event");

- 25.00% (6,000,000) of the Performance Warrants vesting 9 months from the Liquidity Event ("Tranche 1");
- 33.33% (8,000,000) of the Performance Warrants, upon the Company achieving one million monthly active users on all platforms ("Tranche 2"); and
- 41.67% (10,000,000) of the Performance Warrants, upon the Company achieving \$10 million in annualized revenue.

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 13. SHARE-BASED PAYMENT RESERVE (continued)

The fair value of the Performance Warrants of \$5,997,643 were determined using the Black-Scholes-Merton valuation model with following assumptions:

Stock price	\$0.25
Risk-free interest rate	0.44 %
Expected life	4 years
Estimated volatility in the market price of the common shares	100 %
Dividend yield	Nil

On November 30, 2021, the Liquidity Event had been completed. During the year ended December 31, 2022, the Company recorded \$1,332,810 as share-based compensation expense in relation to Tranche 1 of the Performance Warrants (March 31, 2022 – \$499,804). There has been no share-based compensation expense recorded in relation to the vesting conditions of Tranche 2 and Tranche 3 as the Company has not met these targets.

On November 10, 2022 and in connection with a non-brokered private placement, the Company issued 4,100,000 common share purchase warrants and 299,572 finders' warrants (Note 12).

The fair value of warrants was estimated using Black-Scholes Merton valuation model at grant date based on the following assumptions during the years ended December 31, 2022 and 2021:

Stock price	\$0.085 - 0.25
Risk-free interest rate	0.44% - 3.82%
Expected life	1 – 2 years
Estimated volatility	100% - 115%
Dividend yield	Nil

## 14. FINANCIAL INSTRUMENTS AND RISK FACTORS

The fair value hierarchy that reflects the significance of inputs used in making fair value measurements is 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.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is a summary of financial instruments measured at fair value segregated based on various levels of inputs:

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 14. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

The Company's cash has been measured at fair value, using level 1 inputs.

The fair values of the Company's other financial instruments consisting of accounts receivable, accounts payable, current portion of notes payable and due to related parties approximate their carrying value due to the relatively short-term maturities of these instruments. The carrying value of the Company's long-term notes payable approximates fair value as it has interest at a rate consistent with market rates.

### Risk Management Policies

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on these condensed interim consolidated financial statements. The following analysis provides a measurement of risks as at March 31, 2023 and December 31, 2022:

#### 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 is exposed to credit risk through its financial asset, accounts receivables.

The Company is not exposed to significant credit risk as the Company has limited accounts receivable and did not have any anticipated issue in relation to the collectability of these accounts receivable as at March 31, 2023 and December 31, 2022.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at March 31, 2023 and December 31, 2022, there is substantial doubt about the Company's ability to continue as a going concern primarily due to its history of losses and negative working capital. Liquidity risk continues to be a key concern in the development of future operations.

# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 14. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

### Market Risk

#### (i) 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 interest on the Company's interest-bearing financial liabilities were fixed as at March 31, 2023 and December 31, 2022 and therefore were not currently subject to any significant interest rate risk.

#### (ii) Foreign Currency Risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. The risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. As at March 31, 2023 and December 31, 2022, the Company did not hold any currencies other than the United States dollar and Canadian dollar and did not use derivative instruments to hedge its exposure to foreign currency risk.

The Company's operations do not involve the direct input or output of any commodities and therefore it is not subject to any significant commodity price risk. In addition, the Company does not have any equity investment in other listed public companies, and therefore it is not subject to any significant stock market price risk.

## 15. RELATED PARTY TRANSACTIONS

Parties are considered related if the party has the ability, either directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. The following are related party transactions during the periods ended March 31, 2023 and 2022 not disclosed elsewhere in these condensed interim consolidated financial statements:

	<b>March 31, 2023</b>	March 31, 2022
	<b>\$</b>	\$
Fees for services of officers	<b>30,432</b>	187,311
Consulting fees of directors	<b>20,288</b>	136,028
Share-based compensation to directors and officers	<b>32,087</b>	392,417
Total	<b>82,807</b>	715,756

As at March 31, 2023, \$590,117 (December 31, 2022 – \$539,397) owing to directors and officers of the Company was included in accounts payable and accrued liabilities.



# Champion Gaming Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 16. MAJOR CUSTOMERS

During the three months ended March 31, 2023, 26% of the Company's revenue (2022 – 59%) was generated from one customer.

## 17. CAPITAL MANAGEMENT

The Company includes equity comprised of issued share capital, share-based payment reserve, accumulated other comprehensive gain (loss) and deficit in the definition of capital. As at March 31, 2023, the Company's shareholders' deficiency was \$4,965,845 (December 31, 2022 – \$4,574,463). The Company's objectives when managing capital are as follows:

- (i) to safeguard the Company's ability to continue as a going concern; and
- (ii) to raise sufficient capital to meet its business objectives.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions and the Company's long-term and short-term capital requirements. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or debt. There were no changes to the Company's management of capital during the three months ended March 31, 2023.

## 18. SUBSEQUENT EVENTS

On April 4, 2023, the Company entered into an unsecured promissory note with an arm's length lender in the amount of USD \$100,000, due and payable on or before July 4, 2023. Interest on the outstanding principal amount of this note will accrue from the original date of issue at a rate of 24% per annum up to the date of the repayment.

On June 27, 2023, the Company entered into an unsecured promissory note with an arm's length lender in the amount of \$50,000, due and payable on demand. Interest on the outstanding principal amount of this note will accrue from the original date of issue at a rate of 20% per annum up to the date of the repayment. Furthermore, the Company agreed to pay to the lender a fee of \$2,500.