

FansUnite Entertainment Inc.

Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

Expressed in Canadian Dollars



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of FansUnite Entertainment Inc.

Opinion

We have audited the consolidated financial statements of FansUnite Entertainment Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of loss and comprehensive loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity continues to experience net losses and negative cash flows from operations.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 30, 2021.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Arnold Singh.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Vancouver, Canada

April 29, 2022

FansUnite Entertainment Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		December 31, 2021	December 31, 2020
Assets			
Current			
Cash and cash equivalents		\$ 13,973,867	\$ 4,431,139
Restricted cash related to customer deposits		204,731	-
Short-term investments		918,847	5,896
Receivables	8,19	6,802,815	585,228
Due from related parties	16	77,671	-
Prepaid expenses and deposits	9	335,809	783,739
Total current assets		22,313,740	5,806,002
Non-current			
Equipment	11	59,693	10,538
Goodwill	12	85,795,601	9,757,668
Intangible assets	12	69,360,587	9,556,407
Digital currencies	12	107,446	22,453
Right of use assets	11	108,719	14,821
Deferred tax asset	3,15	122,042	-
Long-term investments	19	77,162	87,792
Total Assets		\$ 177,944,990	\$ 25,255,681
Liabilities			
Current			
Accounts payable and accrued liabilities	10	\$ 7,108,134	\$ 496,588
Due to related parties	16	164,981	500,350
Income taxes payable	20	49,258	-
Subscription receipts liability	13(a)	-	776,865
Deferred and contingent consideration	3,15	22,157,999	-
Lease liability	11	71,043	27,865
Total current liabilities		29,551,415	1,801,668
Non-current			
Long-term debt		-	91,517
Deferred tax liability	20	-	469,589
Deferred and contingent consideration	3,15	65,068,849	-
Lease liability	11	39,411	-
Total liabilities		94,659,675	2,362,774
Shareholders' Equity			
Share capital	13	110,370,147	39,690,610
Share-based payment reserve	14	4,486,909	2,500,289
Warrant reserve	13	5,491,367	896,599
Accumulated other comprehensive income	12	209,448	28,462
Deficit		(37,272,556)	(20,223,053)
Total Shareholders' Equity		83,285,315	22,892,907
Total Liabilities and Shareholders' Equity		\$ 177,944,990	\$ 25,255,681

Nature of operations and going concern – Note 1

The accompanying notes are an integral part of these Consolidated Financial Statements

Approved on behalf of the Board on April 29, 2022:

Director: Scott Burton

Director: Darius Eghdami

FansUnite Entertainment Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Amounts Expressed in Canadian dollars)

Year ended		December 31, 2021	December 31, 2020
Revenue	22	\$ 5,603,441	\$ 1,558,090
Cost of revenue		(2,724,389)	(1,022,579)
Gross Margin		2,879,052	535,511
Expenses			
Selling, general and administrative	21	19,253,355	14,561,026
Loss before other items		(16,374,303)	(14,025,515)
Other items			
Interest and other expenses (income), net	21	1,360,358	(263,062)
Loss on loan receivable		-	171,239
Total other items		1,360,358	(91,823)
Income tax expense (recovery):			
Current	20	165,236	22,295
Deferred, net	20	(850,394)	(492,757)
Net loss for the year		(17,049,503)	(13,463,230)
Other comprehensive income			
Revaluation gain on digital currencies	12	89,232	-
Currency translation adjustment		91,754	28,922
Total comprehensive loss		\$ (16,868,517)	\$ (13,434,308)
Loss per share – basic and diluted		\$ (0.08)	\$ (0.14)
Weighted average number of common shares outstanding – basic and diluted		200,121,900	94,227,423

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

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

Years ended December 31, 2021 and 2020		Share Capital		Share-based Payment Reserve		Warrant Reserve		Accumulated Other Comprehensive Income (Loss)		Deficit	Total
		Number of Shares	Amount								
Balance as at December 31, 2019		34,915,500	\$ 6,172,515	\$ 1,118,953	\$ -	\$ -	\$ (460)	\$ (6,759,823)	\$ 531,185		
Shares issued in connection with HIC/FansUnite amalgamation	13(g)	19,075,633	6,499,900			266,397					6,766,297
Shares and warrants issued in connection with March 26, 2020, financing	13(f)	8,948,326	3,078,131	-		-					3,078,131
Warrants and shares issued in connection with financing	15	-	(339,497)	-		339,497					-
Shares issued in connection with McBookie purchase	13(h)	1,022,477	210,074	-		-					210,074
Shares issued in connection with V2G loan	13(i)	3,142,857	1,100,000	-		-					1,100,000
Shares canceled in connection with V2G share repurchase	13(l)	(501,484)	(145,654)	-		-					(145,654)
Warrants exercised	13(n)	1,754,351	896,273	-		-					896,273
Options exercised	13(m)	636,711	183,724	-		-					183,724
Shares issued in connection with Askott Amalgamation	13(j)	71,171,212	16,994,096	450,433		74,750					17,519,279
Shares issued in connection with Askott Financing	13(j)	12,712,115	4,282,408	-		215,955					4,498,363
Share based payments		-	-	930,903		-					930,903
Shares issued for services	13(h)(j)(k)	3,290,539	758,640	-		-					758,640
Net and comprehensive loss		-	-	-		-	28,922	(13,463,230)			(13,434,308)
Balance as at December 31, 2020		156,168,237	\$ 39,690,610	\$ 2,500,289	\$ 896,599	\$ 28,462	\$ (20,223,053)	\$ 22,892,907			
Shares and warrants issued in connection with January 11, 2021 financing	13(a)	22,402,241	9,611,655	-		2,533,240					12,144,895
Shares and warrants issued in connection with July 15, 2021 financing	13(b)	28,235,774	20,797,128	-		2,061,528					22,858,656
Shares issued in connection with November 22, 2021 acquisition of American Affiliate	3,13(c)	69,444,457	36,800,670			-					36,800,670
Options exercised	13(d)	1,967,088	829,895	-		-					829,895
Warrants exercised	13(e)	4,532,869	2,378,859	-		-					2,378,859
Share-based payments	14	-	261,330	1,986,620		-					2,247,950
Comprehensive income (loss)		-	-	-		-	180,986	(17,049,503)			(16,868,517)
Balance as at December 31, 2021		282,750,666	\$ 110,370,147	\$ 4,486,909	\$ 5,491,367	\$ 209,448	\$ (37,272,556)	\$ 83,285,315			

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

FansUnite Entertainment Inc.
Consolidated Statements of Cash Flows
(Amounts Expressed in Canadian dollars)

Years ended December 31,		2021	2020
Operating activities:			
Net loss		\$ (17,049,503)	\$ (13,463,230)
Advances from related parties		-	32,000
Restricted cash related to customer deposits		(204,731)	-
Adjustments for non-cash items:			
Amortization of equipment	11	74,622	26,700
Amortization of intangible assets	12,21	3,902,485	1,073,960
Accretion on liabilities	15	1,359,990	-
Conversion of subscription receipt liability	13(a)	(776,865)	776,865
Marketing expenses paid with common shares		-	273,101
Marketing expenses paid with digital currencies		4,239	-
Unrealized fair value loss (gain) on investments		44,704	(34,651)
Fair value adjustment for CEBA loan		-	(19,426)
Share-based payments	14	2,247,950	8,000,035
Non-cash interest and other income		17,628	41,952
Amount paid in excess of fair value		-	171,239
Deferred tax recovery	20	(850,394)	(492,791)
Changes in non-cash working capital items:			
Short-term investments		(952,921)	(21,646)
Receivables	8	(166,849)	(226,656)
Prepaid expenses and deposits	9	515,453	(607,471)
Income taxes payable	20	49,258	-
Accounts payable	10	3,629,097	(659,759)
Net cash flows used in operating activities		(8,155,837)	(5,129,778)
Investing activities			
Proceeds from sale of digital currencies		-	55,100
Development of intangible assets		-	(70,597)
Purchase of equipment		(76,040)	(6,583)
Net cash flows (used in) provided by investing activities		(76,040)	(22,080)
Financing activities			
Net proceeds from private placements	13	35,003,551	7,576,494
Proceeds from amalgamation with HIC	5	-	316,530
Loan receivable		-	207,168
Funds used in acquisition of McBookie	6	-	(365,508)
Funds used in acquisition of American Affiliate	3	(19,785,777)	-
Proceeds from the acquisition of Askott Entertainment Inc.	4	-	638,293
Repayment of lease liability		(48,965)	(28,410)
Proceeds from warrant/option exercise	13	3,208,754	1,079,997
(Repayment of) proceeds from government loan		(60,000)	40,000
Repayment of notes and loans payable		(542,358)	-
Payments to related parties	16	(77,671)	-
Net cash flows provided by financing activities		17,697,534	9,464,564
Effect of foreign exchange		77,071	34,375
Change in cash		9,542,728	4,347,081
Cash, beginning of the year		4,431,139	84,058
Cash, end of the year		\$ 13,973,867	\$ 4,431,139

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

1. Nature of Operations and Going Concern

The company was incorporated under the Business Corporations Act of British Columbia on November 9, 2018 under the name HIC Horizon Investments Capital Ltd. and the Company completed an amalgamation with FansUnite Holdings Inc. ("FansUnite"), a company existing under the laws of British Columbia with its head office in Vancouver, British Columbia (note 5) on March 26, 2020 and changed its name to FansUnite Entertainment Inc. (the "Company"). The Company is a sports and entertainment company, focusing on technology and services related to regulated and lawful online sports betting, casino and other related products.

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

On March 26, 2020, the Company purchased McBookie Ltd. ("McBookie"), a United Kingdom domiciled white label sports betting operation (note 6).

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

On August 11, 2020, the Company completed an amalgamation with Askott Entertainment Inc. ("Askott"), a company existing under the laws of British Columbia with its head office in Vancouver, British Columbia (note 4).

On November 22, 2021, the Company acquired American Affiliate Co. LLC ("American Affiliate"), a betting affiliate company domiciled in the United States (note 3).

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards ("IFRS"). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations. As at December 31, 2021, the Company had net working capital of \$15,027,770 (December 31, 2020 – \$4,026,787) and has an accumulated deficit of \$37,272,556 (December 31, 2020 - \$20,223,053). For the year-ended December 31, 2021, the Company reported a net loss of \$17,049,503 (December 31, 2020 - \$13,463,230) and negative cash flow from operations of \$8,155,837 (December 31, 2020 – \$5,129,778). The Company is dependent on external sources of funding to continue operations. These conditions cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. These adjustments could be material.

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

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

1. Nature of Operations and Going Concern (continued)

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

2. Significant Accounting Policies

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the IFRS Interpretations Committee as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as applicable to the preparation of annual financial statements.

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on April 29, 2022.

b) Basis of consolidation

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

	Country of Incorporation	Functional Currency	Percentage Owned	
			December 31, 2021	December 31, 2020
FansUnite Holdings Inc.	Canada	Canadian Dollar	100%	100%
FansUnite Media Inc.	Canada	Canadian Dollar	100%	100%
FansUnite Limited	Gibraltar	British Pound	100%	100%
McBookie	United Kingdom	British Pound	100%	100%
Askott	Canada	Canadian Dollar	100%	100%
Askott Malta Ltd.	Malta	European Euro	100%	100%
EGG Ltd.	Malta	European Euro	100%	100%
American Affiliate Co.	United States	United States Dollar	100%	0%
EGG N.V *	Curacao	European Euro	0%	0%
Winana Worldwide *	Cyprus	European Euro	0%	0%

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

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

2. Significant Accounting Policies (continued)

c) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as at fair value through profit and loss ("FVTPL"). Unless otherwise noted, all amounts are presented in Canadian dollars.

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

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

d) Use of Judgements

Judgments made by management in the application of IFRS that have a significant effect on the financial statements include the following:

Going Concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2021 and 2020. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded that, while material uncertainties exist, the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months.

Cash Generating Units

A cash-generating unit ("CGU") is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. The identification of CGUs requires judgement. The identified CGUs may also change due to changes in an entity's operations and the way it conducts them.

Business Combination

Judgement is required under IFRS 3 "Business Combinations" when management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. In 2021, the Company completed the acquisition of American Affiliate (note 3). In 2020, the Company completed the acquisitions of HIC (note 5), McBookie (note 6) and Askott (note 4). Management concluded that the acquisitions of McBookie, Askott and American Affiliate qualify as business combinations under IFRS 3, "Business and Combinations". The transaction of HIC is considered a reverse acquisition and was outside of the scope of IFRS 3 and was accounted for as a share based payment transaction under IFRS 2 "Share-Based payments."

2. Significant Accounting Policies (continued)

d) Use of Judgements (continued)

Recognition and Valuation of Deferred Tax Assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities of the particular legal entity in which the deferred tax assets have been recognized.

e) Use of Estimates

Measurement Uncertainty

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the following:

Fair value of assets and liabilities acquired in a business combination

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the operating performance underlying prospective earn-out payments, where applicable, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Estimated Useful Life of Intangible Assets

The relative size of the Company's intangible assets makes the judgements surrounding the estimated useful lives critical to the Company's financial position and performance. The useful life used to amortize intangible assets relates to the future performance of the assets and management's judgement of the period over which economic benefit will be derived from the assets. The useful life is determined by management and is regularly reviewed for appropriateness. The amortization of the Company's finite lived intangible assets begins when the assets are available for use. The useful life is based on historical experience with similar development costs as well as anticipation of future events which may impact their life such as changes in technology.

Goodwill impairment

At least annually, the Company tests whether goodwill is subject to any impairment in accordance with the applicable accounting policy set forth above. The Company completed its annual goodwill impairment testing as at December 31, 2021.

2. Significant Accounting Policies (continued)

e) Use of Estimates (continued)

An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell or value-in-use. Fair value less cost to sell is estimated as the arm's length sale price between knowledgeable willing parties less costs of disposal. To determine the value-in-use, management estimates expected future cash flows from the CGU and determines a suitable pre-tax discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors have been determined for the CGU and reflect its risk profile as assessed by management. Impairment losses for the CGU reduce first the carrying amount of any goodwill allocated to that CGU, with any remaining impairment loss charged pro rata to the other assets in the CGU. In allocating an impairment loss, the Company does not reduce the carrying amount of an asset below the highest of its fair value less costs of disposal or its value-in-use and zero. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the assets' recoverable amount exceeds its carrying amount only to the extent that the new carrying amount does not exceed the carrying value of the asset had it not originally been impaired.

f) Financial Instruments ("IFRS 9")

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"); at fair value through other comprehensive income (loss) ("FVTOCI"); or, at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments:

Financial Instrument	Classification
Cash and cash equivalents	Amortized Cost
Investments	FVTPL
Trade receivables	Amortized Cost
Trades payable	Amortized Cost
Open bets	FVTPL
Deferred and contingent consideration	FVTPL
Long-term debt	Amortized Cost
Long term receivables	Amortized Cost
Due to related parties	Amortized Cost
Subscription receipts	Amortized Cost

2. Significant Accounting Policies (continued)

f) Financial Instruments ("IFRS 9") (continued)

Measurement

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

2. Significant Accounting Policies (continued)

g) Cash and Cash Equivalents

Cash and cash equivalents are financial assets that are measured at amortized cost, which approximate fair value. Cash and cash equivalents includes cash deposits in financial institutions and other deposits that are highly liquid and readily convertible into cash. Restricted cash represents deposits held on behalf of iGaming customers.

h) Short-term investments

Short-term investments represent investments held at financial institutions that have been placed in preferred shares and other fixed income assets. These investments are highly liquid and are readily convertible into cash.

i) Equipment

Equipment is carried at historical cost, less accumulated amortization and accumulated impairment losses. Amortization is provided at various rates designated to amortize the assets over their estimated useful lives. The amortization rates are as follows:

Computer equipment	30%	Declining balance
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The Company reviews the assets' values, amortization methods and useful lives, and adjusts if needed, at each reporting date. Subsequent expenditures relating to an item of property and equipment are capitalized when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other subsequent expenditures are recognized as expense when incurred.

j) Leases

At initiation of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An Identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The company has the right to control an identified asset if it obtains substantially all of its economic benefits and/or directs how and for what purpose the asset is used.

At the start of the lease, the Company recognizes a right-of-use asset ("ROU Asset") and a lease obligation. The ROU Asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, less any lease incentives received. The ROU Asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the asset determined on the same basis as the Company's equipment. The ROU Asset is tested on an annual basis for impairments and/or when there are indications of impairment.

The lease obligation is first measured at the present value of lease payments discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease obligation, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise. The lease obligation is subsequently measured at amortized cost using the effective interest method.

2. Significant Accounting Policies (continued)

k) Intangibles

Intangible assets that have finite lives are recorded at cost less accumulated amortization and impairment losses. Amortization is expensed from the month the particular asset is available for use, over the estimated useful life of such asset at the following rates, which in each case are intended to reduce the carrying value of the asset to the estimated residual value:

Websites	5 years	Straight-line
Customer relationships	2-3 years	Straight-line
Intellectual property	2-10 years	Straight-line
Brands	2-5 years	Straight-line
Developed Technology	10 years	Straight-line

The amortization method, useful life and residual values are assessed annually, and the assets are tested for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the consolidated statements of financial position and any gain or loss is reflected in the consolidated statements of loss. Expenditures for maintenance are expensed as incurred.

l) Research and Development

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Company's development group, are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The Company did not have any significant development costs that met the capitalization criteria for the years ended December 31, 2021 and 2020, therefore, they have been expensed through salaries and wages.

Government grants for research and development are recorded as a recovery of the cost of those expenditures at the earliest of when the assistance is received or receivable.

m) Goodwill

Goodwill is recognized from business combinations as the fair value of the consideration transferred, including the recognized amount of any noncontrolling interest in the acquiree, less the fair value of the net identifiable assets acquired, and liabilities assumed, as of the acquisition date. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill acquired in business combinations is allocated to groups of cash generating units ("CGU") that are expected to benefit from the synergies of the combination.

Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Significant Accounting Policies (continued)

n) Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

o) Impairment of Non-financial Assets

The carrying amount of the Company's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit ("CGU") exceeds its recoverable amount. The Company has identified three CGUs which are McBookie, American Affiliate, and Askott, which has developed technology that will enable the Company to provide services relating to online sports betting, casino and other related products. Impairment losses are recognized in the statement of comprehensive loss.

Non-financial assets, including goodwill, that have an indefinite useful life are not subject to amortization and are tested annually for impairment at both CGU asset level and total asset level, or when indicators of impairment exist.

The recoverable amount of non-financial assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

2. Significant Accounting Policies (continued)

p) Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where material, provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

q) Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

r) Comprehensive Loss

Comprehensive loss is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the statement of operations. For the years ended December 31, 2021 and 2020, other comprehensive income is related to the effects of currency translation adjustments and revaluation on digital currencies.

s) Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based payments expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service, market and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service, market and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders services.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

2. Significant Accounting Policies (continued)

t) Warrants

All warrants issued under a unit financing arrangement are valued on the date of grant using the Black-Scholes pricing model, net of related issuance costs. If and when warrants are exercised, consideration received is credited to share capital and the fair value attributed to these warrants is transferred from warrant reserve to share capital. Expired warrants are removed from warrant reserve and credited directly to retained earnings or deficit.

u) Business Combinations

On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value of the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date. Incremental costs related to acquisitions are expensed as incurred.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, Financial Instruments, or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

v) Gaming revenue recognition

In sports-betting transactions where the Company generates a net gain or loss on a bet which is determined by an uncertain future event, the transaction is within the scope of IFRS 9 ("Financial Instruments"). Revenue is recorded as the gain or loss on betting transactions settled during the year. The Company recognizes the gain or loss on a betting transaction as revenue when a bet is settled. The gain or loss is calculated as the total of amounts bet less amounts paid out in respect of such bets when such bets are settled with the customer. Any open bets are accounted for as a derivative financial instrument carried at fair value through profit and loss ("FVTPL"), with gains and losses on the open bets recognized in revenue.

2. Significant Accounting Policies (continued)

v) Gaming revenue recognition (continued)

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

w) Digital currencies

Digital currencies are measured at their fair value. Fair value is determined using the average of quoted prices on multiple digital currency exchanges. As such, management considers this fair value to be a level one input under IFRS 13 Fair Value Measurement fair value hierarchy.

The Company has adopted the revaluation model electing to measure its digital currencies initially at cost and subsequently remeasured at fair value, being the original cost and any revaluation adjustment.

A revaluation increase is recognized in profit and loss to the extent of previous decreases of the same asset recognized in profit and loss. Otherwise, a revaluation increase is recognized in other comprehensive loss and accumulated in equity as revaluation surplus. A revaluation decrease is recognized in other comprehensive loss to the extent of reversal of the revaluation surplus accumulated in equity. Any decrease in excess of such balance is recognized in profit and loss. Digital currencies have been classified under intangible assets as per IAS 38.

x) New accounting policies adopted in the current year

(i) Affiliate revenue recognition

The Company's affiliate revenue is primarily derived from gaming operators that pay a one-time fee ("cost per acquisition") for each referred player to their iGaming website. Cost per acquisition consists of a pre-agreed rate with the gaming operator. Revenue is recognised in the month in which the customer is referred to the operator's website.

(ii) Deferred and contingent consideration

The Company recognizes the fair value of contingent consideration relating to acquisitions on the date the transaction closes. Contingent consideration is classified as either a liability or equity. Contingent consideration classified as a liability is carried at fair value with changes in fair value recorded in the consolidated statements of net income and comprehensive income. Contingent consideration classified as equity is not remeasured subsequent to initial recognition.

Contingent consideration classified as a liability is measured at fair value based on management's best estimate of future multiple of earnings before income, taxes, depreciation, and amortization ("EBITDA") at the date of acquisition and is subsequently revalued at each financial reporting period. Changes in management's estimate of multiple of EBITDA could have a material impact on the valuation of the contingent consideration classified as a liability. The current portion of contingent consideration is based on the Company's estimate of the value that will be payable within twelve months.

2. Significant Accounting Policies (continued)

y) Recent Accounting Pronouncements

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current. The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

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

On February 12, 2021, the IASB Issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

3. Acquisition of American Affiliate

On November 22, 2021, the Company announced a definitive agreement ("Definitive Agreement") pursuant to which the Company acquired all of the issued and outstanding shares of American Affiliate. The acquisition of American Affiliate is in line with the Company's strategy of growth through acquisitions and their operating history as a sports betting affiliate.

The principals of American Affiliate received cash and shares for deemed consideration of approximately US\$58.2 million (\$73.8 million) subject to a working capital adjustment (the "Purchase Price"). The Purchase Price is comprised of: (i) US\$13.5 million (\$17.1 million) in cash paid on closing; (ii) US\$41.7 million (\$52.9 million) settled through the issuance of 69,444,457 common shares of the Company at a deemed price of \$0.75 per share (note 13(c)); (iii) deferred cash payments of US\$3 million (\$3.8 million) payable in twenty-four months from the date of acquisition. The fair value of the shares issued was \$0.53 per share for total fair value of \$36,810,040, which was equal to the market price of the shares at the market close on the acquisition date.

In addition to the Purchase Price, the Definitive Agreement provides that the principals of American Affiliate may receive contingent consideration if certain financial targets are met (note 15). The contingent consideration is to be paid as 10-40% in cash and the balance in shares, the exact proportion may vary at the Company's

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3. Acquisition of American Affiliate (continued)

discretion. In addition, there were 9,044,104 stock options of the Company granted to executives and employees of American Affiliate in connection with the Definitive Agreement (note 14).

In determining that the Company was the acquirer in the American Affiliate Acquisition, the Company considered the guidance in IFRS 3. The Company considered which party transferred the assets, the relative voting rights of the resulting entity, the presence of any significant minority shareholders, the composition of both the governing body and senior management of the resulting issuer, the terms of exchange of equity interests, and which combining entity's relative size was greatest.

The Company incurred acquisition-related cash costs of \$1,353,171 for legal, accounting, and advisory fees that have been recorded as professional fees in the consolidated statement of loss in the year ended December 31, 2021.

The accounting for this transaction resulted in the following:

As American Affiliate was considered to be the acquiree for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their fair value as of the acquisition date. Management is in the process of gathering the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price was provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date. The values assigned to the intangible assets and goodwill are, therefore, preliminary and subject to change.

The purchase price allocation is as follows:

Cash consideration	\$	27,569,468
Share consideration (note 13(c))		36,810,040
Contingent consideration (note 15)		82,216,089
Consideration	\$	146,595,597
Cash	\$	4,133,062
Non-cash working capital		2,970,805
Equipment		12,043
Developed Technology (note 12)		3,300,000
Brands (note 12)		12,800,000
Customer relationships (note 12)		47,600,000
Goodwill (note 12)		76,037,933
Deferred tax liability (note 20)		(258,246)
Assets acquired	\$	146,595,597

Goodwill calculated in this acquisition represents the expected revenue growth, future market development and the workforce acquired. These benefits are not recognized separately from goodwill since the resulting future economic benefits cannot be measured reliably. The goodwill is not deductible for income tax purposes. Revenues attributable to American Affiliate recorded by the Company from November 22, 2021 to December 31, 2021 are \$2,757,143. Had the acquisition occurred on January 1, 2021, American Affiliate would have contributed revenues of \$19,451,899 (unaudited).

3. Acquisition of American Affiliate (continued)

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Developed Technology	Relief-from-Royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the customer relationships and trade name being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships and trade name, by excluding any cash flows related to contributory assets.
Brands	
Customer relationships	Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships and trade name, by excluding any cash flows related to contributory assets.

Included in non-cash working capital are trade receivables comprising gross contractual amounts due of \$6,050,738 (US\$4,771,876), which were believed to be fully collectible as at the date of acquisition.

4. Acquisition of Askott

On August 11, 2020, the Company completed an amalgamation with Askott. The acquisition of Askott is in line with the Company's strategy of growth through acquisitions and their operating history in the esports betting market. The final terms of the amalgamation are as follows:

Existing Askott shareholders received 1.9193 common shares of the Company for each Askott common share (an "Askott Share") held at closing (the "Exchange Ratio"), representing an implied valuation of \$0.7485 per Askott Share, and resulting in the issuance of an aggregate of 71,171,212 common shares (note 13(j)) at a price of \$0.34 per common share for a total consideration of \$16,994,096 to the former Askott shareholders. In addition, former holders of 125,000 common share purchase warrants of Askott are now entitled to purchase an aggregate of 239,912 FansUnite Shares at an exercise price of \$0.32 per common share with expiry date on May 31, 2023 (the "FansUnite Warrants") (note 13) and former holders of 1,820,000 stock options of Askott are now entitled to purchase an aggregate of 3,493,122 common shares (note 14) at exercise prices ranging from approximately \$0.26 to \$0.32 per common share, with expiry dates between September 27, 2020 and January 1, 2025 (the "FansUnite Options"). The fair value of the options and warrants were \$450,433 and \$74,750 respectively.

The Company issued an aggregate of 12,524,615 units at a price of \$0.40 per unit upon exchange of the Askott Shares issued in connection with the private placement of subscription receipts (the "Subscription Receipts") for \$5,009,846 (the "Askott Private Placement"), which closed on July 31, 2020 (note 13(j)). The former holders of Subscription Receipts are entitled to purchase an aggregate of up to 6,262,307 common shares at an exercise price of \$0.55 per common share with expiry date on August 11, 2022 pursuant to the share purchase warrants issued in connection with the Askott Private Placement and the former holders of the broker and advisory warrants issued in connection with the Askott Private Placement are now entitled to purchase an aggregate of up to 779,762 common shares at an exercise price of \$0.55, with expiry date on July 21, 2022 (collectively, the

"FansUnite Financing Warrants") (note 13). The fair value of advisory warrants is determined to \$215,955. The Company issued to the finder 187,500 common shares with a fair value of \$75,000 and incurred costs of

4. Acquisition of Askott (continued)

\$511,482 in transaction and advisory fees related to the private placement. The fair value of the broker warrants of \$215,955, the finder shares of \$75,000 and the costs incurred of \$511,482 were expensed as share issue cost.

The Company issued 758,600 common shares at a price of \$0.34 per share to Haywood Securities Inc. in connection with advisory services related to the transaction (note 13(j)). Accordingly, \$257,924 is recorded in the consolidated statements of loss and comprehensive loss as consulting fees related to this transaction.

In determining that the Company was the acquirer in the Askott Acquisition, the Company considered the guidance in IFRS 3. The Company considered which party transferred the assets, the relative voting rights of the resulting entity, the presence of any significant minority shareholders, the composition of both the governing body and senior management of the resulting issuer, the terms of exchange of equity interests, and which combining entity's relative size was greatest.

The accounting for this transaction resulted in the following:

As Askott was considered to be the acquiree for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their fair value as of the acquisition date. Management has determined the purchase price allocation, at fair value, to the underlying financial, tangible and intangible assets acquired and liabilities assumed by the Company at the acquisition date.

The purchase price allocation is as follows:

Share consideration (note 13(j))	\$	16,994,096
Fair value of options assumed (note 14)		450,433
Fair value of warrants assumed (note 13)		74,750
Consideration	\$	17,519,279
Cash	\$	638,293
Non-cash working capital		(313,541)
Equipment		8,754
Right of use asset		33,347
Lease liability (note 11)		(53,664)
Developed Technology (note 12)		7,914,000
Intellectual Property (note 12)		891,000
Goodwill (note 12)		9,233,739
Deferred tax liability (note 20)		(811,000)
CEBA loan		(21,649)
Assets acquired	\$	17,519,279

Goodwill calculated in this acquisition represents the expected synergies from combining the operations of Askott with the Company, revenue growth, future market development and the workforce acquired. These benefits are not recognized separately from goodwill since the resulting future economic benefits cannot be measured reliably. The goodwill is not deductible for income tax purposes. Subsequent to August 11, 2020 Askott management was integrated into the Company, and therefore the stand-alone amounts of profit or loss are not readily available.

4. Acquisition of Askott (continued)

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Developed technology	Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the developed technology, by excluding any cash flows related to contributory assets.
Intellectual property	Relief-from-Royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the intellectual property being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the intellectual property, by excluding any cash flows related to contributory assets.

There were no trade receivable amounts acquired as at the date of acquisition.

5. Amalgamation HIC and FansUnite Entertainment Inc.

On March 26, 2020 (“amalgamation date”), the Company completed the amalgamation with FansUnite (note 1), whereby the Company acquired 100% of the issued and outstanding shares of FansUnite.

Pursuant to the amalgamation, the Company issued 14,314,000 common shares of the Company in exchange for all the issued and outstanding shares of FansUnite. Upon closing of the transaction, the shareholders of FansUnite owned 71% of the issued and outstanding common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by FansUnite.

For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3 *Business Combinations* (“IFRS 3”) as the shareholders of FansUnite obtained control of the Company. However, as the Company does not meet the definition of a business as defined by IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

The accounting for this transaction resulted in the following:

The consolidated financial statements of the combined entity are issued under the legal parent, FansUnite Entertainment Inc., but are considered a continuation of the financial statements of the legal subsidiary, FansUnite.

As FansUnite is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Since the shares allocated to the former shareholders of FansUnite Entertainment Inc. on closing the amalgamation is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of FansUnite Entertainment Inc. acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a share based payment.

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5. Amalgamation HIC and FansUnit Entertainment Inc. (continued)

The fair value of the 14,314,000 common shares issued was determined to be \$5,009,900 or \$0.35 per common share (note 13(g)).

In connection with the amalgamation, the Company assumed 814,000 warrants exchangeable for one common share of the Company at an exercise price of \$0.05. The fair value for warrants of \$266,397 granted have been estimated using the Black-Scholes pricing model (note 13).

The Company paid a finder's fee of 2,857,143 shares at the completion of the amalgamation with a fair value of \$1,000,000 and 504,490 shares with the fair value of \$176,572 in lieu of cash on the concurrent financing. Accordingly, the Company recorded the fair value of \$176,572 as share issuance costs (note 13(g)). The Company also issued 564,439 broker's warrants at the fair value of \$162,925 (note 13) in connection with this financing.

The Company paid a corporate advisory fee of 1,400,000 shares with a fair value of \$490,000 at the completion of the amalgamation.

The fair value of all the consideration paid and charged to share based payment was comprised of:

Fair value of the common shares at amalgamation date (note 13(g))	\$	5,009,900
Fair value of warrants assumed at amalgamation date (note 13)		266,397
Fair value of finder's shares issued in connection with amalgamation (note 13(g))		1,000,000
Fair value of shares issued in connection with corporate advisory fees (note 13(g))		490,000
Consideration	\$	6,766,297
Cash	\$	316,530
Receivables		157,103
Trade payables		(290,926)
Assets acquired		182,707
Share based payments (note 14)	\$	6,583,590

There were no trade receivable amounts owed as at the date of acquisition.

6. McBookie Acquisition

On March 26, 2020 (the "acquisition date") the Company purchased McBookie, a United Kingdom domiciled white label sports betting operation. The acquisition of McBookie was in line with the Company's strategy of growth through acquisitions in regulated markets. The Company issued 1,022,477 shares with a fair value of \$210,074 (note 13), £300,000 in cash (\$510,270) and issued a £300,000 note payable (\$510,270) that was non-interest bearing and payable within 12 months from the date of issuance, in exchange for 100% of the issued and outstanding shares of McBookie. On January 20, 2021, the Company repaid the note payable for \$502,917.

In relation to the acquisition, the Company issued to the former directors 2,474,666 shares (note 13(h)). In addition, the active shareholders of McBookie Ltd are entitled to 10% of the annual EBITDA of McBookie Ltd for three years after acquisition. Refer to note 16 for further details.

For accounting purposes, the acquisition was considered to be a business combination under IFRS 3 *Business Combinations* ("IFRS 3") as the shareholders of the Company acquired control of McBookie following the transaction. Management has determined the purchase price allocation, at fair value, to the underlying financial, tangible and intangible assets acquired and liabilities assumed by the Company at the acquisition date.

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6. McBookie Acquisition (continued)

The purchase price allocation was as follows:

Cash	\$	510,270
Present value of note payable (note 16)		484,756
Share consideration (note 13(h))		210,074
Consideration	\$	1,205,100
Cash	\$	144,762
Non-cash working capital		(168,847)
Website (note 12)		37,420
Customer relationships (note 12)		418,421
Trade name (note 12)		379,301
Deferred tax liability		(129,886)
Goodwill (note 12)		523,929
Assets acquired	\$	1,205,100

Goodwill calculated in this acquisition represented the expected synergies from combining the operations of McBookie with the Company, revenue growth, future market development and the workforce acquired. These benefits are not recognized separately from goodwill since the resulting future economic benefits cannot be measured reliably. The goodwill is not deductible for income tax purposes.

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Website	Historical cost method: It was determined that the original cost was a reasonable estimation of fair value.
Customer relationships	Relief-from-Royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the customer relationships and trade name being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships and trade name, by excluding any cash flows related to contributory assets.
Trade name	

Included in non-cash working capital are trade receivables comprising gross contractual amounts due of \$42,417 (£24,938), which were believed to be fully collectible as at the date of acquisition.

7. Cash and cash equivalents

	December 31, 2021		December 31, 2020	
Cash	\$	2,190,480	\$	4,431,139
Guaranteed Investment Certificates		11,783,387		-
	\$	13,973,867	\$	4,431,139

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8. Receivables

	December 31, 2021		December 31, 2020	
Trade Receivable	\$	6,532,564	\$	62,904
SRED Receivable		-		340,778
GST and Sales Tax Receivable		201,174		141,546
Other Receivable		69,077		40,000
	\$	6,802,815	\$	585,228

9. Prepaid Expenses

	December 31, 2021		December 31, 2020	
Vendor Deposits	\$	-	\$	237,060
Prepaid Insurance		29,336		26,122
Prepaid Expenses		262,906		476,807
Prepaid Consultants		43,567		43,750
	\$	335,809	\$	783,739

10. Accounts Payable and Accrued Liabilities

	December 31, 2021		December 31, 2020	
Accounts payable	\$	910,956	\$	370,890
Accrued liabilities		2,864,950		125,698
Net working capital adjustment*		3,332,228		-
	\$	7,108,134	\$	496,588

* As part of the American Affiliate Acquisition (note 3), the Company had an obligation to pay the vendors US\$5,356,047 (\$6,791,468) for working capital balances acquired. The Company made a partial payment of US\$2,700,000 (\$3,459,240) in December 2021.

Management determined that the fair value of open bets at December 31, 2021 and December 31, 2020 was not significant and as such they have been excluded from the consolidated financial statements.

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11. Equipment

	Computer Equipment	Right-of-use assets	Total
Cost			
Balance – January 1, 2020	5,672	-	5,672
Additions	6,583	-	6,583
Additions through business combinations	8,754 ¹	33,347 ¹	42,101
Balance – December 31, 2020	21,009	33,347	54,356
Additions	51,102	157,545	208,647
Additions through business combinations	12,043 ²	-	12,043
Foreign currency translation	636	(2,461)	(1,825)
Balance - December 31, 2021	84,790	188,431	273,221
Accumulated amortization and impairment			
Balance – January 1, 2020	2,297	-	2,297
Amortization	8,174	18,526	26,700
Balance – December 31, 2020	10,471	18,526	28,997
Amortization	12,965	61,657	74,622
Foreign currency translation	1,661	(471)	1,190
Balance - December 31, 2021	25,097	79,712	104,809
Net carrying amount			
At December 31, 2020	10,538	14,821	25,359
At December 31, 2021	59,693	108,719	168,412

¹ Computer equipment and office leases acquired as part of the Askott business combination (note 4).

² Computer equipment acquired as part of the American Affiliate business combination (note 3).

Lease liabilities are as follows:

Lease liabilities recognized	\$	126,711
Lease payments made		(16,290)
Interest expense on lease liabilities		2,271
Foreign currency translation		(2,238)
	\$	110,454
Current portion	\$	71,043
Long-term portion	\$	39,411

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12. Intangible Assets

	Websites	Customer Relationships	Developed Technology	Brands	Intellectual Property	Total Intangibles	Digital Currencies	Goodwill
Cost								
Balance – January 1, 2020	1,327,098	-	-	-	150,000	1,477,098	42,903	-
Additions	-	-	70,597	-	-	70,597	-	-
Additions through business combinations	37,420	968,421	7,914,000	379,301	341,000	9,640,142	-	9,757,668
Disposals	-	-	-	-	-	-	(55,101)	-
Revaluation gain	-	-	-	-	-	-	34,651	-
Balance – December 31, 2020	1,364,518	968,421	7,984,597	379,301	491,000	11,187,837	22,453	9,757,668
Additions through business combinations (note 3)	3,300,000	47,600,000	-	12,800,000	-	63,700,000	-	76,037,933
Disposals	-	-	-	-	-	-	(4,239)	-
Revaluation gain	-	-	-	-	-	-	89,232	-
Balance – December 31, 2021	4,664,518	48,568,421	7,984,597	13,179,301	491,000	74,887,837	107,446	85,795,601
Accumulated Amortization								
Balance – January 1, 2020	479,210	-	-	-	75,000	554,210	-	-
Additions	272,095	265,394	307,165	143,827	85,479	1,073,960	-	-
Foreign currency translations	60	1,678	-	1,522	-	3,260	-	-
Balance – December 31, 2020	751,365	267,072	307,165	145,349	160,479	1,631,430	-	-
Additions	343,405	2,203,099	861,997	466,984	27,000	3,902,485	-	-
Foreign currency translations	(123)	(3,431)	-	(3,111)	-	(6,665)	-	-
Balance – December 31, 2021	1,094,647	2,466,740	1,169,162	609,222	187,479	5,527,250	-	-
Net carrying amount								
Balance – December 31, 2020	613,153	701,349	7,677,432	233,952	330,521	9,556,407	22,453	9,757,668
Balance – December 31 2021	3,569,871	46,101,681	6,815,435	12,570,079	303,521	69,360,587	107,446	85,795,601

For the year ended December 31, 2021, the Company recorded amortization of \$3,902,485 (2020 - \$1,073,960).

Goodwill

The Company performed its annual impairment testing at December 31, 2021, and determined that no impairment charge was necessary. The recoverable amount of the Company's CGUs was estimated based on an assessment of their value in use using a discounted cash flow approach. The approach uses cash flow projections based upon a financial forecast approved by management, covering a five-year period. Cash flows for the years thereafter are extrapolated using the estimated terminal growth rate.

The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions and other events. The Company has made certain assumptions in determining the expected future cash flows based on budgets approved by management and include management's best estimate of expected market conditions. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future valuations of goodwill and the Company would be required to recognize an impairment loss. The following are

12. Intangible Assets (continued)

key assumptions on which management based its determinations of the recoverable amount for goodwill based on each CGU's value in use:

- A) Revenue and terminal value growth rates: The Company determined the revenue and terminal growth rates based on projected market development and industry growth.
- B) Pre-tax discount rate: The pre-tax discount rate applied to the McBookie and Askott CGUs is reflective of their respective Weighted Average Cost of Capital ("WACC"). The WACC was estimated based on the risk-free rate, equity risk premium and a beta adjustment to the equity risk premium. The pre-tax discount rate applied to the American Affiliate CGU was its internal rate of return.
- C) Tax rate: The tax rates used in determining the future cash flows were those substantively enacted at the respective valuation date.

	December 31, 2021			December 31, 2020		
	McBookie	Askott	American Affiliate	McBookie	Askott	American Affiliate
Terminal value growth rate	2%	3%	2%	2%	3%	-
Budgeted revenue growth rate (avg of next 5yrs)	16%	886%	35%	10%	463%	-
Pre-tax discount rate	26.3%	26.3%	16.5%	27.5%	27.9%	-
Tax rate	19%	27%	23%	19%	27%	-

The Company notes that changing the terminal value growth rate and pre-tax discount rates by 1% would not generate impairment and therefore will not disclose any further sensitivity analysis.

Digital currencies

As at December 31, 2021, the Company held 22.79 units of Ethereum (2020 - 23.80 units) with a fair value of \$107,446 (2020 - \$22,453). During the year ended December 31, 2021, the Company recorded a revaluation surplus of \$89,232 (2020 - \$34,651) representing the increase in the fair value of the digital currency. In 2021, 1.01 units (2020 - nil) were issued to a vendor as payment for marketing services rendered in lieu of cash.

13. Share Capital

Authorized share capital - Unlimited common shares without par value.

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

Issued share capital

As at December 31, 2021, there were 282,750,666 issued and fully paid common shares outstanding (December 31, 2020 - 156,168,237).

Year ended December 31, 2021

13) Share Capital (continued)

Issued share capital (continued)

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

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

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

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

In connection with the financing, the Company issued 2,855,514 broker warrants valued at \$2,061,528 to brokers and agents, which was allocated to share issuance costs and warrant reserve. 1,903,676 of the broker warrants entitle the holder to purchase one common share at a price of \$0.90 per share for a period of thirty-six months from the date of closing. 951,838 of the broker warrants entitle the holder to purchase one common share at a price of \$1.30 per share for a period of thirty-six months from the date of closing. The fair value of the warrants was determined to be \$2,061,528 using the Black Scholes model utilizing the

following assumptions: risk free rate of 0.19%, volatility of 300%, expected life of 3 years and an exercise price of \$0.90 on 1,903,676 broker warrants and \$1.30 on 951,838 broker warrants.

- c) On November 22, 2021, the Company issued a total of 69,444,457 shares with a fair value of \$36,810,040 in connection with the acquisition of American Affiliate (note 3), or \$0.53 per share. These shares are subject to a restriction period, in tranches per the Definitive Agreement, over a 36-month period. The Company incurred share issuance cash costs of \$9,370 that were recorded to share capital.

13. Share Capital (continued)

Issued share capital (continued)

- d) During 2021, 1,967,088 options were exercised for gross proceeds of \$829,895 (note 14).
- e) During 2021, 4,532,866 warrants were exercised for gross proceeds of \$2,378,859.

Year ended December 31, 2020

- f) On March 18, 2020, the Company completed a Subscription Receipt Financing for gross proceeds of \$3,131,919 whereby, upon conversion of the subscription receipts on March 26, 2020, the Company issued 8,948,326 common shares at a price of \$0.35 per share. The Company recorded \$53,788 in share issuance cash costs associated with the financing.
- g) On March 26, 2020, the Company issued a total of 17,675,633 shares with a fair value of \$6,499,900 in connection with the amalgamation with FansUnite. In addition, the Company issued 1,400,000 shares with a fair value of \$490,000 as advisory fees in connection with this amalgamation.
- h) On March 26, 2020, the Company also issued 1,022,477 shares with a fair value of \$210,074 in connection with the purchase of McBookie. In relation to the acquisition, the Company issued to the former directors of McBookie 2,474,666 shares at a fair value of \$0.35 per share. These shares are subject to a 36 month restriction period. The Company recorded share-based payment as these shares became unrestricted. During the year ended December 31, 2021, the company recorded share-based payment of \$261,330 (2020 - \$485,542) in the consolidated statements of loss relating to these shares (note 6).
- i) On April 16, 2020, the Company completed an agreement with V2 Games Inc. ("V2"), to purchase the following:
 - a one half interest in a loan agreement between V2 and Just Games Interactive Entertainment LLC, with payments to the Company totaling US\$764,939 (\$1,009,719) from March 2020 to January 2022
 - 50,000 shares in GoLeague Technologies Inc.
 - 239,583 shares in 1166117 BC Ltd.

The Company issued 3,142,857 shares at the fair value of \$1,100,000 in connection with this acquisition. During the period the Company recognized a loss of \$171,239 related to the loan receivable. This loss was expensed in the consolidated statement of loss and comprehensive loss during the year ended December 31, 2020.

- j) On August 11, 2020, the Company issued 71,171,212 shares with a fair value of \$16,994,096 in connection with the acquisition of Askott and 12,524,615 shares at a price of \$0.40 per share in connection with the recently completed private placement for \$5,009,846 (note 4). The fair value of the shares issued was determined using the Black Scholes model utilizing the following assumptions: risk free rate of 0.38%, volatility of 129%, expected life 0.07-2.73 years based on lock up schedules, and an exercise price equal to the fair value on date of issuance. The Company also issued 6,262,307 warrants entitling the holders to purchase up to 6,262,307 common shares in the Company at an exercise price of \$0.55 per common share with expiry date on August 11, 2022. In connection with the private placement, the Company issued 187,500 common shares at a fair value of \$75,000 to the finders and paid \$511,482 in transaction costs. The Company assumed 3,493,122 stock options exercisable at \$0.26 (note 14), and 239,912 warrants exercisable at \$0.32 as part of the transaction. The Company also issued 758,600 shares in connection with the M&A Advisory Shares.

13. Share Capital (continued)

Issued share capital (continued)

- k) The Company issued on August 31, 2020, 57,273 common shares with a fair value of \$15,174 for consulting services.
- l) On October 9, 2020 the Company repurchased 501,484 shares in connection with V2, whereby V2 repurchased the Loan Receivable of \$803,866 in exchange for assuming \$658,212 amount due by the Company to Victory Square Technologies Inc. 501,484 shares were returned to treasury and valued at \$145,654, being net of Loan Receivable and debts assumed. The Company retained ownership of GoLeague Technologies Inc. and 1166117 BC Ltd.
- m) During 2020 636,711 options were exercised for gross proceeds of \$183,724 (note 14).
- n) During 2020 1,754,351 warrants were exercised for gross proceeds of \$896,273.

Reserves

Stock options reserve

The stock options reserve records items recognized as share-based payments expense.

Warrants reserve

The warrants reserve records fair value of the warrants issued for services.

Restricted stock unit reserve

The restricted stock unit reserve records items recognized as share-based payments expense.

Accumulated other comprehensive income (loss)

The foreign exchange reserve recognizes the foreign exchange differences resulting from translation of group entities to the presentation currency that have a different functional currency than the presentation currency.

Warrants

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

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

13. Share Capital (continued)

Warrants (continued)

Additional information regarding warrants outstanding as at December 31, 2021, is as follows:

Exercise price \$	Number of warrants	Outstanding		Exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
1.30	15,069,726	2.54		15,069,726	
0.90	1,903,676	2.54		1,903,676	
0.78	10,863,620	1.03		10,863,620	
0.625	1,089,839	1.03		1,089,839	
0.55	3,522,649	0.61		3,522,649	
0.35	213,302	0.23		213,302	
0.32	239,912	1.41		239,912	
	32,902,724	1.76	0.99	32,902,724	0.99

Restricted Stock Units

During the year ended December 31, 2021, the Company's Board of Directors approved the awarding of Restricted Stock Units ("RSUs") to certain employees and directors. The Board approved the issuance of up to 3,350,000 RSUs subject to certain company milestones. Of the RSUs awarded, 500,000 are subject to market conditions while 2,850,000 have non-market conditions attached. During the year ended December 31, 2021, 3,350,000 RSUs (December 31, 2020 - nil), were granted with a fair value of \$0.53 per unit (December 31, 2020 - nil) determined as the share price on the date of grant. During the year ended December 31, 2021, a share based payment charge of \$631,141 has been recognized in the consolidated statements of loss and comprehensive loss (December 31, 2020 - nil) in relation to the RSUs. The RSUs are accounted for as equity-settled share-based payments as the obligation will be settled through the issuance of common shares. No RSUs have been exercised to date.

14. Stock Options

As of December 31, 2021, the Company has granted 17,385,956 options (December 31, 2020 – 8,906,500) to employees and key advisors of a possible pool of 28,275,067.

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

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14. Stock Options (continued)

	Number of options	Weighted average exercise price \$
Balance, outstanding December 31, 2019	3,015,000	0.50
Granted	3,275,000	0.32
Granted in connection with purchase of Askott	3,493,122	0.26
Exercised	(636,711)	0.29
Forfeited	(239,911)	0.32
Balance, outstanding, December 31, 2020	8,906,500	0.36
Granted	10,579,044	0.55
Exercised	(1,967,088)	0.42
Forfeited	(132,500)	0.54
Balance, outstanding, December 31, 2021	17,385,956	0.47

Additional information regarding stock options outstanding as at December 31, 2021, is as follows:

Exercise price \$	Number of options	Outstanding		Number of options	Weighted average exercise price \$
		Weighted average remaining contractual life (years)	Weighted average exercise price \$		
0.79	100,000	9.61		100,000	
0.76	625,000	9.48		4,166	
0.56	100,000	9.84		-	
0.55	75,000	9.84		-	
0.53	9,154,044	9.89		-	
0.52	500,000	9.84		-	
0.50	1,908,500	6.88		1,747,873	
0.42	546,875	8.36		378,125	
0.35	416,700	8.26		291,700	
0.26	2,578,420	3.01		1,474,820	
0.25	1,381,417	8.75		556,410	
	17,385,956	8.34	0.47	4,553,094	0.38

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

	December 31, 2021	December 31, 2020
Risk-free interest rate	0.48% - 1.66%	1.04%
Expected life (in years)	6.5 - 10	8.1
Expected volatility	148% - 153%	130%

The fair value of stock options vested during the year ended December 31, 2021 was \$1,355,479 (December 31, 2020 - \$930,903). There were 10,579,044 stock options granted in the year ended December 31, 2021 (December 31, 2020 - 6,768,122), with weighted average fair value of \$0.55 (December 31, 2020 - \$0.30).

14. Stock Options (continued)

A reconciliation of the share-based compensation follows:

	December 31, 2021	December 31, 2020
Stock options granted	1,355,479	930,903
Restricted stock units (note 13)	631,141	-
Shares issued to active shareholders in McBookie (notes 6 and 13(h))	261,330	485,542
Listing expense related to amalgamation with FansUnit (note 5)	-	6,583,590
	2,247,950	8,000,035

15. Deferred and contingent consideration

The Company has deferred and contingent consideration payable to the vendors of American Affiliate. The vendors are now part of the Company's key management though they were not at the time of acquisition. Deferred and contingent consideration as at December 31, 2021 related to a cash payment of \$3.8 million (US\$3 million) to be paid November 22, 2023 and earnout payments due, comprised of both cash and shares to be issued (note 3). Between November 22, 2021 and March 22, 2025, earnout payments were agreed based upon a multiple of earnings before income, taxes, depreciation, and amortization ("EBITDA") in financial years ended December 31, 2021, December 31, 2022, December 31, 2023, and December 31, 2024 (the "Earnout Period"). Earnout payments are calculated and paid quarterly.

A reconciliation of the deferred and contingent consideration follows:

Balance, November 21, 2021	85,876,089
Accretion expense	1,359,990
Effect of movements in exchange rates	(9,231)
Balance, December 31, 2021	87,226,848

During the year ended December 31, 2021, the fair value of the contingent consideration was determined using estimated EBITDA for the fiscal years subject to the Earnout Period and a discount rate of 16.5%, which reflected the internal rate of return of the Company.

16. Related Party Transactions and Balances

A director of the Company is a related party of American Affiliate, therefore the purchase of America Affiliate is a related party transaction (note 3). As at December 31, 2021, the Company had amounts of \$164,981 (US\$130,132) owing to the director for management services provided (December 31, 2020 – nil).

As part of the contractual agreement for the purchase of McBookie (note 6) the Company owed 10% of McBookie's EBITDA to the active shareholders for a total period of three years. The Company has determined that this arrangement is to be accounted for as a compensation arrangement rather than additional purchase price consideration in accordance with IFRS 3. On July 5, 2021, the Company paid \$48,647 (£28,455) to the shareholders of McBookie (2020 – nil). The Company is owed a total of \$18,156 (£10,598) from the shareholders of McBookie as of December 31, 2021 (2020 – nil).

16. Related Party Transactions and Balances (continued)

The Company has receivables of \$59,515 (2020 – nil) owing from management. These receivables unsecured, accrue interest at 1% annually and are repayable on December 31, 2022. The Company recorded \$403 of interest income related to these receivables in the year ended December 31, 2021 (2020 – nil).

Key Management Compensation

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

	December 31, 2021	December 31, 2020
Executive compensation	\$ 1,086,369	\$ 520,514
Share-based payments	869,408	420,712
	\$ 1,955,777	\$ 941,226

17. Commitments

The Company has contractual lease payments of €45,300 (\$65,191) and €36,000 (\$51,808) to be made in 2022 and 2023, respectively, for the rental of office premises.

18. Capital Risk Management

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

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

19. Risk Management and Financial Instruments

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

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19. Risk Management and Financial Instruments (continued)

<i>In thousands of dollars</i>	Carrying Amount				Fair value			
	FVTPL	Amortized cost	FVTOCI	Total	Level 1	Level 2	Level 3	Total
December 31, 2021								
Financial assets								
Cash	-	\$13,974	-	\$13,974	-	-	-	-
Short-term investments	919	-	-	919	919	-	-	919
Restricted cash related to customer deposits	-	205	-	205	-	-	-	-
Receivables	-	6,803	-	6,803	-	-	-	-
Due from related parties	-	78	-	78	-	-	-	-
Long-term investments	77	-	-	77	11 ¹	66 ²	-	77
Digital currencies	-	-	107	107	107	-	-	107
Financial liabilities								
Accounts payable and accrued liabilities	-	7,108	-	7,108	-	-	-	-
Due to related parties	-	165	-	165	-	-	-	-
Lease liabilities	-	110	-	110	-	-	-	-
Deferred and contingent consideration	87,227	-	-	87,227	3,672	-	83,555	87,227
December 31, 2020								
Financial assets								
Cash	-	4,431	-	4,431	-	-	-	-
Short-term investment	6	-	-	6	-	-	-	-
Receivables	-	585	-	585	-	-	-	-
Long-term investments	88	-	-	88	31 ¹	57 ²	-	88
Digital currencies	-	-	22	22	22	-	-	22
Financial liabilities								
Accounts payable and accrued liabilities	-	497	-	497	-	-	-	-
Due to related parties	-	500	-	500	-	-	-	-
Subscription receipts liability	-	777	-	777	-	-	-	-
Lease liabilities	-	28	-	28	-	-	-	-
Long-term debt	-	92	-	92	-	-	-	-

¹ GoLeague Technologies Inc., which later changed their names to Pepper Esports, was purchased by TGS Esports Inc. (TSXV: TGS) on December 21, 2020. Under the terms of the agreement the Company received 150,000 shares of TGS Esports Inc.

² 1166117 BC Ltd is a privately owned company.

19. Risk Management and Financial Instruments (continued)

Fair value

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

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
- Level 3 inputs for the asset or liability that are not based upon observable market data.

The fair value of cash, short-term investments, investment in GoLeague Technologies Inc. and digital currencies was determined using level 1 inputs.

The fair value of the investment in 1166117 BC Ltd. was determined with level 2 inputs.

Credit risk

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

The Company mitigates the risk of credit loss relating to trade receivables by ensuring that transactions are entered into with creditworthy customers. The Company actively monitors its amounts receivable. As a result of its historical collections record, the Company has not recorded an expected credit loss on amounts outstanding.

Concentration risk

For the year ended December 31, 2021, one customer (2020 – nil) contributed more than 30% to the Company's revenues. Aggregate revenues from this customer totaled \$1,816,782 (2020 – nil).

As at December 31, 2021, one customer (2020 – nil) comprised 45% of the Company's trade receivables. The balance owed by this customer totaled \$3,048,402 (2020 – nil). The Company continues to expand its customer base to reduce concentration risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

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19. Risk Management and Financial Instruments (continued)

		Contractual Cash Flows				
<i>In thousands of dollars</i>	Carrying amount	Total	2 months	3-12 months	13-24 months	25-60 months
December 31, 2021						
Accounts payable and accruals	\$7,108	\$7,108	\$7,108	-	-	-
Amounts due to related parties	165	165	32	133	-	-
Lease liabilities	110	121	17	51	53	-
Deferred and contingent consideration	87,227	113,466	-	18,560	34,386	60,520
	\$94,610	\$120,860	\$7,157	\$18,744	\$34,439	\$60,520
December 31, 2020						
Accounts payable and accruals	497	497	497	-	-	-
Amounts due to related parties	500	500	500	-	-	-
Subscription receipts liability	777	777	-	-	-	-
Lease liabilities	28	28	7	21	-	-
Long-term debt	92	105	45	-	60	-
	\$1,894	\$1,907	\$1,049	\$21	\$60	

The Company will continue to monitor its exposure to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as the amount due from and to related parties are carried at a fixed interest rate throughout their term (note 16). The Company's deposits of cash held at financial institutions earn a fixed rate of return.

Foreign exchange risk

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

The following is a summary, presented in Canadian dollars, of financial assets and liabilities that are denominated in currencies other than the Canadian dollar at December 31, 2021:

		GBP		EUROS		USD
Cash	\$	669,017	\$	116,762	\$	665,098
Restricted cash related to customer deposits		204,731		-		-
Accounts receivable		63,287		101,926		6,429,692
Amounts due from related parties		23,372		-		-
Total assets	\$	960,407	\$	218,688	\$	7,094,790
Accounts payable	\$	21,403	\$	79,676	\$	4,898,072
Amount due to related parties		-		-		164,981
Deferred and contingent consideration		-		-		87,226,848
Total liabilities	\$	21,403	\$	79,676	\$	92,289,901

The Company has determined that as at December 31, 2021, the effect of a 10% increase or decrease in British Pounds, Euros, and U.S. dollars against the Canadian dollar on financial assets and liabilities would result in an increase or decrease of \$8.4 million (December 31, 2020 – \$130,000) to the statement of comprehensive loss for the year ended December 31, 2021.

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20. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2021	December 31, 2020
Net loss before tax	\$ (17,734,661)	\$ (13,933,692)
Statutory tax rate	27%	27%
Expected income tax recovery	(4,788,358)	(3,762,097)
Permanent differences and other	(1,184,570)	1,950,012
Provision to return adjustments	(1,617,653)	(218,700)
Impact of foreign effective tax rates	145,810	(17,366)
Change in unrecognized deferred income tax assets	6,759,613	1,577,689
Income tax recovery	\$ (685,158)	\$ (470,462)

The significant components of deferred income tax assets and liabilities as at December 31, 2021 and 2020, after applying enacted income tax rates, are as follows:

	December 31, 2021	December 31, 2020
Deferred income tax liabilities:		
Non-capital losses carried forward	\$ 1,961,267	\$ 1,888,000
Equipment	(1,565)	-
Contingent consideration	8,045,346	-
Intangible assets	(9,883,006)	(2,357,589)
Net deferred income tax asset (liability)	\$ 122,042	\$ (469,589)

Movement in the net deferred tax balances are as follows:

	December 31, 2021	December 31, 2020
Balance, beginning of year	\$ (469,589)	\$ -
Recognized in business combination	(259,246)	(940,886)
Recognized in statement of comprehensive loss	850,394	471,297
Other – foreign exchange	483	-
Balance, end of year	\$ 122,042	\$ (469,589)

The unrecognized deductible temporary differences are as follows:

	December 31, 2021	December 31, 2020
Tax losses other	\$ 26,007,528	\$ 8,861,873
Equipment	148,099	72,038
Share issuance costs	7,407,576	737,340
Intangible assets	1,845,587	793,006
Investments	13,760	-
Capital loss carryforwards	620,957	307,407
Other	30,958	-
Unrecognized deductible temporary differences	\$ 36,074,465	\$ 10,771,664

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20. Income Taxes (continued)

As future taxable profits of the Company are uncertain, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$26,007,528 (2020 - \$8,861,873). The non-capital loss carryforwards may be carried forward to apply against future income for income tax purposes, subject to final determination by taxation authorities, expiring in the following years:

	Non-capital losses
2036	26,178
2037	1,370,615
2038	4,097,860
2039	754,352
2040	7,820,255
2041	11,938,268
	\$ 26,007,528

21. Expenses Classified by Nature

Year ended		December 31, 2021	December 31, 2020
Selling, general and administrative			
Amortization of intangible assets	12	3,902,485	1,073,960
Amortization of equipment	11	74,622	26,700
Foreign exchange loss (gain)		136,915	29,581
General and administrative		2,053,674	764,937
Professional fees		3,483,400	1,965,983
Salaries and wages		4,390,950	916,386
Sales and marketing		2,963,359	1,783,444
Share-based payments	14	2,247,950	8,000,035
		19,253,355	14,561,026
Interest and other expenses (income), net			
Accretion on liability	15	1,359,990	-
Interest income		(70,853)	(12,083)
Interest expense		18,417	19,613
Loss (gain) on investments		52,804	(50,401)
Government grants		-	(220,191)
		1,360,358	(263,062)

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22. Revenue and Segmented Information

After taking into account promotional costs, the Company generated net gaming revenue of \$2,806,359 for the year ended December 31, 2021 (2020 – \$1,488,875).

Revenue from licensing and other activities for the year ended December 31, 2021 were \$39,939 (2020 - \$69,215).

The Company earned affiliate revenue of \$2,757,143 for the year ended December 31, 2021 (2020 – nil).

Effective December 31, 2021, the Company has updated its segments to reflect a modified internal structure and conform with how the Company's chief operating decision maker views the business in order to make decisions about resource allocations and assess its performance.

For the year ended December 31, 2021:

	iGaming	Affiliate	Corporate	Consolidated
Revenue				
Business to consumer	\$ 2,806,359	\$ -	\$ -	\$ 2,806,359
Business to business	39,939	-	-	39,939
Affiliate	-	2,757,143	-	2,757,143
Total revenue	\$ 2,846,298	\$ 2,757,143	\$ -	\$ 5,603,441
Total cost of revenue	\$ 1,833,862	\$ 890,527	\$ -	\$ 2,724,389
Total expenses	\$ 6,898,058	\$ 2,979,396	\$ 9,375,901	\$ 19,253,355

	iGaming	Affiliate	Corporate	Consolidated
Total assets	\$ 18,893,705	\$ 144,650,060	\$ 14,401,225	\$ 177,944,990
Total liabilities	\$ 636,514	\$ 92,548,147	\$ 1,475,014	\$ 94,659,675

The following are segment groupings for the year ended December 31, 2020 showing both prior and updated segment groupings:

For the year ended December 31, 2020 (previous):

Previous segments	Europe	Americas	Corporate	Consolidated
Revenue				
Business to consumer	\$ 1,488,875	\$ -	\$ -	\$ 1,488,875
Business to business	-	\$ 69,215	\$ -	\$ 69,215
Total revenue	\$ 1,488,875	\$ 69,215	\$ -	\$ 1,558,090
Total cost of sales	\$ 920,182	\$ 102,397	\$ -	\$ 1,022,579
Total expenses	\$ 981,926	\$ 2,707,275	\$ 10,871,825	\$ 14,561,026

	Europe	Americas	Corporate	Consolidated
Total assets	\$ 807,836	\$ 20,653,323	\$ 3,794,522	\$ 25,255,681
Total liabilities	\$ 233,890	\$ 638,898	\$ 1,489,986	\$ 2,362,774

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22. Revenue and Segmented Information (continued)

For the year ended December 31, 2020 (updated):

Updated segments	iGaming	Affiliate	Corporate	Consolidated
Revenue				
Business to consumer	\$ 1,488,875	\$ -	\$ -	\$ 1,488,875
Business to business	69,215	-	-	69,215
Total revenue	\$ 1,558,090	\$ -	\$ -	\$ 1,558,090
Total cost of sales	\$ 1,022,579	\$ -	\$ -	\$ 1,022,579
Total expenses	\$ 2,335,787	\$ -	\$ 12,225,239	\$ 14,561,026

	iGaming	Affiliate	Corporate	Consolidated
Total assets	\$ 21,807,740	\$ -	\$ 3,447,941	\$ 25,225,681
Total liabilities	\$ 850,888	\$ -	\$ 1,511,886	\$ 2,362,774