



# FansUnite Entertainment Inc.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2024

## NOTICE

*This management's discussion and analysis ("MD&A") of the performance, financial condition and results of operations of FansUnite Entertainment Inc. ("FansUnite", "FANS", "we", "us", "our" or the "Company") is dated August 14, 2024 (unless otherwise indicated) and is based on currently available information. It should be read in conjunction with both the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2023 (the "Annual Financial Statements"), and the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2024 and 2023 (the "Financial Statements") and the related notes thereto.*

*All financial information is presented in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, references to "\$" or "dollars" are to Canadian dollars and references to "US\$" are to United States dollars. All figures in the MD&A are reported in thousands, except for per share, stock option, Common Share, percentages and unit amounts. Certain prior period amounts have been reclassified to conform with current period presentation.*

*Readers should read "Cautionary Note Regarding Forward-Looking Statements and Information" at the end of the MD&A, which explains the basis for and limitations of statements throughout this report that are not historical facts and may be considered "forward-looking statements" or "future oriented financial information" under securities regulations.*

## RISKS AND UNCERTAINTIES

Certain factors may have a material adverse effect on the Company's business, financial condition, and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A, including under the heading "Financial Risk Management" and "Other Risks and Uncertainties", and in other filings that the Company has made and may make in the future with applicable securities authorities, including those available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The risks and uncertainties described herein and therein are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently believes are not material, may also become important factors that could adversely affect the Company's business. If any of such risks actually occur, the Company's business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of the common shares of the Company (the "Common Shares") (or the value of any other securities of the Company) could decline, and the Company's securityholders could lose part or all of their investment.

The Company is in the sports and casino betting industry and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Please refer to the cautionary note regarding forward-looking statements and information at the back of this MD&A. These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company or which are presently considered immaterial may also adversely impact the Company's business, results of operations and financial performance. The most significant risks and uncertainties faced by the Company are as follows:

- Limited operating history;
- Negative cash flow;
- Going-concern risk (as further described below);
- No realized profits to date;
- Operational risks;
- Risk of safeguarding against security and privacy breaches;
- Risks associated with acquisitions;
- Risks relating to blockchain technologies;
- Financial projections may prove materially inaccurate or incorrect;
- Competition in general;
- The success of the Company will be dependent upon the ability, expertise, judgment, discretion, and good faith of its key executives personnel;
- Risks relating to insurance;
- Requirements for further financing;
- Conflicts of interest;
- The Company's intellectual property may be insufficient to properly safeguard its technology;
- The Company may be party to intellectual property infringement or invalidity claims and adverse outcomes of litigation could unfavorably affect its operating results;
- If the Company fails to adapt and respond effectively to rapidly changing technology and evolving industry standards, its technology, such as its platforms and offerings, may become less competitive or obsolete;
- Risks relating to existing and future investments;
- The Company may be subject to litigation claims through the ordinary course of its business operations or otherwise;
- Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not;
- We are required to comply with the covenants in our debenture due September 2025. These covenants may create a risk of default on our debt if we cannot satisfy or continue to satisfy these covenants;
- The online gaming industry is heavily regulated;
- FansUnite's investments are subject to applicable anti-money laundering laws and regulations;
- Complex and evolving domestic and foreign laws and regulations regarding the Internet, privacy, data protection, competition, consumer protection and other matters;
- The Company may be subject to regulatory investigations;
- The Company is subject to regulations related to data privacy, data use and data security in the jurisdictions in which the Company will do business;
- Risks related to the public listing;
- Market price of Common Shares and volatility;
- The Company may require additional funding to finance operations that could be potentially dilutive to current shareholders or increase default risk;
- Transactions engaged in by the Company's largest shareholders, the directors or officers;

- General and global economic risks;
- The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company's sales and profitability; and
- Completion of the Sale Transaction (as defined below).

For further information on each individual risk factor, please see the Company's Annual Information Form dated April 1, 2024 and the management information circular dated July 5, 2024, each available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **FORWARD-LOOKING STATEMENTS**

Certain statements in this MD&A are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to:

- continued optimization of the Company's business in line with its goal to maximize shareholder return;
- availability of financing and projected costs and expenses; and
- receipt of remaining milestone payments (if any) in connection with the sale of the Chameleon Gaming Platform Source Code ("Chameleon Gaming Platform").

Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. For further information, see also "*Cautionary Note Regarding Forward-Looking Statements and Information*" at the end of this MD&A.

The risks, uncertainties and other factors that could influence actual results are described in the "*Risks and Uncertainties*" section of this report. The forward-looking statements contained herein are based on information available as of the date of this report.

## OVERVIEW

FansUnite was incorporated on March 26, 2020 under the laws of the province of British Columbia with its head office in Vancouver, British Columbia. The Company is a sports and entertainment company, focusing on services related to regulated and lawful online sports betting, casino and other related products.

On June 27, 2024, FANS entered into a stock purchase agreement (the “Stock Purchase Agreement”) with its wholly owned subsidiary, FansUnite US Inc. (“FansUS”), GeoComply Solutions Inc. (“GeoComply”), and Hero Group Corp. as the purchaser (the “Purchaser”), which sets out, among other things, the terms and conditions upon which FANS is proposing to sell 100% of the equity interest in FansUS and its wholly-owned subsidiary, American Affiliate Co. LLC (“American Affiliate”), which holds the Betting Hero assets, to the Purchaser for total cash consideration of US\$37,500 (the “Sale Transaction”). The Sale Transaction marks FansUnite’s exit from the sports betting affiliate market and constitutes the disposition of all or substantially all of FANS’ undertaking under the *Business Corporations Act* (British Columbia) and accordingly requires approval of the holders (the “Shareholders”) of the Company’s issued and outstanding shares (the “Common Shares”) under applicable corporate and securities laws.

The proposed Sale Transaction is the result of the review of strategic alternatives by the board of directors of FANS (the “Board”), the special committee of independent directors of FANS and each of their respective legal counsel and advisors, as further described in the management information circular (the “Circular”) dated July 5, 2024, as filed July 11, 2024 on SEDAR+, in the section entitled “Business of the Meeting – Sale of All or Substantially All of the Company’s Assets”.

The Board anticipates that, following completion of the Sale Transaction, it will make a distribution to the Shareholders (the “Distribution”) by way of a return of capital on the Common Shares, in an amount to be determined by the Board, in its sole discretion. The amount and timing of the Distribution will be determined by the Board exercising its fiduciary duty and subject to applicable solvency or other legal or contractual requirements. The Distribution will be made after payment of all fees and taxes associated with the Sale Transaction, and settlement of all Company liabilities.

Upon completion of the Sale Transaction, FANS will no longer meet the listing requirements of the Toronto Stock Exchange (the “TSX”) and anticipates voluntarily delisting its Common Shares from the TSX and withdrawing its OTCQB quotation. The Company expects to retain approximately \$500 in net cash to explore new business opportunities for the economic benefit of its Shareholders, and will otherwise cease to carry on any active business.

A special meeting of the Shareholders (the “Meeting”) was held on August 13, 2024 whereby the Shareholders were asked to consider and approve: (i) a special resolution authorizing the Sale Transaction; (ii) a special resolution authorizing the reduction in the capital (the “Capital Reduction”) of the Common Shares to facilitate the Distribution, to be implemented only in the event that the Sale Transaction is completed; and (iii) an ordinary resolution authorizing, subject to the completion of the Sale Transaction and Capital Reduction, the voluntary delisting of the Common Shares from the TSX. At the Meeting, the Shareholders approved each of these resolutions.

The information contained in this MD&A, including comparatives, reflects the continuing operations of the Company. Expenses for continuing operations consist primarily of staff costs, professional services and other general operating expenses.

## FINANCIAL AND OPERATIONAL OUTLOOK

Upon closing of the Sale Transaction, the Company will no longer have any material property or assets other than cash-on-hand and long-term investments. The Company anticipates the Distribution to its Shareholders will be in the range of \$0.065 to \$0.075 per Common Share, representing a premium of between 44% to 67% to the closing share price of the Common Shares on the TSX as of June 26, 2024, the day prior to announcement of the Stock Purchase Agreement. Subsequent to the close of the Sale Transaction, FansUnite expects to retain approximately \$500 in cash to explore new business opportunities for the economic benefit of its Shareholders.

The following information is derived from the unaudited interim consolidated financial statements for the three-month periods then ended and represents results from continuing operations:

Fiscal Quarter Ended	Revenue	Net Income (Loss) for the Period	Income (Loss) per share	Total Assets	Total Non-Current Liabilities
June 30, 2024	-	(2,835)	(0.01)	48,747	-
March 31, 2024	-	(2,602)	(0.01)	50,777	1,726
December 31, 2023	-	(430)	(0.00)	57,424	2,231
September 30, 2023	-	(746)	(0.00)	61,463	3,065
June 30, 2023	-	(1,168)	(0.00)	65,714	7,183
March 31, 2023	-	(1,089)	(0.00)	75,110	15,319
December 31, 2022	-	(1,098)	(0.00)	77,453	9,300
September 30, 2022	-	(3,705)	(0.01)	153,927	30,941

## RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024

### *Net Loss from Continuing Operations*

Net loss from continuing operations for the six months ended June 30, 2024 was \$2,835 (June 30, 2023: \$2,221). The change in the loss is partially attributed to the professional fees which increased to \$1,394 from \$1,001 in the same period in the prior year, as substantial legal and other costs were incurred as part of the proposed Sale Transaction. The Company had nil (June 30, 2023: nil) revenue from continuing operations for the six months ended June 30, 2024. During the current period the Company experienced a foreign exchange loss of \$222 compared to a gain of \$100 in the same period in the prior year which further contributed to the net loss.

### *Total Assets*

Total assets decreased to \$48,747 as at June 30, 2024 (December 31, 2023: \$57,424). The decrease is primarily due to \$9,923 of amortization of intangible assets which are now classified as held for sale on the Condensed Consolidated Interim Statement of Financial Position.

### *Total Liabilities*

Total liabilities decreased to \$22,073 as of June 30, 2024 (December 31, 2023: \$25,014). The primary driver of the decrease in liabilities was the result of a repayment of \$2,198 of bank indebtedness which is now classified as held for sale. Contingent consideration, also classified as held for sale, associated with the Company's original acquisition of American Affiliate was impacted by a \$1,845 scheduled payment and unfavourable exchange rate movements compounded by \$838 of accretion.

### *Discussion of Cash Flows*

For the six months ended June 30, 2024, the Company's cash position decreased by \$170 (June 30, 2023: Increase \$549). The decrease in cash is largely due to a \$2,198 repayment of debt and a total of \$1,845 in earnout consideration paid during the year. The cash outflows were mitigated by the receipt of two Betr Holdings ("betr") milestone cash payments of \$1,964.

### *Net Loss from Discontinued Operations, Affiliate*

Due to the signed Stock Purchase Agreement, the Affiliate segment is considered a discontinued operation as at June 30, 2024. Net loss from discontinued operations for the Affiliate segment for the six months ended June 30, 2024 was \$4,119 (June 30, 2023: \$7,728). In the period, Affiliate had revenues of \$13,780 (June 30, 2023: \$12,354) and gross margin of \$8,474 (June 30, 2023: \$8,089). The growth in revenues was due to new state openings such as North Carolina compounded by strong results from the Super Bowl and March Madness basketball tournament. There were also selling, general and administrative costs of \$13,322 (June 30, 2023: \$15,817). These were largely salaries and wages, professional fees, and general and administrative expenses that will not affect the Company's financial position going forward.

## RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2024

### *Net Loss from Continuing Operations*

Net loss from continuing operations for the three months ended June 30, 2024 was \$1,746 (June 30, 2023: \$1,149). The change in the loss is partially attributed to the professional fees which increased to \$1,122 from \$579 in the same period in the prior year as substantial legal and other costs were incurred as part of the proposed Sale Transaction. The Company had nil (June 30, 2023: nil) revenue from

continuing operations for the three months ended June 30, 2024. During the period the Company experienced a foreign exchange loss of \$85 compared to a gain of \$101 in the same period in the prior year which further contributed to the net loss.

### ***Net Loss from Discontinued Operations, Affiliate***

Due to the signed Stock Purchase Agreement, the Affiliate segment is considered a discontinued operation as at June 30, 2024. Net loss from discontinued operations for the Affiliate segment for the three months ended June 30, 2024 was \$2,374 (June 30, 2023: \$4,339). In the period, Affiliate had revenues of \$5,449 (June 30, 2023: \$5,062) and gross margin of \$3,254 (June 30, 2023: \$3,388). The growth in revenues was due to new state openings such as North Carolina just prior to the beginning of the quarter. There were also selling, general and administrative costs of \$5,628 (June 30, 2023: \$7,727). These were largely salaries and wages, professional fees, and general and administrative expenses that will not affect the Company's financial position going forward.

## **FINANCING**

The Company holds a three-year financing facility ("Financing Facility") with Centurion Financial Trust ("Lender"). The Financing Facility includes a Canadian Dollar denominated debenture for up to \$12,350 that bears interest at a rate of 11% per annum, compounded and paid monthly. The Financing Facility is secured, including by a general security agreement creating a first priority security interest in all present and after acquired personal property of American Affiliate. The Financing Facility includes general covenants, certain financial performance obligations and a legal obligation to maintain the following financial covenants:

- i. American Affiliate debt service coverage ratio of 1.20:1
- ii. American Affiliate maximum funded indebtedness to EBITDA ratio of 6.00:1
- iii. Consolidated minimum cash balance of \$3,000

The Company is currently in compliance with its debt service coverage ratio, maximum funded indebtedness to EBITDA ratio covenants and legal obligations. As at June 30, 2024, the Company had a cash balance of \$2,057 and was therefore in violation of the consolidated minimum cash balance covenant. The Company obtained a waiver from the Lender, which is effective until August 31, 2024 or 90 days after the close of the Sale Transaction, whichever is later.

The Financing Facility balance is \$522 as at June 30, 2024 (December 31, 2023: \$2,720). The full amount of the facility is classified as Liabilities held for sale.

## **LIQUIDITY**

The Company has historically relied on the sale of its equity for cash to fund operations and has raised gross proceeds of over \$49,000 to date. As at June 30, 2024, the Company has \$2,057 of cash on hand. The Company is aware that circumstances involving market prices, economic downturns or overall market sentiment may impact possible future financings or transactional activities. This presents a material liquidity risk.

The Company has a planning and budgeting process in place to help determine the funds required to support the Company's operating requirements on an ongoing basis and has sufficient funds to achieve the Company's stated objectives. We prepare budgets and cash flow forecasts to assist in managing liquidity risk. We can utilize our cash and cash equivalents to fund our operating and business



development expenditures. We do not expect significant fluctuations in the Company’s liquidity given the nature of the remaining monthly expenditures.

	June 30, 2024	December 31, 2023	\$ Change
Cash and cash equivalents	2,057	2,227	(170)
Receivables	192	6,079	(5,887)
Prepaid expenses	58	68	(10)
Shareholder’s equity	26,674	30,179	(3,505)

## FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### *Secured Debt Obligations*

In September 2022, the Company entered into the Financing Facility with the Lender in respect of a senior term loan up to \$12,350 (the “Loan”). The purpose of the Loan was to finance the payment owed to a number of individuals relating to buyout of the earnout arising from the acquisition of American Affiliate by the Company. Any funds advanced will bear interest at a rate of 11.00% per year calculated and compounded monthly in arrears and payable at the beginning of each month during which any obligations are outstanding. On closing of the Sale Transaction, the Company will pay out the Financing Facility in full.

There can be no assurance that the Company will pay out the Financing Facility in full on closing of the Sale Transaction, or that the Financing Facility or any other credit facilities or financing agreements that the Company may enter into will be renewed or refinanced, or if renewed or refinanced, that the renewal or refinancing will occur on equally favourable terms to the Company. The Company’s ability to continue operating may be adversely affected if the Company does not pay out the Financing Facility in full or convert the loans outstanding under the Financing Facility into equity of the Company, if the Company is not able to renew the Financing Facility or any other credit facilities or arrange refinancing, or such renewal or refinancing, as the case may be, occurs on terms materially less favourable to the Company than at present. The Financing Facility is secured by a substantial portion of the Company’s assets and imposes covenants and obligations on the Company. If the closing of the Sale Transaction does not occur, there is a risk that this and any other such facilities or loans may go into default if there is a breach in complying with covenants and obligations, which could result in the lenders realizing on their security and causing the shareholders to lose some or all of their investment.

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s receivables consist of amounts due from related parties and government sales taxes receivable. Based on the evaluation of receivables as at June 30, 2024, the Company believes that its receivables are collectible and the Company is not exposed to significant credit risk.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management involves maintaining sufficient cash and availability of funding for the business. The Company ensures adequate liquidity through the management of rolling cash flow forecasts, the approval of investment decisions by the Board and the negotiation of appropriate financing facilities. The Company seeks to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As at June 30, 2024, current liabilities exceeded the current assets, excluding items designated as held for sale, by \$637 (December 31, 2023: \$1,140).

Historically, the Company has relied primarily on the sale of its equity for cash to fund operations. While the Company's access to financing is always uncertain, management has shown the ability to raise funds through the issuance of equity securities as needed, as raises have grossed proceeds of over \$49,000 to date. There can be no assurance that additional financing, whether debt or equity, will be available to the Company in the amount required at any particular time or for any period or, if available, it can be obtained on terms satisfactory to the Company.

### **Foreign Currency 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, Euro and British Pound Sterling and US dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

### **Long Term Debt Risks**

We are required to comply with the covenants in our Financing Facility due September 2025. The Company anticipates it will pay out the Financing Facility in full on closing of the proposed Sale Transaction. However, if the closing of the Sale Transaction does not occur, these covenants may create a risk of default on our debt if we cannot satisfy or continue to satisfy these covenants. If we cannot comply with a debt covenant or anticipate that we will be unable to comply with a debt covenant under any debt instrument it is party to, management may seek a waiver and/or amendment to the applicable debt instrument in respect of any such covenant in order to avoid any breach or default that might otherwise result therefrom. If we default under a debt instrument and the default is not waived by the lender(s), the debt extended pursuant to all of its debt instruments could become due and payable prior to its stated due date. If such an event were to occur, we cannot give any assurance that (i) its lenders will agree to any covenant amendments or waive any covenant breaches or defaults that may occur, and (ii) it could pay this debt if it became due prior to its stated due date. Accordingly, any default by us on existing debt that is not waived by the applicable lenders could materially adversely impact our results of operations and financial results and may have a material adverse effect on the trading price of our Common Shares.

### **CAPITAL RESOURCES**

The Company manages its capital structure and adjusts in light of changes in its economic environment and the risk characteristics of the Company's assets. The Company is required by its Financing Facility to maintain a minimum cash balance of \$3,000. To effectively manage the Company's capital requirements, we prepare budgets and cash flow forecasts to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

The Company’s financial position at June 30, 2024 and the operating cash flows that are expected over the next twelve months lead management to believe that the Company’s liquid assets are sufficient to satisfy our working capital requirements, commitments and to fund currently planned business developments. The Company has no commitments for capital expenditures as of June 30, 2024.

Liquidity risks are discussed further in the “Liquidity Risk” section of this MD&A. As of June 30, 2024, the Company had \$2,057 in cash and cash equivalents.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

<b>Contractual Cash Flows</b>						
	<b>Carrying amount</b>	<b>Total</b>	<b>2 months</b>	<b>3-12 months</b>	<b>13-24 months</b>	<b>25-60 months</b>
Accounts payable and accruals	3,289	3,289	3,289	-	-	-
<b>Total</b>	<b>3,289</b>	<b>3,289</b>	<b>3,289</b>	-	-	-

#### **OFF-BALANCE SHEET ARRANGEMENTS**

During the year ended December 31, 2023, the Company entered into an agreement to sell source code related to the Chameleon Gaming Platform to betr while retaining the ability to sell a copy of the code to prospective buyers in the future. The total consideration was \$10,000, comprised of \$5,000 cash and share purchase warrants at closing and payments of up to \$5,000 cash and purchase warrants over 12 months following the closing of the transaction upon achievement of certain milestones. As at June 30, 2024, the Company has collected milestone payments of \$2,250 in cash and \$1,500 in purchase warrants. There is some uncertainty over valuation and timing of the remaining consideration to be received and as a result there has been no further receivable recorded as at June 30, 2024. Management will continue to monitor the conditions underlying the remaining milestone payments and recognize a receivable once completion is virtually certain.

#### **OUTSTANDING SHARE DATA**

As at August 14, 2024, the Company has 359,557,910 issued and fully paid Common Shares outstanding. As at August 14, 2024 the Company has 53,431,752 warrants outstanding at a weighted average exercise price of \$0.39 per share, 27,754,371 stock options outstanding at a weighted average exercise price of \$0.19 per share, and 250,000 restricted stock units outstanding.

#### **TRANSACTIONS BETWEEN RELATED PARTIES**

As at June 30, 2024, the Company had advanced \$316 to directors and employees of the Company (December 31, 2023: \$316) to fund taxes owing on vested restricted stock units. The loans are unsecured, do not bear interest, and mature December 2024.

During the quarter ended March 31, 2023, the Company completed a non-brokered private placement. Two directors subscribed for a combined 554,742 Common Share Units for \$54.

### 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 Board and the Company's executive leadership team. Such compensation was comprised of:

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Executive compensation	300	268	582	415
Share-based payments	18	107	45	275
<b>Total</b>	<b>318</b>	<b>375</b>	<b>627</b>	<b>690</b>

### PROPOSED TRANSACTIONS

Upon completion of the Sale Transaction, FANS will no longer meet the listing requirements of the TSX and anticipates voluntarily delisting its Common Shares from the TSX and withdrawing its OTCQB quotation. The Company expects to retain approximately \$500 in net cash to explore new business opportunities for the economic benefit of its Shareholders, and will otherwise cease to carry on any active business. On July 12, 2024, the TSX provided its conditional acceptance of the proposed Sale Transaction and the voluntary delisting of the Common Shares from the TSX. At the Meeting on August 13, 2024, the Shareholders passed the resolutions approving the proposed Sale Transaction, the Distribution and the voluntary delisting of the Common Shares from the TSX. With the exception of the proposed Sale Transaction, the Distribution and the voluntary delisting of the Common Shares from the TSX, the Company has no other proposed transactions that its Board or senior management believe is probable as of the date of this MD&A.

### MATERIAL ACCOUNTING POLICIES

There were no new or amended accounting policies adopted by the Company for the period ended June 30, 2024.

### RECENT ACCOUNTING PRONOUNCEMENTS

As of the date of this MD&A, 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.

### FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, investments, digital currencies, accounts receivable, amounts due from related parties and accounts payable. The carrying values of accounts receivable and 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 in the Company's audited consolidated financial statements.

The Company does not foresee liquidity risks associated with financial instruments or any working capital deficiencies in the short term. Further, the Company does not foresee any practical restrictions on the ability of subsidiaries to transfer funds to our company. As at June 30, 2024, the Company holds shares in Money Line. The investment is immaterial to the Company's overall financial position.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The information provided in this report, including the financial statements, is the responsibility of Management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been accurately reflected in the accompanying financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

## **OTHER RISKS AND UNCERTAINTIES**

### **Going-Concern Risk**

The Company's ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities, when due, is dependent upon the Company's ability to execute its business plan which may require additional external financing. These conditions cast significant doubt on the Company's ability to continue as a going concern. The Condensed Consolidated Interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying Condensed Consolidated Interim financial statements. Those adjustments could be material.

### **Disclosure Controls and Procedures and Internal Controls Over Financial Reporting**

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the establishment and maintenance of Internal Control Over Financial Reporting ("ICFR") is the responsibility of Management. The Company's management, including the CEO and CFO, has designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

ICFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. ICFR has inherent limitations. ICFR is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. ICFR also can be circumvented by collusion or improper management override.

Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by ICFR. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Based on an evaluation completed by Management, it was concluded that certain weaknesses existed as of June 30, 2024, as described below, and due to these material weaknesses, ICFR is not effective as of June 30, 2024.

**IT General Controls:** The Company had an aggregation of deficiencies within its IT general controls across multiple systems, including deficiencies related to segregation of duties, user access and change management. As a result, the Company concluded that its process-level automated and manual controls in the areas of journal entries and revenue that are dependent on IT general controls, information, and data derived from affected IT systems were also ineffective because they could have been adversely impacted.

**Management Review Controls:** The Company did not consistently have documented evidence of management review controls and did not always maintain segregation of duties between preparing and reviewing analyses and reconciliations with respect to certain processes.

**Purchasing and Procurement Controls:** The Company did not have consistent evidence of review by applicable supervisors prior to making purchases.

Material and immaterial errors were identified in the consolidated financial statements as a result of these material weaknesses which were corrected prior to release of the financial statements. These material weaknesses create a reasonable possibility that material misstatements in interim or annual financial statements would not be prevented or detected on a timely basis.

With oversight from the Audit Committee and assistance from a third party service provider, Management will continue to implement remediation measures related to the identified material weaknesses, with a continued focus on training, and enhancement to business processes and controls as the Company continues to mature. Specific to the material weaknesses noted, management is currently reviewing its long-term IT strategy to determine a roadmap that includes simplifying the IT environment and harmonizing the Company's operations and ERP systems to support the long-term strategy, business operations, and a robust control framework. Management will additionally:

- i. Review key business processes and controls to determine where further system reliance can improve segregation of duties, and reduce reliance on manual management review controls;
- ii. Improve control tools and templates to aide with the sufficient and consistent documentation of review controls and procedures;
- iii. Provide additional refresher training to management and control owners on key control attributes and documentation requirements;
- iv. Continue to implement and enhance the organization's control framework, including all subsidiaries IT General Control framework and any manual controls required to address ongoing system limitations.

We believe these measures, and others that may be implemented, will remediate the material weaknesses in ICFR described above.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

Certain statements in this MD&A are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to: the completion of the proposed Sale Transaction, the Distribution, the voluntary delisting of the Common Shares from the TSX and withdrawal of its OTCQB quotation; the Company's retention of approximately \$500 in net cash to explore new business opportunities for the economic benefit of its Shareholders post-closing of the proposed Sale Transaction and the Distribution; ; and availability of financing and projected costs and expenses. Forward looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "would", "should", "believe", "objective", "ongoing", "imply" or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions. Although the Company and management believe the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as at the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements.

These statements are based on management's current expectations and are subject to a number of risks, uncertainties and assumptions. Specific factors and assumptions related to continuing operations include the following:

- competition and the competitive environment within addressable markets and industries;
- macroeconomic conditions;
- ability to predict fluctuations in financial results from quarter to quarter;
- ability to mitigate tax risks and adverse tax consequences, including changes in tax laws or administrative policies relating to tax and the imposition of new or additional taxes, other point of consumption taxes, corporate tax, and gaming duties;
- the Company's negative cash-flows;
- impact of inability to complete future or announced acquisitions, dispositions, mergers or other business combinations;
- potential litigation could be instituted against the Company and/or its directors;
- ability to mitigate foreign exchange and currency risks;
- risks of foreign operations generally;
- systems, networks, telecommunications or service disruptions or failures or cyber-attacks and failure to protect customer data, including personal and financial information;
- ability to obtain additional financing or to complete any refinancing on reasonable terms or at all;
- the Company's secured credit facilities contain covenants and other restrictions that may limit its flexibility in operating its business;
- ability to retain management and other qualified personnel;
- losses due to fraudulent activities;
- relationships with vendors and distributors;
- counterparty risks;

- failure of systems and controls of the Company to restrict access to its products;
- reliance on scheduling and live broadcasting of major sporting events;
- natural events;
- completion of the Sale Transaction;
- completion of the Distribution;
- completion of the voluntary delisting of the Common Shares from the TSX and withdrawal of the quotation on the OTCQB; and
- ability to explore and if considered appropriate by the Board, participate in new business opportunities following the closing of the Sale Transaction.

These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors, as well as those risk factors presented under the heading “*Other Risks and Uncertainties*” in this MD&A has made and may make in the future with applicable securities authorities, should be considered carefully.