**FansUnite Entertainment Inc. (formerly HIC Horizons Investment Capital Ltd.)**

**Consolidated Financial Statements**

For the periods ended June 30, 2020 and 2019

Expressed in Canadian Dollars

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | **June 30, 2020** | | **December 31, 2019**  **2019** | |
|  |  |  |  |  |  |  |
| **Assets** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Current** |  |  |  |  |  |  |
| Cash |  |  | $ | 892,611 | $ | 84,058 |
| Accounts receivable |  |  |  | 238,489 |  | 18,201 |
| Prepaid expenses and deposits |  |  |  | 1,358,087 |  | 154,058 |
| Digital currencies |  |  |  | 7,368 |  | 42,903 |
| Due from related parties, short term (notes 4 and 10) |  |  |  | 55,177 |  | - |
| **Total current assets** |  |  |  | **2,551,732** |  | **299,220** |
|  |  |  |  |  |  |  |
| **Non-current** |  |  |  |  |  |  |
| Long term receivable (note 4) |  |  |  | - |  | 161,559 |
| Equipment |  |  |  | 2,869 |  | 3,375 |
| Goodwill (note 4) |  |  |  | 1,053,430 |  | - |
| Intangible asset (note 3) |  |  |  | 1,724,360 |  | 922,888 |
| Long Term Investments (note 10) |  |  |  | 90,923 |  | - |
| **Total Assets** |  |  | **$** | **5,423,314** | **$** | **1,387,042** |
|  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Current** |  |  |  |  |  |  |
| Accounts payable and accrued liabilities (note 6) |  |  | $ | 378,014 | $ | 197,645 |
| Due to related parties, short term (notes 4 and 10) |  |  |  | - |  | 658,212 |
| **Total current liabilities** |  |  |  | **378,014** |  | **855,857** |
|  |  |  |  |  |  |  |
| Long term debt (note 11) |  |  |  | 40,000 |  |  |
| Due to related parties, long term (note 10) |  |  |  | 446,827 |  | - |
| **Total liabilities** |  |  |  | **864,841** |  | **855,857** |
|  |  |  |  |  |  |  |
| **Shareholders’ Equity** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Share Capital (note 7) |  |  |  | 18,305,120 |  | 6,172,515 |
| Share-based payment reserve (note 8) |  |  |  | 1,369,374 |  | 1,118,953 |
| Warrant Reserve (note 9) |  |  |  | 388,637 |  |  |
| Accumulated other comprehensive loss |  |  |  | 1,871 |  | (460) |
| Deficit |  |  |  | (15,506,529) |  | (6,759,823) |
| **Total Shareholders’ Equity** |  |  |  | **4,558,473** |  | **531,185** |
| **Total Liabilities and Shareholders’ Equity** |  |  | $ | **5,423,314** | $ | **1,387,042** |

Nature of operations and going concern – Note 1

Subsequent event – Note 12

These consolidated financial statements were authorized for issue by the Board of Directors on August \_\_, 2020

Director:\_\_\_\_\_\_\_\_\_ Director: \_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 3 months ended June 30 | | | | 6 months ended June 30 | | | |
|  |  | 2020 |  | 2019 |  | 2020 |  | 2019 |
|  |  |  |  |  |  |  |  |  |
| Revenue |  | 323,966 |  | - |  | 328,884 |  | - |
| Cost of sales |  | 235,805 |  | - |  | 236,051 |  | - |
| **Gross Margin** |  | **88,161** |  | **-** |  | **92,833** |  | **-** |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Expenses** |  |  |  |  |  |  |  |  |
| Amortization of intangible assets (note 7) | $ | 220,709 | $ | 85,105 | $ | 305,814 | $ | 170,210 |
| Amortization of equipment (note 6) |  | 253 |  | 362 |  | 506 |  | 723 |
| Fair value of shares issued on debt  settlement |  | - |  | - |  | - |  | 62,501 |
| Foreign exchange (gain)/loss |  | 16,674 |  | 552 |  | 14,038 |  | 5,301 |
| General and administrative |  | 128,160 |  | 56,751 |  | 189,657 |  | 131,122 |
| Professional fees |  | 241,001 |  | 51,098 |  | 318,313 |  | 200,755 |
| Salaries and wages (note 11) |  | 280,782 |  | 242,649 |  | 369,850 |  | 510,088 |
| Sales and marketing |  | 299,624 |  | 152,344 |  | 356,845 |  | 359,042 |
| Share-based payments (notes 10 and  11) |  | 182,913 |  | 165,762 |  | 7,173,508 |  | 386,824 |
| **Total expenses** |  | **1,371,116** |  | **754,633** |  | **8,728,531** |  | **1,826,566** |
| **Loss before other items** | **(1,282,955)** | |  | **(754,633)** |  | **(8,635,698)** |  | **(1,826,566)** |
|  |  |  |  |  |  |  |  |  |
| **Other items** |  |  |  |  |  |  |  |  |
| Interest expense (income) |  | (40,666) |  | (10,772) |  | (40,666) |  | (7,709) |
| Fair value loss (gain) on digital currencies (note 5) |  | (2,680) |  | (87,769) |  | (19,566) |  | (80,375) |
| Total paid over present value of identifiable assets (note 10) |  | 171,239 |  | - |  | 171,239 |  | - |
| **Total other items** |  | **127,893** |  | **98,541** |  | **111,007** |  | **(88,084)** |
|  |  |  |  |  |  |  |  |  |
| **Net loss for the period** | **(1,410,648)** | |  | **(656,092)** |  | **(8,746,705)** |  | **(1,738,842)** |
|  |  |  |  |  |  |  |  |  |
| **Other comprehensive loss (income)** |  |  |  |  |  |  |  |  |
| Currency translation adjustment |  | 2,776 |  | 513 |  | (1,871) |  | 513 |
| **Total comprehensive loss** | **$** | **(1,413,425)** | **$** | **(656,605)** | **$** | **(8,744,834)** | **$** | **(1,738,995)** |
|  |  |  |  |  |  |  |  |  |
| **Loss per share – basic and diluted** | **$** | **(0.02)** | **$** | **(0.01)** | **$** | **(0.16)** | **$** | **(0.02)** |
| **Weighted average number of common shares outstanding – basic and diluted** |  | **69,079,166** |  | **34,915,500** |  | **53,036,490** |  | **34,915,500** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  |  |  |  |  |  |  |
|  |  | Share Capital  Number of  Shares | Amount | Share-based payment reserve | Warrant Reserve | Accumulated other comprehensive income (loss) | Deficit | Total |
| **Balance as at December 31, 2018** | | **34,915,500** | **6,110,014** | **493,115** | **-** | **(864)** | **(3,850,327)** | **2,751,938** |
| Shares transferred for debt settlement (note 7) | | - | 62,501 | - | - | - | - | 62,501 |
| Share-based payments (note 8) | | - | - | 386,824 | - | - | - | 386,824 |
| Net and comprehensive loss | | - | - | - | - | 513 | (1,738,482) | (1,737,969) |
| **Balance as at June 30, 2019** | | **34,915,500** | **$ 6,172,515** | **$ 879,939** | **-** | **$ (351)** | **$ (5,588,809)** | **$ 1,463,294** |
|  | |  |  |  |  |  |  |  |
| 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 amalgamation (notes 5, 7, and 9) | | 14,314,000 | 5,009,900 | - | 266,397 | - | - | 5,276,297 |
| Finder’s shares issued in connection with amalgamation (notes 5 and 7) | | 3,361,633 | 1,176,571 | - | - | - | - | 1,176,572 |
| S‑hares on issuance of common shares (note 7) | | 8,948,326 | 3,085,232 | - | - | - | - | 3,085,232 |
| Finder’s warrants on issuance of common shares (notes 5, 7, and 9) | | - | - | - | 145,622 | - | - | 145,622 |
| Shares issued in connection with corporate advisory fees (note 7) | | 1,400,000 | 490,000 | - | - | - | - | 490,000 |
| Shares issued in connection with McBookie purchase (note 4) | | 3,497,143 | 1,224,000 | - | - | - | - | 1,224,000 |
| Shares issued in connection with V2G loan (note 7 and 10) | | 3,142,857 | 1,100,000 | - |  | - | - | 1,100,000 |
| Warrants exercise (note 7) | | 124,320 | 46,902 | - | (40,686) | - | - | 6,216 |
| Share based payments (note 8) | | - | - | 250,421 | - | - | - | 250,421 |
| Net and comprehensive loss | | - | - | - | - | 2,331 | (8,746,706) | (8,744,375) |
| **Balance as at March 31, 2020** | | **69,703,779** | **$ 18,305,120** | **$ 1,369,374** | **$ 388,637** | **$ 1,871** | **$ (15,506,529)** | **$ 4,558,473** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Six months ended June 30 | | | |
|  |  |  | 2020 |  | 2019 |
|  |  |  |  |  |  |
| **Operating activities:** | |  |  |  |  |
|  | Net loss | $ | (8,746,706) | $ | (1,738,482) |
|  |  |  |  |  |  |
| **Adjustments for non-cash items:** | |  |  |  |  |
|  | Amortization of equipment |  | 506 |  | 723 |
|  | Amortization of intangible assets |  | 305,814 |  | 170,210 |
|  | Expenses paid with digital currencies |  | - |  | 11,335 |
|  | Fair value (gain)/loss on digital currencies |  | (19,565) |  | (80,375) |
|  | Share-based payments |  | 7,173,508 |  | 386,824 |
|  | Shares issued for debt settlement (note 10) |  | - |  | 62,501 |
|  |  |  |  |  |  |
| **Changes in non-cash working capital items:** | |  |  |  |  |
|  | Short-term investment |  | - |  | 1,000,000 |
|  | Accounts receivable |  | 242,901 |  | (44,788) |
|  | Prepaid expenses and deposits |  | (1,204,029) |  | 156,919 |
|  | Accounts payable |  | 341,535 |  | (88,457) |
| **Net cash flows used in operating activities** | |  | **(2,589,106)** |  | (163,590) |
|  |  |  |  |  |  |
| **Investing activities** | |  |  |  |  |
|  | Advances paid |  | - |  | (12,500) |
|  | Sale of digital currencies |  | 55,100 |  | - |
|  | Purchase of property and equipment |  | - |  | - |
| **Net cash flows used in investing activities** | |  | **55,100** |  | (12,500) |
|  |  |  |  |  |  |
| **Financing activities** | |  |  |  |  |
|  | Proceeds from private placements, net of share issuance costs |  | 3,096,262 |  | - |
|  | Proceeds from amalgamation with HIC |  | 316,530 |  | - |
|  | Proceeds (repayment) from related parties |  | - |  | (57,500) |
|  | Proceeds from V2G Loan (note 7 and 10) |  | 251,252 |  | - |
|  | Proceeds from warrant exercise (note 7) |  | 6,216 |  | - |
|  | Proceeds from government loan (note 11) |  | 40,000 |  | - |
|  | Funds used in acquisition of McBookie |  | (365,508) |  | - |
|  |  |  |  |  |  |
| **Net cash flows provided by financing activities** | |  | **3,344,752** |  | (57,500) |
| **Effect of foreign exchange on cash** | |  | **(2,193)** |  | 513 |
|  |  |  |  |  |  |
| Change in cash | |  | 808,553 |  | (233,077) |
| Cash, beginning | |  | 84,058 |  | 973,320 |
| **Cash, ending** | | **$** | **892,611** | **$** | **740,243** |

1. **Nature of Operations and Going Concern**

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

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

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

The Company’s shares commenced trading on the Canadian Securities Exchange (“CSE”) on May 5, 2020 under the symbol FANS (note 12).

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2020, the Company had net working capital of $2,173,718 (December 31, 2019 – working capital deficit of $556,637) and has an accumulated deficit of $15,442,958 (December 31, 2019 - $6,759,823). These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

1. **Basis of Presentation**

a) Statement of Compliance

These condensed consolidated interim unaudited financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim unaudited financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended December 31, 2019. The condensed consolidated interim unaudited financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company’s annual financial statements as at and for the year ended December 31, 2019.

b) Principles of Consolidation

These consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries FansUnite Holdings Inc., FansUnite Media Inc., FansUnite Limited, McBookie Ltd. (“McBookie”). Intercompany transactions, balances, income and expenses, and gains or losses are eliminated on consolidation.

1. **Basis of Presentation (continued)**

c) Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company, FansUnite Holdings and FansUnite Media. The functional currency of FansUnite Limited and McBookie Ltd. is the British Pound.

d) Recent Accounting Pronouncements

*Agenda Paper 12 – Holdings of Cryptocurrencies*

On September 21, 2019, the IFRS Interpretations Committee released its decision on the holding of cryptocurrencies and concluded that a cryptocurrency meets the definition of an intangible asset to be accounted for in accordance with IAS 38, unless the asset is held for sale in the ordinary course of business, in which case it is to be classified as inventory under IAS 2. The Agenda Paper had no impact on the company’s accounting treatment of cryptocurrencies.

*IFRS 16 – Leases*

In January 2016, the IASB released IFRS 16, Leases, replacing IAS 17, Leases, and related interpretations. The new standard eliminates the classification of leases as either operating or finance leases and requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. The Company’s management has determined IFRS 16 will have no material effect on the financial statements.

1. **Intangible Asset**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Sabercruncher Website** | |  | **Betting Platform IP** |  | **McBookie Website** |  | **McBookie IP** | **Total** |
| Balance, January 1, 2019 | $ | - | $ | 1,113,308 | $ | - | $ | - | $ 1,113,308 |
| Additions | 150,000 | |  | - |  | - |  | - | 150,000 |
| Amortization | 75,000 | |  | 265,420 |  | - |  | - | 340,420 |
| Balance, December 31, 2019 |  | 75,000 |  | 847,888 |  | - |  | - | 922,888 |
| Additions (Note 4) | - | |  | - |  | 37,420 |  | 1,069,866 | 1,107,286 |
| Amortization | 37,500 | |  | 132,710 |  | 1,871 |  | 133,733 | 305,184 |
| **Balance, June 30, 2020** | **$** | **37,500** | **$** | **715,178** | **$** | **35,549** | **$** | **936,133** | **$ 1,724,360** |

The Company recognizes amortization on a straight-line basis over five years for websites, and two years for the intellectual property.

**4. McBookie Acquisition**

On March 26, 2020 (the “acquisition date”) the Company purchased McBookie, a United Kingdom domiciled white label sports betting operation. The Company issued 3,497,143 shares, £300,000 in cash ($510,270 CAD) and a £300,000 note payable that is 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. In addition, the former directors of McBookie Ltd are entitled to 10% of the annual EBITDA of McBookie Ltd for three years after acquisition. As at December 31, 2019 McBookie owed the Company $161,559, of which, $85,930 related to funds held in trust. Upon completion of the acquisition these amounts owing were converted to intercompany amounts, and eliminate upon consolidation. The funds held in trust were returned to the Company.

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. The accounting for this transaction resulted in the following:

1. The consolidated financial statements of the combined entity are issued under the legal parent, FansUnite Entertainment Inc., and are considered to be a continuation of their financial statements.
2. As McBookie is 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. As the functional currency of McBookie is the UK Pound Sterling, all figures have been translated to CAD at the exchange rate in effect on the acquisition date. Accordingly, purchase price allocation was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Cash consideration |  | $ | 510,270 |
| Present value of note payable (note 10) |  |  | 484,757 |
| Share consideration (note 7) |  |  | 1,224,000 |
| **Equity consideration** |  | **$** | **2,219,027** |
|  |  |  |  |
| Cash |  | $ | 144,762 |
| Accounts receivable |  |  | 131,325 |
| Tax receivable |  |  | 13,202 |
| Intangible asset – website (note 3) |  |  | 37,420 |
| Customer relationships (note 3) |  |  | 462,645 |
| Trade name (note 3) |  |  | 607,221 |
| Goodwill and other intangible assets |  |  | 1,053,430 |
| Accounts payable and accrued liabilities |  |  | (224,465) |
| Deferred tax liability |  |  | (6,513) |
| **Assets acquired** |  | **$** | **2,219,027** |

**5. Acquisition of FansUnite Holdings Inc.**

On March 26, 2020 (“amalgamation date”), the Company completed the amalgamation with FansUnite Holdings Inc. (“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 HIC Horizons Investment Capital Ltd. 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:

1. 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 Holdings Inc.
2. 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.
3. 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 payments.

The fair value of the 14,314,000 common shares for all of HIC Horizons Investment Capital Inc. was determined to be $5,009,900 or $0.35 per common share.

1. 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 granted have been estimated using the Black-Scholes pricing model assuming no expected dividends and the following weighted average assumptions (note 9):

|  |  |  |
| --- | --- | --- |
|  |  | June 30, 2020 |
|  |  |  |
| Risk-free interest rate |  | 1.59% |
| Expected life (in years) |  | 2 |
| Expected volatility |  | 195% |

**5. Acquisition of FansUnite Holdings Inc. (continued)**

1. The fair value of all the consideration given and charged to listing expense was comprised of:

|  |  |  |  |
| --- | --- | --- | --- |
| Fair value of the common shares at amalgamation date | | $ | 5,009,900 |
| Fair value of warrants assumed at amalgamation date | |  | 266,397 |
| Fair value of finder’s shares issued in connection with amalgamation | |  | 1,176,571 |
| Fair value of shares issued in connection with corporate advisory fees | |  | 490,000 |
|  | |  | 6,942,888 |
|  | |  |  |
| Identifiable assets acquired – At March 26, 2020 | |  |  |
|  | Cash |  | 316,530 |
|  | Receivables |  | 157,103 |
|  | Trade payables |  | (290,926) |
|  |  |  | 182,707 |
| Unidentified assets acquired | |  |  |
| Share based payments | | $ | 6,760,161 |

1. The Company paid a finder’s fee of 3,361,633 shares at the completion of the amalgamation. Accordingly, the Company recorded the fair value of $1,176,572 as share issuance costs. The Company incurred additional share issuance costs of $55,482.
2. The Company paid a corporate advisory fee of 1,400,000 shares at the completion of the amalgamation. Accordingly, the Company recorded the fair value of $490,000 as share issuance costs.
3. The comparative figures as at December 31, 2019 and for the three and six months ending June 30, 2019 are those of FansUnite Holdings Inc.

**6. Accounts Payable and Accrued Liabilities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **June 30, 2020** |  | **December 31, 2019** |
|  |  |  |  |  |
| Accounts payable | $ | 107,750 | $ | 52,601 |
| Accrued liabilities |  | 270,264 |  | 145,044 |
|  | **$** | **378,014** | **$** | **197,645** |

**7. Share Capital**

**Authorized share capital -** Unlimited common shares without par value.

On February 4, 2020 the Company completed a roll back of its issued shares. The 2:1 share consolidation reduced total shares issued from 69,831,000 to 34,915,500. All share and per share information in those financial statements have been retroactively restated to reflect this consolidation.

**Issued share capital**

As at June 30, 2020 there were 69,703,779 issued and fully paid common shares (December 31, 2018 – 34,915,500).

*Six months ended June 30, 2020*

On March 18, 2020, the Company completed a Subscription Receipt Financing for $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 $52,961 in share issuance costs associated with the financing. The Company paid a finder’s fee of 3,361,633 common shares in connection with the financing (note 5).

On March 26, 2020 the Company issued a total of 19,075,633 shares in connection with the amalgamation with HIC (note 5). The Company also assumed 814,000 warrants exercisable at $0.05, convertible for one common share in the Company. The Company acquired $182,707 in net working capital as part of the acquisition. The balance of $6,760,161 was expensed as part of the acquisition costs, and was accounted for as stock based compensation (note 5). The Company also issued 3,497,143 shares in connection with the purchase of McBookie (note 4). The Company accounted for the transaction as described in note 4 of these financial statements.

On April 16, 2020 the Company completed an agreement with V2 Games Inc (“V2”), to purchase a one half interest in a loan agreement between V2 and Just Games Interactive Entertainment LLC, as well as 50,000 shares in GoLeague Technologies Inc and 239,583 shares in 1166117 BC Ltd. The Company issued 3,142,857 shares as part of the agreement, and the total payments to be received by the Company are an expected USD$764,939. As of June 30, 2020 the total payment received by the Company are $25,000USD.

On June 18, 2020 124,320 warrants that had been assumed by the Company on March 26, 2020 were exercised. The exercise price was $0.05 per share, and total proceeds were $6,216. In exchange, the Company issued 124,320 common shares in the Company.

*Year ended December 31, 2019*

On March 27, 2019 a shareholder of the Company transferred 125,000 shares with a fair value of $62,501 pursuant to a debt settlement. This transfer was accounted for as a capital contribution to the Company.

**8. Stock Options**

As of June 30, 2020 the Company has granted 4,190,000 options (December 31, 2019 – 3,015,000) to employees and key advisors of a possible pool of 6,907,916.

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | Number of options |  | Weighted average exercise price  $ |
| Outstanding, December 31, 2019 | 3,015,000 |  | 0.50 |
| Granted | 1,175,000 |  | 0.39 |
| Cancelled | - |  | 0.50 |
|  |  |  |  |
| Outstanding, March 31, 2020 | 4,190,000 |  | 0.47 |

Additional information regarding stock options outstanding as at June 30, 2020, is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Outstanding | | |  | Exercisable | |
| Exercise price  $ | Number of options | Weighted average remaining contractual life (years) | Weighted average  exercise price  $ |  | Number of options | Weighted average  exercise price  $ |
|  |  |  |  |  |  |  |
| 0.50 | 3,015,000 | 8.31 |  |  |  |  |
| 0.35 | 500,000 | 9.76 |  |  |  |  |
| 0.42 | 675,000 | 9.86 |  |  |  |  |
|  | 4,190,000 | 8.74 | 0.47 |  | 2,019,063 | 0.50 |

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:

|  |  |  |
| --- | --- | --- |
|  | June 30, 2020 | December 31, 2019 |
|  |  |  |
| Risk-free interest rate | 1.77% | 2.59% |
| Expected life (in years) | 10 | 10 |
| Expected volatility | 118% | 115% |

The fair value of stock options vested during the six months ended June 30,2020 was $250,421 (June 30, 2019 - $386,824). The weighted average fair value of stock options granted during the three months ended March 31,2020 was $0.39 (March 31, 2019 - $0.50) per stock option.

**9. Warrants**

On March 26, 2020, the Company issued 564,439 warrants in connection with the subscription receipt financing. The fair value for warrants granted have been estimated using the Black-Scholes pricing model as described below.

On March 26, 2020, the Company assumed 814,000 warrants previously issued by HIC (note 5).

On June 18, 2020 124,320 warrants that had been previously issued by HIC were exercised. The exercise price was $0.05 per share, and total proceeds were $6,216.

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 HIC amalgamation | 814,000 |  | 0.05 |
| Exercised | (124,320) |  | 0.05 |
| Cancelled | - |  | - |
|  |  |  |  |
| Outstanding, June 30, 2020 | 1,254,119 |  | 0.19 |

Additional information regarding warrants outstanding as at June 30, 2020, is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Outstanding | | |  | Exercisable | |
| Exercise price  $ | Number of warrants | Weighted average remaining contractual life (years) | Weighted average  exercise price  $ |  | Number of warrants | Weighted average  exercise price  $ |
|  |  |  |  |  |  |  |
| 0.35 | 564,439 |  |  |  |  |  |
| 0.05 | 689,680 |  |  |  |  |  |
| TOTAL | 1,254,119 | 1.75 | .19 |  | 1,254,119 | 0.19 |

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

|  |  |  |
| --- | --- | --- |
|  |  | June 30, 2020 |
|  |  |  |
| Risk-free interest rate |  | 1.60% |
| Expected life (in years) |  | 2 |
| Expected volatility |  | 195% |

The fair value of warrants vested during the six months ended March 31 ,2020 was $162,925 (March 31, 2019 - $nil).

**10. Related Party Transactions and Balances**

At June 30, 2020, the Company had $658,212 (December 31, 2019 - $658,212) owing to Victory Square Technologies Inc. and its subsidiaries. These amounts are unsecured, non-interest bearing and per an agreement between the parties, are not repayable until the Company is sold in an arm’s length transaction to a third party. The Company and Victory Square have entered into an agreement whereby Victory Square will not call the loan for at least twelve months.

At March 31, 2020 the Company had £300,000 owing to McBookie, in connection with the acquisition that completed on March 26 ,2020 (note 4). The present value of the note payable is $484,757, carrying a discount rate of 5% per annum.

In connection with the agreement with V2 (note 7), the Company is expected to receive payments totaling $764,939USD, from the time of signing (April 16, 2020) until January, 2022. As of June 30, 2020, the Company has received $25,000USD in payments related to this agreement. The present value of the total payments at April 16, 2020 was $837,838 ($593,286USD), and as such, the Company has booked an expense related to the total value paid over the present value of identifiable assets. The total value attributed to the agreement is outlined in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
| Fair value of the common shares at agreement | | $ | 1,100,000 |
|  | |  | 1,100,000 |
|  | |  |  |
| Identifiable assets acquired – At April 16, 2020 | |  |  |
|  | Present value, loan receivable |  | 837,838 |
|  | 50,000 shares in GoLeague Technologies Inc |  | 15,000 |
|  | 239,583 shares in 1166117 BC Ltd |  | 75,923 |
|  |  |  | 928,761 |
| Unidentified assets acquired | |  |  |
| Present value difference, loan receivable | | $ | 171,239 |

**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:

- $60,000 (2019 – $60,000) paid to the CEO, $58,000 (2019 - $58,000) to the CFO, and $12,000 (2019 - $60,000) to the COO recorded in salaries and benefits; and,

- Share-based payments with a fair value of $174,738 (2019 – $251,482) related to options granted to Officers and Directors of the Company.

**11. Commitments and Contingencies**

a) On September 1, 2018, the Company entered into a sponsorship agreement whereby the sponsorship partner will provide various television broadcast and marketing integrations during the World Poker Tour Season XV. For consideration of the sponsorship rights, the Company has agreed to pay USD$150,000 as follows:

* + 1. USD$75,000 on signing the agreement (paid);
    2. USD$25,000 on or before December 15, 2018 (paid);
    3. USD$25,000 on or before March 15, 2019 (paid); and
    4. USD$25,000 on or before July 15, 2019.
  1. On April 30,2020 the Company received $40,000 from the Government of Canada through the Canada Emergency Business Account (CEBA). The CEBA is a one-time, interest free loan that does not have to be repaid until December 31, 2022. If the Company repays the loan on or before December 31, 2022 the Government of Canada will forgive $10,000 of the loan.
  2. On June 24, 2020 the Company entered into an agreement to buy Askott Entertainment Inc., (“Askott”) a B.C. domiciled igaming company, specifically focused on esports. Under the terms of the agreement, Askott shareholders will receive approximately 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 C$0.7485 per Askott Share. The Company committed to issuing approximately 68,457,313 shares to Askott shareholders at a price of $0.39 per share. Holders of the outstanding 125,000 common share purchase warrants of Askott (“Askott warrants”) will be entitled to purchase an aggregate of up to 239,912 FansUnite Shares at an exercise price of approximately C$0.26 per common share in the Company, and the holders of the outstanding 1,820,000 stock options of Askott (each an "Askott Option") were entitled to purchase an aggregate of up to 3,493,125 common shares in the Company at exercise prices ranging from approximately C$0.26 to C$0.32 per common share. In addition, the Company may issue up to 2,582,072 FansUnite Shares in exchange for Askott Shares, at the Exchange Ratio, if certain Askott warrants are exercised, and don't otherwise expire, prior to the completion of the Transaction. The Agreement provided that completion of the Transaction is subject to certain conditions, including receipt of all regulatory approvals and the approval of at least two-thirds of the votes cast by holders of Askott Shares at a special meeting of Askott shareholders to be called for the purpose of approving the Transaction.

**12. Subsequent Events**

* 1. Throughout 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID- 19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

**12. Subsequent Events (continued)**

* 1. On August 11, 2020, the Company completed the amalgamation with Askott. As a result, Scott Burton, CEO of Askott, has become the CEO of the Company and Darius Eghdami has become the President of the Company. Jeremy Hutchings, the former CTO of Askott, has become the CTO of the Company, Ian Winter, the former COO of Askott, has become the COO of the Company and management of the Company will otherwise remain the same. Duncan Peter McIntyre has resigned as COO of the Company. The final terms of the deal were as follows:
     1. 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 at a price of $0.39 per common share 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 up to 239,912 FansUnite Shares at an exercise price of approximately $0.32 per common share with expiry date on May 31, 2023 (the "FansUnite Warrants") and former holders of 1,820,000 stock options of Askott are now entitled to purchase an aggregate of up to 3,493,122 common shares 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").
     2. The Company issued an aggregate of 12,712,115 common shares at a price of C$0.40 per common share 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"). In addition, the former holders of Subscription Receipts are now entitled to purchase an aggregate of up to 6,262,307 common shares at an exercise price of C$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 C$0.55, with expiry date on July 21, 2022 (collectively, the "FansUnite Financing Warrants").
     3. The Company issued 758,600 common shares at a price of C$0.39 per share to Haywood Securities Inc. in connection with the previously announced assumption by the Company of Askott's obligations to Haywood for advisory services related to the Transaction (the "M&A Advisory Shares").
     4. Upon completion of the Transaction, there are 154,345,706 common shares in the Company issued and outstanding.