FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **FANSUNITE ENTERTAINMENT INC.** (the “Issuer”).

Trading Symbol: **FANS**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

**General Instructions**

1. Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
2. The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
3. Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

# There are three schedules which must be attached to this report as follows:

# SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

**Unaudited condensed interim financial statements for the six-month period ended June 30, 2020, as filed with the securities regulatory authorities, are attached to this form as Appendix I.**

# SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. **Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

1. A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
2. A description of the transaction(s), including those for which no amount has been recorded.
3. The recorded amount of the transactions classified by financial statement category.
4. The amounts due to or from Related Persons and the terms and conditions relating thereto.
5. Contractual obligations with Related Persons, separate from other contractual obligations.
6. Contingencies involving Related Persons, separate from other contingencies.

**All related party transactions have been disclosed in the Issuer’s financial statements for the six-month period ended June 30, 2020. Please refer to Note 10 to the unaudited condensed interim consolidated financial statements for the six-month period ended June 30, 2020, attached hereto as Appendix I. For information supplementary to that contained in the notes to the unaudited condensed interim financial statements with respect to related party transaction, please refer to the Management Discussion and Analysis (“MD&A”) for the six-month period ended June 30, 2020, as filed with the securities regulatory authorities and attached to this Form 5 as Appendix II.**

1. **Summary of securities issued and options granted during the period.**

**All securities issued and options granted, if any, have been disclosed in the Issuer’s Financial Statements for the six-month period ended June 30, 2020, attached hereto as Appendix I.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

1. summary of securities issued during the period,

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date of Issue** | **Type of Security (common shares, convertible debentures, etc.)** | **Type of Issue (private placement, public offering, exercise of warrants, etc.)** | Number | **Price** | **Total Proceeds** | **Type of Consideration (cash, property, etc.)** | **Describe relationship of Person with Issuer (indicate if Related Person)** | **Commission Paid** |
|  |

1. summary of options granted during the period,

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Date | **Number** | **Name of Optionee****if Related Person****and relationship** | **Generic description of other Optionees** | **Exercise Price** | **Expiry Date** | **Market Price on date of Grant** |
| . |

1. **Summary of securities as at the end of the reporting period.**

**A summary of securities as at the end of the reporting period have been disclosed in the Issuer’s Financial Statements for the six-month period ended** **June 30, 2020, attached here to as Appendix I.**

Provide the following information in tabular format as at the end of the reporting period:

1. description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
2. number and recorded value for shares issued and outstanding,
3. description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
4. number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.
5. **List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

|  |  |
| --- | --- |
| **Name** | **Position** |
| Darius Eghdami | Director and President |
| Scott Burton | Director and Chief Executive Officer |
| Graeme Moore | Chief Financial Officer |
| James Keane | Director |
| Harish Narayanan | Director |
| Chris Groves | Director |
| Ian Winter | Chief Operating Officer  |
| Jeremy Hutchings | Chief Technology Officer |

**SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.

**See MD&A for the six-month period ended June 30, 2020, attached hereto as Appendix II.**

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**Certificate Of Compliance**

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated August 31, 2020.

 Graeme Moore
Name of Director or Senior Officer

 *“Graeme Moore”*
Signature

Chief Financial Officer
Official Capacity

|  |  |  |
| --- | --- | --- |
| ***Issuer Details***Name of IssuerFansUnite Entertainment Inc. | For Quarter EndedJune 30, 2020 | Date of ReportYY/MM/D20/08/31 |
| Issuer AddressSuite 1080, 789 West Pender StreetVancouver, BC V6C 1H2 |
| City/Province/Postal CodeSuite 1080, 789 West Pender StreetVancouver, BC V6C 1H2 | Issuer Fax No. | Issuer Telephone No.(604) 329-8669 |
| Contact NameGraeme Moore | Contact PositionCFO | Contact Telephone No.604-329-8669 |
| Contact Email Addressgraeme@fansunite.com | Web Site Addresshttps://www.fansunite.com |

**APPENDIX I**

**Financial Statements for the six-month period ended June 30, 2020**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **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 31, 2020

Director: *“Darius Eghdami”*\_ Director: *“Scott Burton”*\_\_\_\_\_\_\_\_\_\_

|  |  |  |
| --- | --- | --- |
|  | 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:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Numberof options |  | Weighted averageexercise 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 averageexercise price$ |  | Number of options | Weighted averageexercise 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:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Numberof warrants |  | Weighted averageexercise 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 averageexercise price$ |  | Number of warrants | Weighted averageexercise 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.
	2. 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:

**12. Subsequent Events (continued)**

* + 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.

**APPENDIX II**

**MD&A for the six-month period ended June 30, 2020**

*This management's discussion and analysis ("MD&A") of the performance, financial condition and results of operations of FansUnite Entertainment Inc. ("FansUnite” or the "Company"), should be read in conjunction with the Company's unaudited interim consolidated financial statements and the related notes thereto for the periods ended June 30, 2020 and 2019 (the "Financial Statements").*

*The Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").*

*Unless otherwise indicated, the information contained in this MD&A is as of August 29, 2020.*

*Unless otherwise indicated, references to "$" or "dollars" are to Canadian dollars and references to "US$" are to United States dollars, and references to £ or “pounds” are to UK pounds sterling.*

# FORWARD-LOOKING STATEMENTS

Certain sections of this Management Discussion and Analysis may contain forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from actual future results. 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.

# INTRODUCTION TO FANSUNITE

The principal business carried on by FansUnite is that of a sports and entertainment company, focusing on technology related to regulated and lawful online sports betting and other related products.

FansUnite is a developer of technology solutions, products and services in the global gaming and entertainment industries. FansUnite focuses on both the regulated Business-to-Consumer (“B2C”) and Business-to-Business (“B2B”) sales fronts. FansUnite develops, operates and looks to acquire technology platforms and assets with high-growth potential in new regulated markets or developing verticals.

In addition to expanding its existing lawful real-money and play-money sports betting products, FansUnite has recently targeted the acquisition of other licensed and regulated gaming businesses with high-growth potential, including the acquisition of McBookie Ltd. (“McBookie”), which was completed on March 26, 2020, an online sportsbook licensed and regulated by the U.K. Gambling Commission, and the acquisition of Askott Entertainment Inc (“Askott”), which was completed on August 11, 2020.

# SUMMARY OF RESULTS

The following information is derived from the audited interim consolidated financial statements for the three month period ending:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Fiscal Quarter Ended** | **Revenue** | **Net Loss for the Period** | **Basic and Diluted Loss****Per Share** | **Total Assets** | **Total non-current Liabilities** |
|  |  | **$** | **$** | **$** | **$** |
| June 30, 2020 | 323,966 | (1,410,648) | 0.02 | 5,423,314 | 486,827 |
| March 31, 2020 | 4,918 | (7,336,057) | 0.20 | 6,385,460 | 1,051,211 |
| December 31, 2019 | - | (577,793) | 0.02 | 1,387,042 | 855,857 |
| September 30, 2019 | - | (656,111) | 0.02 | 1,771,328 | 841,055 |

**RESULTS OF OPERATIONS**

Prior to becoming a reporting issuer, the Company did not prepare quarterly financial statements and until the Company’s interim financial statements for the period ended September 30, 2019, no quarterly financial information is available.

The interim unaudited consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries FansUnite Holdings Inc., FansUnite Media Inc., FansUnite Limited, McBookie.

On March 26, 2020 the Company finalized three major transactions. The first was the completion of a subscription receipt financing for gross proceeds of $3,131,919 whereby, upon conversion of the subscription receipts, the Company issued 8,948,326 common shares at a price of $0.35 per share. The Company paid finder’s fees of 3,361,633 common shares in connection with the financing.

Secondly, the amalgamation between FansUnite Entertainment Inc (“FansUnite”) and HIC Horizons Capital Investments Ltd. (“HIC”) was completed. The transaction resulted in the shareholders of FansUnite owning 71% of the issued and outstanding common shares of the combined entity. The resulting entity, the Company, continued the financial statements of FansUnite, and all figures represented in this management discussion and analysis are those of FansUnite at their historical values. In connection with this amalgamation, the Company issued 14,314,000 common shares to the shareholders of HIC, and assumed 814,000 warrants issued by HIC.

Finally, the Company completed the acquisition of 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.

On May 5, 2020 the Company began trading on the Canadian Securities Exchange (“CSE”) under the symbol FANS.

On August 11, 2020, the Company completed the acquisition of Askott Entertainment Inc (“Askott”), a B.C. based igaming company specializing in esports and RNG games. The Company issued 71,171,212 to the former shareholders of Askott in connection with the acquisition. In addition, the company issued 239,912 common share purchase warrants to former warrant holders of Askott, whereby the holders can purchase an aggregate of up to 239,912 common shares in the Company at an exercise price of approximately $0.23 with an expiry date of May 31, 2023, and 3,493,122 common share stock options at exercise prices ranging from approximately C$0.26 to C$0.32 per common share in the Company, with expiry dates between September 27, 2020 and January 1, 2025.

The Company also issued 12,712,115 common shares at a price of $0.40 in connection with the recently closed private placement of subscription receipts in Askott Entertainment (the “Askott Private Placement”), for proceeds of $5,009,846. In addition, the former holders of Subscription Receipts are now entitled to purchase an aggregate of up to 6,262,307 FansUnite Shares at an exercise price of C$0.55 per FansUnite 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. The Company also 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 acquisition of Askott.

# REVENUE

The Company has spent the majority of the last two years developing technology that will provide sportsbook operators with the ability to accept fiat, cryptocurrency, or utilize blockchain technology to run a sportsbook that leverages the full suite of BetRadar odds, resolution and risk management. This technology has not yet been released.

McBookie has been in operation for over 10 years and in 2018, the most recent twelve month period for which numbers are available, McBookie earned over £1.1m in revenue. As the three month period ending June 30, 2020 was the first full quarter in which McBookie was owned by FansUnite, significant variances were expected when comparing to both previous quarters, as well as the same period in 2019.

# EXPENSES

For the fiscal quarter ended June 30, 2020, total expenses were $1,371,116 compared to

$754,633 recorded in the comparable period in 2019. For the six month period ending June 30, 2020 total expenses were $8,728,531 compared to $1,764,065 in the comparable period in 2019.

Material variances over the comparable periods are discussed below.

# Amortization of intangible assets

Amortization of intangible assets were $220,709 for the three months ended June 30, 2020 compared to $85,105 for the comparable period of 2019. Amortization of intangible assets were $305,814 for the six months ended June 30, 2020 compared to $170,210 for the comparable period of 2019.

The increase in amortization of intangible assets in 2020 is related to the purchase of McBookie, and the intangible assets associated with that purchase. The company expects this number to increase in the period ending September 30, 2020 with the close of the acquisition of Askott.

# General and administrative

General and administrative costs were $128,160 for the three months ended June 30, 2020 compared to $56,751 for the comparable period of 2019. General and administrative costs were $189,657 for the six months ended June 30, 2020 compared to $131,122 for the comparable period of 2019.

The increase in general and administrative costs in 2020 is related to the listing of the company’s shares on the CSE. As the Company was preparing to be listed and was completing a financing, costs increased. The Company was able to reduce costs in the three months ending June 30, 2020 in reaction to the COVID-19 pandemic, through reducing staff and enacting a ‘work from home’ policy for all employees. These savings were offset by insurance and other filing fees associated with being a publicly traded entity.

# Professional Fees

Professional fees were $241,001 for the three months ended June 30, 2020 compared to $51,098 for the comparable period of 2019. Professional fees were $318,313 for the six months ended June 30, 2020 compared to $200,575 for the comparable period of 2019.

Professional fees have increased as the Company was preparing to become listed on the CSE, and remained above 2019 levels once the Company was publicly traded, leading to the increase for both the three and six months ended June 30, 2020. The Company believes that professional fees will remain high in the third fiscal quarter of 2020, in connection with the Askott acquisition, and will decrease in the fourth quarter of 2020.

# Salaries and Wages

Salaries and wages were $281,782 for the three months ended June 30, 2020 compared to $242,649 for the comparable period of 2019. Salaries and wages were $369,850 for the six months ended June 30, 2020 compared to $510,088 for the comparable period of 2019.

The increase in wages in the three month period are a result of the acquisition of McBookie, and the additional costs related to employing the founders of McBookie to continue building that brand. In the first 6 months of 2019, the Company was busy working on the development of their proprietary software, and salaries and wages were relatively higher. The Company reduced the size of staff in the first 3 months of 2020 in order to prepare to acquire McBookie. The Company anticipates further increases due to the acquisition of Askott in future quarters.

# Sales and Marketing

Sales and marketing costs were $299,624 for the three months ended June 30, 2020 compared to $152,344 for the comparable period of 2019. Sales and marketing costs were $356,845 for the six months ended June 30, 2020 compared to $359,042 for the comparable period of 2019.

The higher sales and marketing costs in the three months ended June 30, 2020 are related to the marketing of McBookie, as new marketing campaigns had to be created in order to adapt to the cancellation of sports due to COVID-19. Additionally, branding of FansUnite to create awareness ahead of and upon the Company becoming traded on the CSE on May 5, 2020 led to an increase in costs. This is offset by minimal sales and marketing spend as the company was attempting to preserve capital in the anticipation of listing on the CSE in the second quarter of 2020.

# Share-Based Payments

Share-based payments were $182,913 for the three months ended June 31, 2020 compared to $165,762 for the comparable period of 2019. Share-based payments were $7,173,508 for the six months ended June 30, 2020 compared to $386,824 for the comparable period of 2019.

These non-cash costs are related to share based payments made in connection with the amalgamation of HIC and FansUnite Entertainment Inc., in which $6,760,161 was expensed as share based payments. The remainder of share based payments relate to the vesting of stock options under the Company’s stock option plan, and the issuance of 564,439 warrants in connection with the Company’s subscription receipt financing that was completed on March 26, 2020.

# OUTSTANDING SHARES AND WARRANTS

On February 14, 2020 the Company completed a roll back of its issued shares. All share and per share information in this management discussion and analysis have been retroactively restated to reflect this consolidation.

As at August 29, 2020, the Company has 154,345,706 issued and fully paid common shares outstanding. At August 29, 2020 there were 8,536,100 warrants for the Company outstanding at a weighted average exercise price of $0.49, and 7,683,122 Stock Options for the Company outstanding at a weighted average exercise price of $0.38

# OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial performance or financial condition, including with respect to revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

# TRANSACTIONS BETWEEN RELATED PARTIES

**Related Party Balances and transactions**

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. 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.

# CRITICAL ACCOUNTING ESTIMATES

The Company’s significant accounting estimates are presented in Note 2 in the notes to the annual financial statements.

# RECENT ACCOUNTING PRONOUNCEMENTS

The following standards have been adopted by the Company: 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 adoption of IFRS 16 had no material effect on the Company financial statements.

As the date of authorization of these 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. New standards, interpretations and amendments either not adopted are not expected to have a material impact on the Company’s consolidated financial statements.

# FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors 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:

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 trade receivables, due from related parties and government sales tax receivable. Based on the evaluation of receivables at December 31, 2019, 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. The Company has a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis. The Company ensures 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.

Historically, the Company’s main source of funding has been the issuance of equity securities through private placements and loans from related parties. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company is not exposed to significant foreign exchange risk.

# OTHER RISKS AND UNCERTAINTIES

The Company is in the investment management business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The Company has no material ongoing revenue or income from operations. The Company has limited capital resources and has to rely upon the sale its assets or sale of its common shares for cash required to make new investments and to fund the administration of the Company.

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 set out below.

# Limited Operating History

The Company has limited operating history as a social sportsbook, and no history as a technology provider. The Company and its business prospects must be viewed against the background of the risks, expenses and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets. There is no certainty that the Company will be able to operate profitably.

# No Profits to Date

The Company has not made profits since its incorporation and it is expected that it will not be profitable in the current year. Its future profitability will, in particular, depend upon its success in marketing the B2B, B2C and the growth of strategic acquisitions.

# Going-Concern Risk

The Company's financial statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

# COVID-19 Risk

Since December 31, 2019, 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.

# Negative Cash Flow

The Company has a limited history of operations, and very little history of earnings, cash flow or profitability. The Company has had negative operating cash flow since the Company's inception. No assurance can be given that the Company will ever attain positive cash flow or profitability or that additional funding will be available for operations.

# Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful in developing and marketing a variety of sports betting offerings. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated investments.

# Risks Relating to Existing and Future Investments

The Company may, in the future, make investments that may, in part, be financed by the Company. Existing investments and future investments made by the Company should be considered speculative and there is no guarantee that any such investment will earn any positive return in the short term or long term. Businesses that the Company invests in may also request additional funding from the Company to support their operations and growth, and there is no assurance that such funding will be available to the Company from external sources on acceptable terms or at all.

The Company intends to pursue opportunities outside of the Company's existing business segments that would diversify the asset base, the success of which will depend, in part, on its ability to: identify suitable investments; negotiate the purchase of such investments on terms acceptable to it; complete the investments within expected time frames; and capitalize on such investments. Further, the profitability of such investments will be dependent upon a variety of potential factors depending on the underlying industry, for example, the market price of commodities, the level of interest rates, global economic conditions, political conditions, speculative activities, stability of exchange rates and other factors beyond the control of the Company. Investments in companies with publicly traded securities may experience substantial volatility and would be subject to market trends and macroeconomic conditions generally, notwithstanding any potential success of such companies in creating revenues, cash flows or earnings and may not accurately reflect the long-term value of such companies. There can be no assurance that continual fluctuations in price will not occur in such instances. The Company invests in and may make future investments in securities of private companies. In some cases, the Company may be restricted by contract or by applicable securities laws from selling such securities for a period of time. Such securities may not have a ready market and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Company's ability to exit such investments when the Company considers it appropriate. Foreign investments that may be made by the Company in specific sectors such as natural resource, industrial or technology may be subject to political risks, risks associated with changes in foreign exchange rates, foreign exchange control risks and other similar risks. The Canadian dollar equivalent of the Company’s net denominated assets and dividends would be adversely affected by reductions in the value of the applicable foreign currencies relative to the Canadian dollar and would be positively affected by increases in the value of the applicable foreign currencies relative to the Canadian dollar.

The Company invests in and may make future investments in securities of companies that the Company does not control. These investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders or management of the company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of investments by the Company could decrease and the Company's financial condition and cash flow could suffer as a result.

The due diligence process undertaken by the Company in connection with investments it makes or that it wishes to make may not reveal all relevant facts in connection with an investment. Before making investments, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence investigations, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such investigation will not necessarily result in the investment being successful.

# Blockchain Technology Risk

The Company is subject to blockchain technology risk. Blockchain technology is an entirely new and relatively untested technology. The risks associated with blockchain technology may not emerge until the technology is widely used. Blockchain systems could be vulnerable to fraud, particularly if a significant minority of participants colluded to defraud the rest. Access to a given blockchain requires an individualized key, which, if compromised, could result in loss due to theft, destruction or inaccessibility. There is little regulation of blockchain technology other than the intrinsic public nature of the blockchain system. Any future regulatory developments could affect the viability and expansion of the use of blockchain technology. Because blockchain technology systems may operate across many national boundaries and regulatory jurisdictions, it is possible that blockchain technology may be subject to widespread and inconsistent regulation. Blockchain technology is not a product or service that provides identifiable revenue for companies that implement, or otherwise use it. Therefore, the values of the companies invested in by the Company may not be a reflection of their connection to blockchain technology, but maybe based on other business operations including revenues and other factors relating to their existing primary business operations. Accordingly, in addition to the risks associated with the use or development of products that may benefit from blockchain technology, companies invested in by the Company will continue to be susceptible to the risks associated with their primary business operations. Currently, blockchain technology is primarily used for the recording of transactions in digital currency, which are extremely speculative, unregulated and volatile. Problems in digital currency markets could have a wider effect on companies associated with blockchain technology. Blockchain technology also may never be implemented to a scale that provides identifiable economic benefit to the companies included in the Company's equity portfolio. There are currently a number of competing blockchain platforms with competing intellectual property claims. The uncertainty inherent in these competing technologies could cause companies to use alternatives to blockchain. Finally, because digital assets registered in a blockchain do not have a standardized exchange, like a stock market, there is less liquidity for such assets and greater possibility of fraud or manipulation.

# Technology Sector Risk

The Company obtains exposure to the securities of technology companies. General risks of technology companies include the risks of rapidly changing technologies, short product life cycles, fierce competition, aggressive pricing and reduced profit margins, loss of patent, copyright and trademark protections, cyclical market patterns, evolving industry standards and frequent new product introductions. Certain technology companies may be smaller and less experienced companies, with markets or financial resources and fewer experienced management or marketing personnel.

# Regulatory Risks

Changes in or more aggressive enforcement of laws and regulations could adversely impact the Company. Approvals, changes in government regulations and policies and practices could have an adverse impact on such businesses' future cash flows, earnings, results of operations and financial condition.

# Dependence on Internet Infrastructure; Risk of System Failures, Security Risks and Rapid Technological Change

The success of any developer of the FansUnite platforms will depend by and large upon the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high- speed modems for providing reliable internet access and services. Blockchain technology has experienced and is expected to continue to experience significant growth in the number of users, amount of content and bandwidth availability. It cannot be assured that the infrastructure will continue to be able to support the demands placed upon it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth. It is further not assured that the infrastructure or complementary products or services necessary to make a viable medium will be developed in a timely manner, or that such development will not result in the requirement of incurring substantial costs in order to adapt the Company's services to changing technologies.

# Intellectual Property Rights

Companies involved in the development and operation of emerging technologies may be dependent on intellectual property rights; the loss of which could harm its business, results of operations and its financial condition. There can be no assurance that any company's products will not violate proprietary rights of third parties or that third parties will not assert or claim that such violation has occurred. Any such claims and disputes arising may result in liability for substantial damages which in turn could harm the underlying business, results of operations and financial condition.

# Cyber Security Risks

The Company is dependent on information technologies to conduct its operations, including management information systems and computer control systems. Business and supply chain disruptions, plant and utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm operations and materially adversely affect operation results, Cyber security risks include attacks on information technology and infrastructure by hackers, damage or loss of information due to viruses, the unintended disclosure of confidential information, the issue or loss of control over computer control systems, and breaches due to employee error.

The Company's exposure to cyber security risks includes exposure through third parties on whose systems it places significant reliance for the conduct of its business. There can be no assure that the Company has the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to its information and control systems could have severe financial and other business implications.

# Competition

The market for sports betting technology is highly competitive on a global level. The current marketplace is dominated by a few companies, but will face substantial competition from and other competitors, which may have greater financial, technical, and marketing resources. Competitors may also have a larger installed base of users, longer operating histories or greater name recognition. There can be no assurance that any company will successfully differentiate its products from its competitors, or that the marketplace will consider one technology to be superior to others.

# Key Personnel

The Company is dependent upon the continued availability and commitment of its management, whose contributions to immediate and future operations are of significant importance. The loss of any such management could negatively affect the Company's business operations. From time to time, the Company will also need to identify and retain additional skilled management to efficiently operate its business. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of its ability to attract and retain such personnel. If it is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

# Conflicts of Interest

Certain of the Company's directors and officers may, from time to time, serve as directors or officers of other companies involved in similar businesses to the Company and, to the extent that such other companies may participate in the same ventures in which the Company may seek to

participate, such directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the Company's directors and officers may result in a material and adverse effect on the Company's results of operations and financial condition.

# Share Price Volatility Risk

External factors outside of the Company's control may have a significant impact on the market price of the Company's common shares once listed. Global stock markets have experienced extreme price and volume fluctuations from time to time. There can be no assurance that an active or liquid market will develop or be sustained for the Company's common shares.

**Risks Associated with Acquisitions**As part of the Resulting Issuer’s overall business strategy, the Resulting Issuer may pursue select strategic acquisitions after the completion of the Listing, which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Issuer’s existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

**Competition in online gaming and interactive entertainment industries**

The industries within which the Resulting Issuer will operate are rapidly evolving and intensely competitive, and are subject to changing technology, shifting user needs, and frequent introductions of new offerings. The Resulting Issuer’s potential competitors include large and established companies as well as other start-up companies. Such competitors may spend more money and time on developing and testing products and services, undertake more extensive marketing campaigns, adopt more aggressive pricing or promotional policies or otherwise develop more commercially successful products or services than the Resulting Issuer, which could negatively impact its business. Furthermore, new competitors, whether licensed or not, may enter the Resulting Issuer’s key product and/or geographic markets. There is no assurance that the Resulting Issuer will be able to maintain or grow its position in the marketplace.
As a result of the foregoing, among other factors, the Resulting Issuer will have to continually introduce and successfully market new and innovative technologies, product offerings and product enhancements to remain competitive and effectively stimulate customer demand, acceptance and engagement. The process of developing new product offerings and systems is inherently complex and uncertain, and new product offerings may not be well received by customers, even if well-reviewed and of high quality. Furthermore, the Resulting Issuer may not recover the often substantial up-front costs of developing and marketing new technologies and product offerings, or recover the opportunity cost of diverting management and financial resources away from other technologies and product offerings. Additionally, if the Resulting Issuer cannot efficiently adapt its processes and infrastructure to meet the needs of its product offering innovations, its business could be negatively impacted.

# 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 properly reflected in the accompanying financial statements.