



**FANSUNITE ENTERTAINMENT INC.**

**ANNUAL INFORMATION FORM**

Financial Year Ended December 31, 2020

**June 15, 2021**

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## ADVISORIES

In this Annual Information Form (“**AIF**”), unless otherwise specified or if the context otherwise requires, references to “we”, “us”, “our”, “its”, “the Company” or “FansUnite” mean FansUnite Entertainment Inc.

The information in this AIF is stated as at December 31, 2020 unless otherwise indicated. For additional information and details, readers are referred to the Company’s audited consolidated financial statements for the year ended December 31, 2020 and notes that follow, as well as the accompanying annual Management’s Discussion and Analysis (“**MD&A**”), which are available on the Canadian Securities Administrator’s SEDAR System at [www.sedar.com](http://www.sedar.com).

Except as otherwise indicated in this AIF, references to “Canadian dollars”, “\$”, or “C\$” are to the currency of Canada, references to “U.S. dollars” or “US\$” are to the currency of the United States, references to “GBP” or “£” are to the currency of the United Kingdom and references to “EUR” or “€” are to European Euros.

Certain totals, subtotals and percentages throughout this AIF may not reconcile due to rounding.

The following table sets forth, for the periods indicated, the high, low, average and period-end rates of exchange for one U.S. dollar, expressed in Canadian dollars, published by the Bank of Canada (in the case of the rates for the year period ended December 31, 2020 and the year period ended December 31, 2019, based on the daily average rates as reported by the Bank of Canada as being in effect at approximately 4:30 p.m. (Eastern time) on each trading day).

<b>Currency: USD</b>	<b>Year Ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
High	1.4496	1.3600
Low	1.2718 CAD	1.2988
Average rate per period	1.3415	1.3269
Rate at End of Period	1.2732	1.2988

As of the date of filing of this AIF, the last available indicative rate of exchange posted by the Bank of Canada was on June 14, 2021. Such indicative rate of exchange for conversion of U.S. dollars into Canadian dollars was US\$1.00 equals C\$1.2142.

The following table sets forth, for the periods indicated, the high, low, average and period-end rates of exchange for one Euro, expressed in Canadian dollars, published by the Bank of Canada (in the case of the rates for the year period ended December 31, 2020 and the year period ended December 31, 2019, based on the daily average rates as reported by the Bank of Canada as being in effect at approximately 4:30 p.m. (Eastern time) on each trading day).

<b>Currency: EUR</b>	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
High	1.5851	1.5441
Low	1.4282	1.4438
Average rate per period	1.5298	1.4856
Rate at End of Period	1.5608	1.4583

As of the date of filing of this AIF, the last available indicative rate of exchange posted by the Bank of Canada was on June 14, 2021. Such indicative rate of exchange for conversion of Euros into Canadian dollars was €1.00 equals C\$1.4718.

The following table sets forth, for the periods indicated, the high, low, average and period-end rates of exchange for one GBP, expressed in Canadian dollars, published by the Bank of Canada (in the case of the rates for the year period ended December 31, 2020 and the year period ended December 31, 2019,

based on the daily average rates as reported by the Bank of Canada as being in effect at approximately 4:30 p.m. (Eastern time) on each trading day).

Currency: GBP	Year ended December 31, 2020	Year ended December 31, 2019
High	1.7835	1.7743
Low	1.6733	1.5955
Average rate per period	1.7199	1.6945
Rate at End of Period	1.7381	1.7174

As of the date of filing of this AIF, the last available indicative rate of exchange posted by the Bank of Canada was on June 14, 2021. Such indicative rate of exchange for conversion of GBP into Canadian dollars was £1.00 equals C\$1.7136.

### Cautionary Statement Regarding Forward-Looking Information and Statements

This AIF contains forward-looking information and statements (collectively, “**forward-looking statements**”). These forward-looking statements relate to FansUnite’s current expectations, estimates and projections as to future events or FansUnite’s future performance and are provided to allow readers a better understanding of FansUnite’s business and prospects and may not be suitable for other purposes. All statements, other than statements of historical fact, may be considered forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in, or suggested by, such forward-looking statements. Forward-looking statements in this AIF or the documents incorporated by reference herein and therein include, but are not limited to, statements with respect to:

- the performance of the Company’s business and operations;
- the intention to grow the business, operations and potential activities of the Company
- capital expenditures;
- business trends;
- management’s outlook regarding future trends;
- general business and economic conditions;
- the impact of unionization activities and labour organization;
- new and emerging markets;
- changes to legal and regulatory environments in current and new markets;
- technological developments;
- competition and changes in the competitive landscape;
- projections of market prices and costs;
- expected revenues;
- prices and price volatility of the Company’s products;
- the Company’s business plans and strategies;
- ability to attain profitability;
- expectations regarding the ability to raise capital;
- the Company’s goal of creating shareholder value;
- expectations and implications of changes in legislation and government policies;
- the impact of conditions imposed on certain high limit players;
- volatile gaming holds;
- the development of new products and services, including additional platforms;
- the Company’s management and protection of intellectual property and other proprietary rights;
- ability to obtain ongoing services from third-party vendors upon which the Company is dependent;

- the plans, costs, and timing for future research and development of the Company's current and future technologies, including the costs and potential impact of complying with existing and proposed laws and regulations; and
- management expectations with respect to common share purchase warrant exercises.

Although we base the forward-looking statements contained in this AIF on assumptions that we believe are reasonable, we caution you that actual results and developments (including our results of operations, financial condition and liquidity, and the development of the industry in which we operate) may differ materially from those made in or suggested by the forward-looking statements contained in this AIF. In addition, even if results and developments are consistent with the forward-looking statements contained in this AIF, those results and developments may not be indicative of results or developments in subsequent periods. With respect to forward-looking statements contained in this AIF, the Company has made assumptions regarding, among other things:

- that the Company will be able to obtain and retain qualified staff and equipment in a timely and cost-efficient manner;
- that the Company will be able to execute its business strategies;
- the impact of increasing competition;
- conditions in general economic and financial markets, including the demand for products;
- that the Company will be able to access and implement all technology necessary to efficiently and effectively operate its business;
- the environment in which the Company will operate in the future, including the ability to obtain services and supplies in a timely manner to carry out the Company's activities;
- current technology;
- cash flow;
- timing and amount of capital expenditures;
- effects of regulation by governmental agencies;
- future operating costs;
- interest and foreign exchange rates; and
- the Company's ability to obtain financing on acceptable terms.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, the following risk factors described in greater detail under the heading "*Risk Factors*":

- the Company's limited operating history;
- the global economy;
- COVID-19;
- changing economic conditions;
- economic environment;
- risks associated with acquisitions;
- operational risks;
- risks relating to blockchain technologies;
- risks relating to cryptocurrency transactions;
- liquidity and volatility risks in cryptocurrency;
- cybersecurity risks;
- financial projections;
- forecast;
- competition;
- competition in online gaming and interactive entertainment industries;
- management of growth;
- reliance on management;

- risks relating to insurance;
- the online gaming industry is heavily regulated;
- anti-money laundering laws and regulations;
- complex and evolving domestic and foreign laws and regulations regarding the internet, privacy, data protection, competition, consumer protection and other matters;
- regulatory investigations;
- safeguarding against security & privacy breaches;
- failure to retain existing customers or add new customers;
- dependence on suppliers and skilled labour;
- reliance on third-party owned communication networks;
- integrating Askott's business into the Company's business may divert management's attention away from operations;
- evolving industries;
- requirements for further financing;
- the Company may prioritize customer growth and engagement and the customer experience over short-term financial results;
- litigation;
- conflicts of interest;
- the Company's intellectual property may be insufficient to properly safeguard its technology and brands; and
- the other factors referred to under "*Risk Factors*".

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this AIF. If any of these risks or uncertainties materialize, or if any of the above opinions, estimates or assumptions underlying the forward-looking statements prove incorrect, actual results and developments may differ materially from those made in or suggested by the forward-looking statements. The opinions, estimates or assumptions referred to above and described in greater detail in "*Risk Factors*" should be considered carefully by readers.

Although we have attempted to identify important risk factors, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results and developments to differ materially from those made in or suggested by the forward-looking statements. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place substantial weight or undue reliance on forward-looking statements, which speak only as of the date made. The forward-looking statements contained in this AIF represent our expectations as of the date of this AIF (or as the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

**The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The Company undertakes no obligation to publicly update or revise any forward-looking statements in this AIF or the MD&A or other disclosure incorporated by reference herein, whether as a result of new information, future events or otherwise, except as required under applicable securities law in Canada.**

### **Non-IFRS Financial Measures**

The Company prepares and reports its consolidated financial statements in accordance with IFRS as issued by the IASB. However, this AIF may make reference to certain non-IFRS measures including key

performance indicators used by management. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including "EBITDA" which may be calculated differently by other companies. These non-IFRS measures and metrics are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of companies in similar industries. Management also uses non-IFRS measures and metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of executive compensation. The definition of EBITDA and the reconciliation of this non-IFRS measures to the relevant reported measures is as follows: net earnings before interest, taxes, depreciation and amortization.

### **Market, Independent Third Party and Industry Data**

Unless otherwise indicated, the Company has obtained the market and industry data contained in this AIF from its internal research, management's estimates and third-party public information and other industry publications. While the Company believes such internal research, management's estimates and third-party public information is reliable, such internal research and management's estimates have not been verified by any independent sources and the Company has not verified any third party public information. While the Company is not aware of any misstatements regarding the market and industry data contained in this AIF, such data involves risks and uncertainties and are subject to change based on various factors, including those described under "*Cautionary Statement Regarding Forward-Looking Information and Statements*" and "*Risk Factors*".

### **Trade Marks, Trade Names and Service Marks**

This AIF contains certain trademarks which are protected under applicable intellectual property laws and are the Company's property. Solely for convenience, the Company's trademarks and trade names referred to in this AIF may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names.

## **GLOSSARY OF TERMS**

In this AIF, unless otherwise indicated or the context otherwise requires, the following terms shall have the indicated meanings. Words importing the singular include the plural and vice versa and words importing any gender include all genders. A reference to an agreement means the agreement as it may be amended, supplemented or restated from time to time.

**"AEI"** means Askott Entertainment Inc. prior to amalgamating with Subco 2 to form Askott;

**"AEI Amalgamation Agreement"** means the amalgamation agreement dated June 22, 2020 among AEI, FansUnite and Subco 2 providing for the AEI Amalgamation in accordance with its terms;

**"Articles"** has the meaning ascribed thereto under the heading "*Description of the Share Capital of the Company*";

**"Askott"** means Askott Entertainment Inc.;

**“Askott Acquisition”** means acquisition of Askott by the Company, including the amalgamation of AEI and Subco 2 to continue as one corporation under the BCBCA pursuant to the AEI Amalgamation Agreement, which completed on August 11, 2020;

**“Askott Malta”** means Askott Entertainment (Malta) Limited, a wholly-owned indirect subsidiary of the Company;

**“B2B”** means Business-to-Business;

**“B2C”** means Business-to-Consumer;

**“BCBCA”** means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;

**“Board of Directors”** or **“Board”** means the board of directors of the Company, as constituted from time to time, including, where applicable, any committee thereof;

**“Business Combination”** means the business combination whereby FEI and Subco 1 amalgamated to form FansUnite Holdings and the Company changed its name to “FansUnite Entertainment Inc.”;

**“Business Day”** means a day other than a Saturday, Sunday or a day on which the principal chartered banks located in Vancouver, British Columbia are not open for business;

**“Canadian Securities Laws”** means the securities legislation and regulations, and the instruments, policies, rules, orders, codes, notices and interpretation notes, of the securities regulation authorities of any applicable jurisdiction, or jurisdictions collectively, in Canada, as well as applicable stock exchanges (including the CSE);

**“Common Shares”** means the common shares without par value in the capital of the Company;

**“Company”** or **“FansUnite”** means FansUnite Entertainment Inc. and its direct and indirect wholly-owned subsidiaries;

**“CSE”** means the Canadian Securities Exchange;

**“FansUnite”** or **“Corporation”** means FansUnite Entertainment Inc. (formerly HIC Horizon Investments Capital Ltd.);

**“FansUnite Holdings”** means FansUnite Holdings Inc., the company that resulted from the Amalgamation of FEI and Subco 1;

**“FansUnite Media”** means FansUnite Media Inc., a wholly-owned subsidiary of FansUnite;

**“FansUnite Social Platform”** means the free to play social gaming and data website located at <https://social.fansunite.com> owned by FansUnite;

**“FansUnite Sportsbook”** means FansUnite’s omni-channel sportsbook;

**“FEI”** means FansUnite Entertainment Inc. prior to amalgamating with Subco 1 to form FansUnite Holdings pursuant to the Business Combination;

**“FEI Shares”** means common shares in the capital of FansUnite Entertainment Inc. issued and outstanding prior to the Business Combination;



**“E.G.G.”** means E.G.G. Limited, a wholly-owned indirect subsidiary of the Company;

**“IFRS”** means International Financial Reporting Standards as issued by the International Accounting Standards Board, as adopted by the Canadian Accounting Standards Board;

**“McBookie”** means McBookie Ltd, a private limited company incorporated in Scotland that is a wholly-owned subsidiary of the Company;

**“McBookie Acquisition”** means the acquisition of McBookie, pursuant to the McBookie SPA;

**“McBookie Management”** means Damian Walker and Paul Petrie;

**“McBookie Shares”** means all of the issued and outstanding shares of McBookie;

**“McBookie SPA”** means the share purchase agreement dated July 15, 2019 between the FansUnite, McBookie and the shareholders of McBookie, as amended from time to time;

**“McBookie Triggering Event”** means the termination of employment of Damian Walker or Paul Petrie with McBookie or FansUnite for any reason “with cause” (as defined under the applicable employment agreement) or by voluntary resignation;

**“NI 52-109”** means National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings* of the Canadian Securities Administrators;

**“NI 52-110”** means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators;

**“NI 58-101”** means National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators;

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval;

**“Shareholders”** means the holders of Shares;

**“Shares”** means Common Shares;

**“Subco 1”** means “1209080 B.C. Ltd., a corporation incorporated under the BCBCA as a wholly-owned subsidiary of the Company;

**“Subco 2”** means 1252956 B.C. Ltd., a corporation incorporated under the BCBCA as a wholly-owned subsidiary of the Company; and

**“V2 Games Triggering Event”** means any default in payment by V2 Games to FansUnite of any of the V2 Games Interest Payments payable to FansUnite.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

The Company was incorporated under the BCBCA under the name “HIC Horizon Investments Capital Ltd.” on November 9, 2018. On December 3, 2019, the Company completed the consolidation of the issued and outstanding Common Shares on a two (2) pre-consolidation Common Shares for one (1) post-consolidation Common Share basis. On March 26, 2020, pursuant to the Business Combination, the Company changed its name to “FansUnite Entertainment Inc.”

Our head office is located at 1080 – 789 West Pender Street, Vancouver, BC V6C 2X1 and our registered and records office is located at 2900 – 550 Burrard Street, Vancouver, B.C., V6C 0A3. Our website address is [www.fansunite.com](http://www.fansunite.com). Information contained on or accessible through our website is not a part of this AIF.

The Common Shares are traded on the CSE under the trading symbol “FANS” and on the OTCQX under the trading symbol “FUNFF”.

### Intercompany Relationships

FansUnite has two direct wholly-owned subsidiaries: FansUnite Holdings and Askott.

FansUnite Holdings has three indirect wholly-owned subsidiaries: FansUnite Media Inc., FansUnite Limited, and McBookie.

FansUnite, through Askott, has two indirect wholly-owned subsidiaries: Askott Malta and E.G.G.

On March 26, 2020, pursuant to the Business Combination, Subco 1 and FEI amalgamated pursuant to the terms of the FEI Amalgamation Agreement to form FansUnite Holdco.

FansUnite Media was originally incorporated under the BCBCA on February 27, 2012 as 0933762 B.C. Ltd. FansUnite Media subsequently changed its name to FansUnite Media Inc. on July 9, 2014.

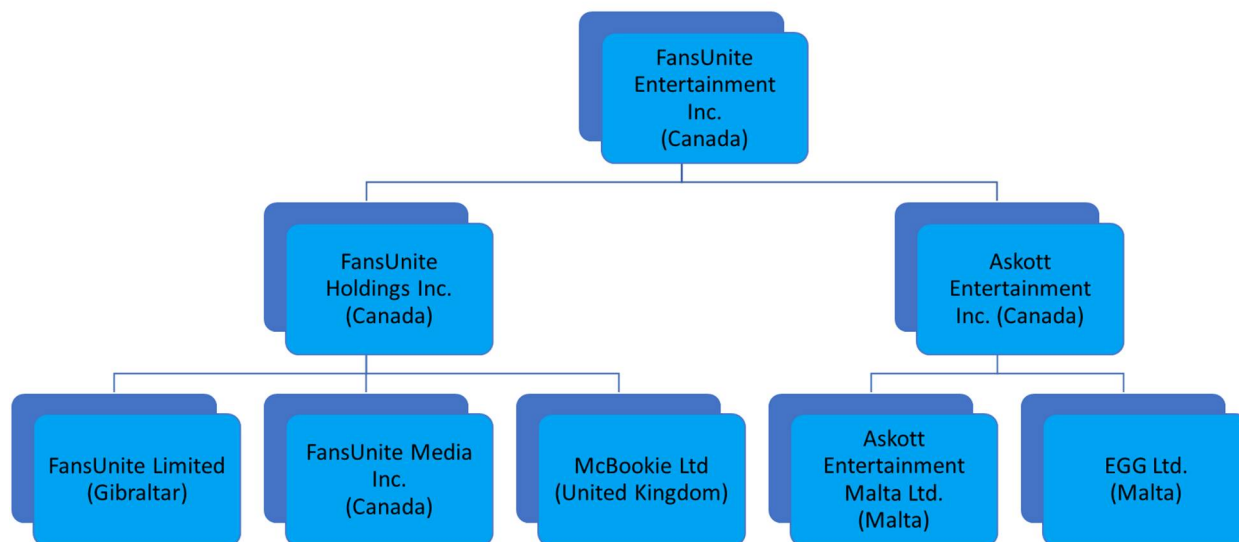
FansUnite Limited was incorporated under Gibraltar’s *Companies Act* on September 11, 2017.

McBookie was incorporated under Scotland’s *Companies Act* on July 9, 2008.

On August 11, 2020, pursuant to the Askott Acquisition, Subco 2 and AEI amalgamated pursuant to the terms of the AEI Amalgamation Agreement to form Askott.

Askott Malta and E.G.G. are incorporated under Malta’s *Companies Act*.

The following chart shows the Company’s subsidiaries as at December 31, 2020 and the date hereof (all holdings are 100%):



## GENERAL DEVELOPMENT OF THE BUSINESS OF THE COMPANY

### Three Year History

Prior to the business combination, the principal business of the Company was the identification and evaluation of businesses, assets and properties for strategic acquisition.

On March 12, 2018, FEI acquired all of the issued and outstanding shares of FansUnit Media, in exchange for 32,899,900 FEI Shares. Since then, FEI, now FansUnit Holdings, has been operating the FansUnit Media social site. See “*Business of the Company — FansUnit Media and FansUnit Limited — FansUnit Media*”.

On May 30, 2018, FEI issued 17,831,000 FEI Shares at \$0.25 per share for gross proceeds of \$4,457,750 under a private placement. On February 14, 2020, FEI completed the consolidation of the issued and outstanding FEI Shares on a two (2) pre-consolidation FEI Shares for one (1) post-consolidation FEI Share basis.

On December 3, 2019, the Company completed the consolidation of the issued and outstanding Common Shares on a two (2) pre-consolidation Common Shares for one (1) post-consolidation Common Share basis.

On December 20, 2019, the Company issued 9,660,500 Common Shares at \$0.05 per Common Share for gross proceeds of \$483,025.00 under the first tranche of a private placement. On February 12, 2020, the Company completed a second and final tranche of such private placement and issued an additional 1,339,500 Common Shares for additional proceeds of \$66,975.00 for total gross proceeds of \$550,000. In connection with the private placement, the Company paid finder's fees of 814,000 Common Shares and 814,000 Common Share purchase warrants. Each warrant is exercisable at \$0.05 per Common Share until the date that is two years from the date of issuance.

On December 20, 2019, FEI issued 4,402,127 subscription receipts for gross proceeds of \$1,540,747.45, under the first tranche of a private placement. On March 18, 2020, FEI completed a second and final tranche of such private placement and issued an additional 4,546,199 subscription receipts for additional proceeds of \$1,591,171.25, for total gross proceeds of \$3,131,919. In connection with the private placement, FEI paid finder's fees of 504,490 FEI Shares and 564,439 FEI Share purchase warrants. Each warrant is exercisable at \$0.35 per Common Share up to two years from the date of issuance.

On February 14, 2020, FEI completed the consolidation of the issued and outstanding Common Shares on a two (2) pre-consolidation Common Shares for one (1) post-consolidation Common Share basis.

On March 26, 2020, the Company completed the Business Combination and acquired a 100% interest in FansUnite Holdings. The Business Combination was structured as a three-cornered amalgamation transaction which constituted a reverse take-over of the Company by FEI. Pursuant to the terms of the FEI Amalgamation Agreement, and proposed public listing of the Common Shares: (i) FEI and Subco 1 amalgamated to form FansUnite Holdings, which is a wholly-owned subsidiary of the Company; (ii) the Company changed its name to FansUnite Entertainment Inc.; (iii) the Company has filed a long-form prospectus with certain Canadian securities regulators; and (iv) the Company listed the Common Shares on the CSE. *"Business of the Company — FansUnite Media and FansUnite Limited — Business Combination"*.

Also on March 26, 2020, the Company completed the McBookie Acquisition pursuant to the McBookie SPA. Pursuant to the McBookie Acquisition, the Company acquired the McBookie Shares in exchange for the issuance to McBookie shareholders of 3,497,143 Common Shares on a pro-rata basis to McBookie shareholders and by the payment of the sum of £600,000 (being approximately \$1,020,000) and the amount of unrestricted cash and cash equivalents held by McBookie on a pro-rata basis to McBookie shareholders as of the close of business on the day immediately preceding the closing of the McBookie Acquisition, and whereby McBookie became a wholly-owned subsidiary of the Company. See *"Business of the Company — McBookie — McBookie Acquisition"*.

On April 16, 2020, FansUnite, as acquiror, entered into an interest acquisition agreement with V2 Games Inc. ("**V2 Games**"). As part of the interest acquisition, on April 16, 2020, FansUnite received from V2 Games:

- 50,000 common shares in the capital of GoLeague Technologies Inc.;
- 293,583 common shares in the capital of 1166117 B.C. Ltd.; and
- a 50% interest in a financing agreement with Just Games Interactive LLC, with payments to FansUnite totaling \$764,939 USD (\$1,009,719 CAD), with payment dates from March 2020 to January 2022.

In exchange for the above, FansUnite issued 3,142,857 Common Shares to V2 Games at a deemed price of \$0.35 each, for a total value of CAD\$1,100,000. The business purpose of the transaction was to provide FansUnite with another source of income for general working capital and operations. See *"Business of the Company — V2 Games Interest — V2 Games Interest Acquisition"*.

On May 5, 2020, the Common Shares began trading on the CSE.

On August 11, 2020, the Company completed the Askott Acquisition. The Askott Acquisition was completed pursuant to the AEI Amalgamation Agreement. Pursuant to the Askott Acquisition, amongst other things:

- Scott Burton, CEO of Askott, became the CEO of FansUnite and Darius Eghdami became the President of FansUnite. Jeremy Hutchings, the former CTO of Askott, became the CTO of FansUnite, Ian Winter, the former COO of Askott, became the COO of FansUnite and management of FansUnite otherwise remained the same. Duncan Peter McIntyre resigned as COO of FansUnite.

- Existing Askott shareholders received 1.9193 Common Share for each Askott common share (an “**Askott Share**”) held at closing, representing an implied valuation of C\$0.7485 per Askott Share, and resulting in the issuance of an aggregate of 71,171,212 Common Shares at a price of C\$0.39 per FansUnite 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 Common Shares at an exercise price of approximately C\$0.32 per Common Share with expiry date on May 31, 2023 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 C\$0.26 to C\$0.32 per Common Share, with expiry dates between September 27, 2020 and January 1, 2025.
- FansUnite has issued an aggregate of 12,712,115 Common Shares at a price of C\$0.40 per FansUnite Share upon exchange of the Askott Shares issued in connection with the previously announced private placement of subscription receipts (the “**Subscription Receipts**”) for C\$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.

See “*Business of the Company — Askott — Askott Acquisition*”.

On September 2, 2020, the Company announced that its wholly owned subsidiary, Askott Entertainment, had signed a partnership agreement with Las Vegas based GameCo LLC, a pioneer in skill based iGaming products (“**GameCo**”). The partnership provides Askott Entertainment’s esports iGaming platform, Chameleon, with a direct conduit to the US regulated market. GameCo holds gaming licenses in almost thirty jurisdictions, including New Jersey and Nevada in the United States. Askott Entertainment will leverage this US license infrastructure by enabling GameCo to become an official reseller of the Chameleon esports betting platform to new and existing partners which will include US based casino operators.

On October 9, 2020 the Company renegotiated the agreement with V2, whereby V2 repurchased the V2 Games Interest in exchange for assuming \$658,212 CAD amount due by the Company to Victory Square Technologies Inc. and cancellation of 501,484 shares previously issued to V2 for the acquisition. The Company retained ownership of GoLeague Technologies Inc. which later changed their names to Pepper Esports, and was then purchased by TGS Esports Inc. (TSXV: TGS). The Company also retained ownership of 1166117 BC Ltd, which is now doing business as Cash Live Poker.

On December 4, 2020, Askott Malta and E.G.G., wholly-owned subsidiaries of the Company, received approval from the Malta Gaming Authority (“**MGA**”) in respect of applications for certain gaming licenses. Specifically, a Critical Gaming Supply License was granted to Askott Malta, as licensee, by the MGA and a Gaming Service License was granted to E.G.G., as licensee, by the MGA. The MGA is a gambling regulatory organization that provides industry standard gaming licenses that are fully compliant with European Union (“**EU**”) laws and regulations. These licenses enable FansUnite to offer a full array of online gambling services in Europe, covering Casino, Fixed Odds Betting, Pool Betting and Controlled Skilled Games. The Company also gained access to new markets as operators registered under EU legislation can license FansUnite’s B2B and B2C products. Other benefits of the MGA licenses include access to a variety of more established and reputable payment methods that will result in smoother transactions and a corporate-friendly tax jurisdiction. See “*Regulatory Framework*”.

On January 11, 2021, the Company completed the Special Warrant Offering regarding 21,420,992 Special Warrants. The Special Warrants were subsequently converted into 21,420,992 units (the “**Units**”) of the

Company in connection with the Company obtaining a receipt for its final short form prospectus dated March 1, 2021, with each Unit being comprised of one Common Share ("**Unit Share**") and one-half of one Common Share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant was issued pursuant to a warrant indenture (the "**Warrant Indenture**") that entitles the holder to purchase one Common Share at a price of \$0.78 at any time prior to 5:00 p.m. (Vancouver time) on January 11, 2023.

Pursuant to the Special Warrant Offering, the Company entered into an agency agreement (the "**Agency Agreement**") and issued to the agents thereunder an aggregate of 1,490,160 agent warrants (the "**Agent Warrants**"). Each Agent Warrant entitles the holder thereof to acquire one unit of the company, which is comprised of one Common Share and one-half of one Common Share purchase warrant (each whole warrant, a "**Agent Unit Warrant**"), at an exercise price of \$0.625 until January 11, 2023. Each Agent Unit Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.78 until January 11, 2023. The Company also paid a fee of 931,350 units of the Company (the "**CF Fee Units**") to the lead agent thereunder, with each CF Fee Unit comprised of one Common Share and one-half of one Common Share purchase warrant (each whole warrant, a "**CF Fee Warrant**"). Each CF Fee Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.78 until January 11, 2023.

Pursuant to the Special Warrant Offering, the Company also issued to the lead agent thereunder 79,839 advisor warrants (the "**Advisor Warrants**"). Each Advisor Warrant entitles the holder thereof to acquire one unit of the Company, which is comprised of one Common Share and one-half of one Common Share purchase warrant (each whole warrant, a "**Advisor Unit Warrant**"), at an exercise price of \$0.625 until January 11, 2023. Each Advisor Unit Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.78 until January 11, 2023. The Company also issued the lead agent under the Special Warrant Offering 49,899 units of the Company ("**Non-Brokered Units**"), with each Non-Brokered Unit comprised of one Common Share and one-half of one Common Share purchase warrant (each whole warrant, a "**Non-Brokered Unit Warrant**"). Each Non-Brokered Unit Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.78 until January 11, 2023.

On January 19, 2021, FansUnite announced that it entered into a partnership with Vancouver-based OneComply. OneComply, a compliance and licensing solution, will assist FansUnite as it enters additional North American legalized gaming jurisdictions by streamlining its applications, enabling ongoing compliance, and advising on protocol and strategy.

On February 3, 2021, FansUnite announced that, through its subsidiary Askott, it has signed an agreement with Gaming Laboratories International ("**GLI**"), to assess the Company's online betting offerings for compliance and certification with GLI-19 Standards for Interactive Gaming Systems ("**GLI-19 Standards**") and GLI-33 Standards for Event Wagering Systems ("**GLI-33 Standards**"). GLI is the largest and most widely accepted independent testing laboratory for iGaming and is trusted by gaming regulators to certify sports wagering and land-based gaming products worldwide. With a presence in six continents, GLI provides high-quality compliance testing and certification services for gaming operators in over 480 jurisdictions worldwide. To complete GLI's assessment, FansUnite will undergo world-class testing procedures for its leading iGaming and sports betting solutions, such as the Chameleon Gaming Platform and Askott Entertainment's suite of Random Number Generated ("**RNG**") games. The GLI-19 Standards and GLI-33 Standards certification will enable FansUnite to deliver its online gambling products to various states in the U.S. and provinces in Canada that require gambling firms to be compliant with GLI standards. Any additional unique technical requirements that states and provinces may require can be tested by GLI in parallel, making for the most efficient certification process and allowing for FansUnite to enter markets more expeditiously.

On March 4, 2021, the Company announced that two of its subsidiaries, Askott Malta and E.G.G., have filed applications for both B2B and B2C gambling licenses, respectively, with the U.K. Gambling Commission.

On March 17, 2021, the Company announced that it has entered into a strategic partnership with TGS Esports Inc., a leading esports solutions provider, to launch live esports tournament prediction games.

On May 18, 2021, the Company announced that it has entered into a licensing agreement with Money Line Sports Inc. ("**Money Line**") to launch the online sports betting portal, [www.MoneyLineSports.tv](http://www.MoneyLineSports.tv).

On June 14, 2021, the Company announced that its Common Shares began trading on the OTCQX (having been upgraded from trading on the OTCQB).

### **Significant Acquisitions**

Further information regarding the Askott Acquisition can be found in the press release of the Company dated August 11, 2020, the material change reports of the Company dated June 24, 2020 and August 21, 2020 and the business acquisition report of the Company dated September 23, 2020. For a brief summary of this significant acquisition, see "*General Development of the Business of the Company — Three Year History*". The Company filed a Form 51-102F4 dated August 21, 2020 in accordance NI 51-102 in respect of the Askott Acquisition.

## **BUSINESS OF THE COMPANY**

### **Overview of Products and Services**

FansUnite is a global sports and entertainment company, focusing on technology related to regulated and lawful online betting, igaming and other related products. FansUnite has produced a one of a kind complete B2B gaming platform ("**Chameleon**"), with a sport and esports focus geared for the next generation of online bettors and casino players. The platform includes products for pre-match betting, in-play betting, daily fantasy, content and a certified Random Number Generator to produce casino-style RNG chance games.

FansUnite focuses on both the regulated B2C and 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.

See "*Regulatory Framework*".

### **FansUnite Media**

FansUnite Media is the owner of the FansUnite Social Platform, which is currently built and live online. FansUnite developed this technology in-house and owns all the rights to use of the FansUnite Social Platform.

The FansUnite Social Platform provides its users with a free virtual currency with which a user can make wagers with no monetary value. The virtual currency acts as a free online credit which is given to players, and allows them to place and track wagers on the platform. In this way, the FansUnite Social Platform allows users to showcase their knowledge and skill and compete with other users. The website draws its odds through a free API (Application Protocol Interface) service. The FansUnite Social Platform uses the free API to list odds in numerous sports and leagues. The social platform has seen over 900,000 free picks made on the platform since inception.

The FansUnite Social Platform currently has very minimal revenue and is being prepared to be used as an affiliate driver and source of traffic to the FansUnite Sportsbook, McBookie website and other assets that FansUnite will own.

See "*Regulatory Framework*".

## ***FansUnite Limited***

FansUnite Limited is a Gibraltar-based subsidiary of FansUnite and in the future, if required, will serve as the owner of strategically placed gaming assets. As of now, FansUnite Limited has no revenue. FansUnite Limited was strategically incorporated so in the event that FansUnite purchases other regulated gaming assets outside of the United Kingdom, they can be held in a jurisdiction that will actively support FansUnite in marketing its gaming offerings to many other European countries.

## ***Business Combination***

On March 26, 2020, the Company completed the Business Combination and acquired a 100% interest in FansUnite Holdings. The Business Combination was structured as a three-cornered amalgamation transaction which constituted a reverse take-over of the Company by FEI. Pursuant to the terms of the FEI Amalgamation Agreement, and proposed public listing of the Common Shares: (i) FEI and Subco 1 amalgamated to form FansUnite Holdings, which is a wholly-owned subsidiary of the Company; (ii) the Company changed its name to FansUnite Entertainment Inc.; (iii) the Company has filed a long-form prospectus with certain Canadian securities regulators; and (iv) the Company listed the Common Shares on the CSE.

Pursuant to the Business Combination:

- each issued and outstanding Post-Consolidation FEI Share was exchanged for one fully-paid and non-assessable Common Share;
- each outstanding option to acquire a common share in the capital of FEI was replaced with one Option to purchase a Common Share, subject to the Stock Option Plan and the corresponding adjustments;
- as consideration for the issuance of the Common Shares in exchange for the Post-Consolidation FEI Shares, FansUnite Holdings issued to the Company one FansUnite Holdings Share for each Common Share so issued;
- FansUnite Holdings owns all of the property and assets of each of Subco 1 and FEI; and
- FansUnite Holdings is subject to all of the contracts, debts, liabilities and obligations of each of Subco 1 and FEI.

## ***McBookie***

### ***McBookie Acquisition***

On March 26, 2020 FansUnite acquired McBookie. FansUnite, through McBookie, provides B2C online (including mobile) real-money betting and gaming services in the United Kingdom. McBookie has been a leading provider of B2C sports betting services for the last decade, with a focus on the Scottish gaming market under a third-party sub-license granted by the U.K. Gambling Commission. As outlined above, FansUnite intends to migrate McBookie to its own UK gaming license later this year. See “*Regulatory Framework*”.

Pursuant to the McBookie SPA, the Company issued 1,022,477 Common Shares, paid £300,000 in cash (\$510,270), and issued a £300,000 promissory note (which was non-interest bearing and payable within 12 months from the date of issuance), in exchange for 100% of the issued and outstanding shares of McBookie. Pursuant to the McBookie SPA, the Company also issued 2,474,666 Common Shares to McBookie Management. In addition, McBookie Management are entitled to 10% of the Corporation-Derived EBITDA of McBookie for three years after acquisition.

Corporation-Derived EBITDA is calculated as McBookie Revenue less cost of service expenses, and all directly attributable salaries, marketing, and general & administrative costs incurred by McBookie.



McBookie Management has agreed that, for a period of thirty-six (36) months following the McBookie Closing Date, all 2,474,666 Common Shares issued under the McBookie SPA to such McBookie Management will be subject to the following:

1. a repurchase option (the “**McBookie Repurchase Option**”), whereby, upon the occurrence of a McBookie Triggering Event, the Company will have the right, on ten (10) business days written notice to the McBookie Management, to repurchase for cancellation certain Common Shares previously issued to such McBookie Management pursuant to the McBookie SPA at a price of CAD \$0.00001 per Common Share; and
2. the Common Shares that will be subject to such McBookie Repurchase Option are all of the Common Shares issued to such McBookie Management pursuant to the McBookie SPA, except the Common Shares which will be released from the Company’s repurchase option (and therefore no longer subject to being repurchased by the Company), in accordance with the following schedule:
  - Ten (10%) percent of such restricted Common Shares, on the McBookie Closing Date (as defined in the McBookie SPA);
  - Fifteen (15%) percent of such restricted Common Shares, on the six (6) month anniversary of the McBookie Closing Date;
  - Fifteen (15%) percent of such restricted Common Shares, on the twelve (12) month anniversary of the McBookie Closing Date;
  - Fifteen (15%) percent of such restricted Common Shares, on the eighteen (18) month anniversary of the McBookie Closing Date;
  - Fifteen (15%) percent of such restricted Common Shares, on the twenty four (24) month anniversary of the McBookie Closing Date;
  - Fifteen (15%) percent of such restricted Common Shares, on the thirty (30) month anniversary of the McBookie Closing Date; and
  - Fifteen (15%) percent of such restricted Common Shares, on the thirty six (36) month anniversary of the McBookie Closing Date.

On January 28, 2021 the Company repaid the £300,000 Note Payable to the former shareholders of McBookie.

For the period commencing on March 26, 2020 (being the date FansUnite acquired McBookie) and ending December 31, 2020, McBookie received \$1,488,875 in revenues.

The Company added new offerings on the McBookie platform throughout the year which included virtual sports and live dealer casino products. McBookie earns its revenue in British pounds sterling, which did not fluctuate significantly against the Canadian dollar through the year. McBookie currently employs two individuals, both located in the U.K.

McBookie is licensed and regulated by the U.K. Gambling Commission under Star Racing Limited’s license, which is license number 009177.

McBookie has a trademark on “McBookie” as of July 11, 2008, under UK Trade mark number UK00002480723. McBookie currently owns the following domain names:

- mcbookie.co.uk;
- mcbookie.com;
- mcbookiebingo.co.uk;
- mcbookiebingo.com;
- mcbookieblog.com;
- mcbookiecasino.com;

- mcbookiegames.co.uk;
- mcbookiegames.com;
- mcbookiepoker.co.uk; and
- mcbookiepoker.com.

### ***Technology: Summary of Licence Agreement***

McBookie licenses its gambling platform from Two Up Digital Ltd. and Star Racing Limited, through a Licence of Intellectual Property Rights dated August 6, 2018 which was amended on February 1, 2020 (as amended, the “**Licence Agreement**”). The amendments pertained primarily to a new monthly fixed fee of £22,500 and revenue share as described below. None of Two-Up Digital Ltd. or Star Racing Limited, are related parties to FEI or McBookie.

The description of the Licence Agreement included in this AIF is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Licence Agreement, which may be found under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Licence***

Pursuant to the Licence Agreement, Two-Up Digital Ltd. (“**Licensor 1**”) and Star Racing Limited (“**Licensor 2**”, and together with Licensor 1, the “**Licensors**”) granted McBookie (the “**Licensee**”) a non-exclusive licence to use the certain intellectual property rights in relation to: (a) the provision of an online sportsbook and brand partner casino (the “**Gambling Services**”); and (b) a browser-based version of software to facilitate gambling transactions (the “**Platform**”) in the UK and any other territories agreed in writing by the Licensors for certain users (the “**Registered Users**”), being those who: (i) access the Gambling Services; (ii) register and open an account after the date of the License Agreement; or (iii) historically have an account on the Licensee’s existing platform.

### ***Consideration***

In consideration for the services provided by both Licensors:

- the Licensee amended their License Agreement on February 1, 2021 (the “**Effective Date**”);
- the Licensee has also agreed to pay to Licensor 1, a fixed fee of £22,500.00 per month (the “**Monthly Service Charge**”), which will be invoiced monthly. Such payment shall coincide with calculation and payment of Net Profit (as defined by the Licence Agreement); and
- from the Effective Date, Licensor 2 has agreed to pay to Licensee 82.5% of the net gaming revenue every month. This will be in the way of a monthly reconciliation and to be paid within 14 days of the reconciliation being issued.

### ***Representations and Warranties***

The Licence Agreement contains standard representations and warranties made by each of the Licensee and the Licensors. The representations and warranties provided by the Licensee in favour of the Licensors relate to, among other things, its right and authority to enter into the Licence Agreement, its compliance with applicable laws and regulations, completeness and accuracy of any information provided to the Licensors for regulatory or licensing maintenance, and the fact that the offer of goods or services via the Platform does not and will not for the duration of the Licence Agreement, constitute or facilitate the encouragement, procurement or carrying out of any criminal activity. The representations and warranties provided by the Licensors in favour of the Licensee relate to their sole legal and beneficial ownership of all the rights and interests in all intellectual property rights.

### *Covenants of the Licensee*

Pursuant to the terms of the License Agreement, the Licensee has agreed with the Licensors to the following: (a) all intellectual property rights and any rights which subsist in any part of the world in any type of intellectual property rights produced by the Licensors, including altered or adapted versions of the Platform, after the Effective Date (the “**New Works**”) that derive from the use of the Platform or Gambling Services would vest in the Licensors; (b) the Licensee would assign to the Licensors the entire intellectual property rights and all other rights in any New Works, and all other rights of whatever nature, whether now known or created in the future, to which the Licensee may be entitled by virtue of the laws in force in any part of the world in such New Works, in each case for the whole term including any renewals, reversions, revivals and extensions; (c) the Licensee would not alter or amend the Platform or Gambling Services without obtaining the prior approval of the Licensors in respect of the proposed revision; (d) the Licensee would notify the Licensors in writing if any of the following matters come to its attention: (i) any actual, suspected or threatened infringement of the intellectual property rights; (ii) any claim made or threatened that the intellectual property rights infringes the rights of any third party; or (iii) any other form of attack, charge or claim to which the intellectual property rights may be; (e) subject; the Licensee will ensure its directors and/or officers hold the necessary licences or permits as required under UK gambling laws; (f) the Licensors would not grant sub-licences under the Licence Agreement; (g) without prior written consent from the other party, the Licensee may not assign or transfer any of its rights and obligations under the Licence Agreement; and (h) not to disclose for five years after the expiry of the License Agreement any confidential information concerning the business, affairs, customers, clients or suppliers of the other party.

### *Covenants of the Licensors*

Pursuant to the terms of the License Agreement, the Licensors have agreed with the Licensee to the following: (a) to make available to Registered Users the Gambling Services through the Platform but Licensors may, at its reasonable discretion, introduce changes to the content or functionality of the Gambling Services and Platform; (b) to permit access for independent auditors to obtain relevant data concerning transactions concluded by Registered Users on the Platform for the purpose of verifying the payment obligations; (c) to make available monthly reports of all Registered Users and any and all data submitted by the Registered User for the purpose of using the Gambling Services and enabling or processing transactions (the “Registered User Data”) showing numbers of new Registered Users and the revenue generated from Registered Users; (d) to make available daily and weekly reports showing numbers of new Registered Users and the revenue generated from Registered Users; (e) to provide all operational requirements in connection with the Gambling Services; (f) to provide the technical and creative work to create and maintain the Gambling Services on the Platform; and (g) to supply markets for Gambling Services, allowing the Licensee to offer their own markets exclusive to their platform with pricing exclusive to the platform.

Licensors 2 has agreed with the Licensee and Licensors 1, among other things, to only use the Registered User Data to provide the normal customer and payment support and any other services and to carry out its own functions necessary to provide the Gambling Services, and not to use the Registered User Data for marketing its own brand or any third-party products or services unless agreed in writing with the Licensee, and subject to certain exceptions under the Licence Agreement.

### *Duration and Termination*

The Licence Agreement has commenced on the Effective Date and will continue, unless terminated earlier in accordance with the Licence Agreement, for a minimum of two years. Notwithstanding the foregoing, the Licensors and the Licensee have the right to terminate the Licence Agreement on giving the other party not less than three months’ written notice of termination.

## V2 Games Interest

On April 16, 2020, FansUnite completed the acquisition of the V2 Games Interest (the “**V2 Games Interest Acquisition**”). The business purpose of the transaction was to provide FansUnite with another source of income for general working capital and operations.

See “*Regulatory Framework*”.

## V2 Games Interest Acquisition

The V2 Games Interest is comprised of:

- 50,000 common shares in the capital of GoLeague Technologies Inc.;
- 293,583 common shares in the capital of 1166117 B.C. Ltd.; and
- one half of V2 Games’ interest (the “**V2 Games Interest**”) in the Financing Agreement and Amended Financing Agreement, the totality of which such interest includes certain interest payments to which V2 Games is entitled, consisting on monthly payments of US\$25,000 from March 1, 2020 to July 1, 2020, US\$37,500 from August 1, 2020 to November 1, 2021 and US\$2,439 on January 1, 2022, for a total amount of US\$764,939 (the “**V2 Games Interest Payments**”).

In exchange for the above, the Company issued 3,142,857 Common Shares to V2 Games at a deemed price of \$0.35 each, for a total value of \$1,100,000 CAD.

For a period of fifteen (15) months following the closing of the V2 Games Interest Acquisition, all Common Shares issued pursuant thereto to V2 Games will be subject to a share restriction agreement between FansUnite and V2 Games, which will restrict V2 Games’ ability to sell, transfer or otherwise dispose of such Common Shares for a period of fifteen (15) months following the closing of the closing of the V2 Games Interest Acquisition.

V2 Games has agreed that, for a period of fifteen (15) months following the closing of the V2 Games Interest Acquisition, all Common Shares issued pursuant to the V2 Games Interest Acquisition to V2 Games will be subject to the following:

- a repurchase option, whereby, upon the occurrence of a V2 Games Triggering Event, the Company will have the right, on ten (10) business days written notice to V2 Games, to repurchase for cancellation certain Common Shares previously issued to V2 Games pursuant to the V2 Games Interest Purchase Agreement at a price of CAD \$0.00001 per Common Share; and
- the Common Shares that will be subject to such repurchase option are all of the Common Shares issued to V2 Games pursuant to the V2 Games Interest Purchase Agreement, except the Common Shares which will be released from the Company’s repurchase option (and therefore no longer subject to being repurchased by the Company), in accordance with the following schedule:
  - 261,904 Common Shares, on the four (4) month anniversary of the V2 Games Closing Date;
  - 261,904 Common Shares, on the five (5) month anniversary of the V2 Games Closing Date;
  - 261,904 Common Shares, on the six (6) month anniversary of the V2 Games Closing Date;
  - 261,904 Common Shares, on the seven (7) month anniversary of the V2 Games Closing Date;
  - 261,904 Common Shares, on the eight (8) month anniversary of the V2 Games Closing Date;

- 261,904 Common Shares, on the nine (9) month anniversary of the V2 Games Closing Date;
- 261,904 Common Shares, on the ten (10) month anniversary of the V2 Games Closing Date;
- 261,904 Common Shares, on the eleven (11) month anniversary of the V2 Games Closing Date;
- 261,904 Common Shares, on the twelve (12) month anniversary of the V2 Games Closing Date;
- 261,904 Common Shares, on the thirteen (13) month anniversary of the V2 Games Closing Date;
- 261,904 Common Shares, on the fourteen (14) month anniversary of the V2 Games Closing Date; and
- 261,913 Common Shares, on the fifteen (15) month anniversary of the V2 Games Closing Date.

On October 9, 2020 the Company renegotiated the agreement with V2, whereby V2 repurchased the V2 Games Interest in exchange for assuming \$658,212 CAD amount due by the Company to Victory Square Technologies Inc. and cancellation of 501,484 shares previously issued to V2 for the acquisition. The Company retained ownership of GoLeague Technologies Inc. which later changed their names to Pepper Esports, and was purchased by TGS Esports Inc. (TSXV: TGS) and 1166117 BC Ltd, doing business as Cash Live Poker.

## **Askott**

### ***Askott Acquisition***

On August 11, 2020, the Company completed the Askott Acquisition. The Askott Acquisition was completed pursuant to the AEI Amalgamation Agreement.

Pursuant to the Askott Acquisition:

- The Board continued to be composed of five members. Duncan Peter McIntyre, Saxon Tudor Shadforth, and Shafin Diamond Tejani resigned as directors of FansUnite and were replaced with Scott Burton, founder and former CEO Askott, James Keane, and Chris Grove.
- Scott Burton, CEO of Askott, became the CEO of FansUnite and Darius Eghdami became the President of FansUnite. Jeremy Hutchings, the former CTO of Askott, became the CTO of FansUnite, Ian Winter, the former COO of Askott, became the COO of FansUnite and management of FansUnite will otherwise remain the same. Duncan Peter McIntyre has resigned as COO of FansUnite.
- Existing Askott shareholders received 1.9193 Common Share for each Askott Share held at closing, representing an implied valuation of C\$0.7485 per Askott Share, and resulting in the issuance of an aggregate of 71,171,212 Common Shares at a price of C\$0.39 per FansUnite 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 Common Shares at an exercise price of approximately C\$0.32 per Common Share with expiry date on May 31, 2023 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 C\$0.26 to C\$0.32 per Common Share, with expiry dates between September 27, 2020 and January 1, 2025.
- FansUnite has issued an aggregate of 12,712,115 Common Shares at a price of C\$0.40 per FansUnite Share upon exchange of the Askott Shares issued in connection with the previously announced Askott Private Placement of Subscription Receipts for C\$5,009,846. 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.

- A total of \$4,514,585.94 from the Askott Private Placement was released from escrow.
- FansUnite has 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 FansUnite of Askott's obligations to Haywood for advisory services related to the Askott Acquisition.
- The 71,171,212 Common Shares issued to existing Askott shareholders pursuant to the Askott Acquisition are subject to the following contractual hold periods: (i) 10% are not be subject to any hold period, (ii) 15% are subject to a hold period expiring September 5, 2020, (iii) 25% are subject to a hold period expiring November 5, 2020, (iv) 25% are subject to a hold period expiring February 5, 2021, and (v) 25% are subject to a hold period expiring May 5, 2021.

### ***Askott Business***

Askott is a Vancouver based software development company with a team that has been building online gambling software since 2013. Askott has produced a proprietary gaming platform, Chameleon Gaming Platform, with an esports first focus geared toward the next generation of online bettors and casino players. Askott also developed the first dedicated esports daily fantasy site, [esportspools.com](http://esportspools.com). [Esportspools.com](http://esportspools.com) quickly grew to 200,000 registered users around the world. In addition to developing its technical infrastructure, Askott has been focused on integrating with top service providers and building out the footprint required to compete with other gaming companies.

The two primary products or services in Askott are The Chameleon Gaming Platform and Askott Games.

*The Chameleon Gaming Platform* — The Chameleon Gaming Platform is a full suite sports betting and casino platform which includes products for pre-match betting, in-play betting, daily fantasy, content and a suite of certified casino style chance games. Askott employs the Chameleon Gaming Platform for its own free-to-play internal brands, as well as signing external real-money partners onto the platform. The platform is currently ready for commercialization and is launching with partners in regulated jurisdictions.

*Askott Games* — Askott is also the developer of proprietary casino style RNG games that it is now beginning to offer to its games for commercialization. Askott Games studio is located in Malta and currently has 4 titles completed and a 5th in development. Askott Games signed a partnership with The Ear Platform to integrate Askott Games into their aggregator, giving 120+ sportsbooks and casinos focused on the European market access to Askott Games through a single integration. Further, Askott Games will also be hosted on the Chameleon Platform for future partners. The Ear Platform is currently integrating the games into their platform and are expected to be launched in their aggregator in 2021.

The Company developed and owns all of technology related to both the Chameleon Gaming Platform and Askott Games.

### ***Askott Licenses***

On December 4, 2020, a B2B Critical Gaming Supply License was granted to Askott Malta by the MGA and a B2C Gaming Service License was granted to E.G.G. by the MGA. Both licenses granted by the MGA are effective as of December 1, 2020 and have a ten (10) year term. On March 4, 2021, the Company announced that Askott Malta and E.G.G. have filed applications for both B2B and B2C gambling licenses, respectively, with the U.K. Gambling Commission. See "*Regulatory Framework*".

Although FansUnite owns certain software applications, experimental scientific research and technological development, they hold no formal intellectual property registrations. FansUnite relies on unregistered trade secrets and copyright protection, where applicable, in addition to standard confidentiality and non-disclosure protections when dealing with third parties.

### **License Agreement with Money Line**

The Company and Money Line intend that the Money Line platform will implement a diverse revenue model to include a subscription-based pay-for-view framework for premium sports content, a syndicated television show, a rapidly-growing affiliate marketing business focused on customer acquisition for sports betting in Europe and additional jurisdictions. They also intend that cryptocurrencies will be accepted on FansUnite's wagering system as a payment option alongside fiat, providing loyalty and rewards for conversion from PayPal and fiat currency on the Money Line Network. see *"General Development of the Business of the Company — Three Year History"*.

### **Specialized Skill and Knowledge**

The development, design, marketing and distribution of FansUnite's current product offerings require specialized skills and knowledge, particularly in software architecture, development, conceptualization and graphic design, as well as in the online casino and betting lines of operation. FansUnite believes it has personnel with the required specialized skills and knowledge to carry out its operations. While the current labor market in the industries and locations in which FansUnite operates is highly competitive, FansUnite expects to, but there can be no assurance that it will attract and maintain appropriately qualified employees for fiscal year 2021. If FansUnite fails to attract and maintain appropriately qualified employees, its business, financial condition and operating results could be materially adversely affected.

### **Competitive Conditions**

The industries in which FansUnite currently operates are highly competitive, constantly evolving and subject to regulatory and rapid technological change. FansUnite faces significant competition in all aspects of its business and competes for customers with other online (including mobile) and land-based gaming and interactive entertainment developers and operators based on many factors, including the quality of the customer experience, brand awareness, reputation, security, integrity and access to other distribution channels. Although FansUnite believes that it competes favorably, its competitors could develop more compelling product offerings, services or content, which could adversely affect FansUnite's ability to attract and retain customers. As FansUnite introduces new product offerings, its existing products evolve, or other companies introduce new product offerings or merge with competitors into larger entities, FansUnite may become subject to additional and/or more intense competition. FansUnite's competitors, whether known or unknown, may also take advantage of large user and customer bases, networks through social networks, and third-party relationships to grow rapidly.

Many competitors specialize in offering online gaming and interactive entertainment products, including developers for online, mobile and social networks, operators of regulated and unregulated online real-money gaming, casino, fantasy, developers for consoles and other platforms, and other forms of media, content and entertainment. FansUnite's competitors range from small, localized companies to large multinational corporations. These competitors include large companies, certain government operators and smaller operators in specific regions. There is also increasing competition with social and video gaming companies as well as interactive content and media companies, which provide monetized interactive entertainment offerings that compete with real-money online gaming companies for time and wallet share of consumers.

FansUnite's ability to compete effectively with its competitors is based on a number of factors, including its ability to (i) maintain its strong reputation among its customers and brand awareness, (ii) continue to grow its large customer base and customer engagement across existing and new lines of operation, (iii) provide

comprehensive and varied gaming and entertainment offerings at competitive prices, (iv) provide a superior customer experience, including through appropriate responsible gaming policies and related customer support tools, promotions, incentives, features, customer protections, and effective software development and efficient back-office infrastructure, customer service, payment processing, security and integrity, as applicable, (v) develop product offerings designed for distribution across multiple channels and to new, large audiences with superior functionality and efficient implementation, including through the use of innovative architecture and technologies that FansUnite believes will result in a higher degree of customer acceptance and player preference, (vi) successfully promote the regulation of online gaming, and maintain its existing and obtain new licenses or approvals to operate and offer online gaming in existing and new jurisdictions, as applicable, and (vii) maintain a strong culture of environmental, social and corporate responsibility.

### **Intangible Properties**

Developed technology consists of the Chameleon Platform and RNG games acquired in the Askott Acquisition. Intellectual property consists of gaming licenses, Askott and McBookie customer lists, and McBookie trade name.

FansUnite owns a number of intangible assets, both directly and through its wholly owned subsidiaries. Some assets, such as the Chameleon Gaming Platform and Askott Games technology, are expected to be constantly worked on and improved while in operation, and as such the useful life is difficult to determine. Management estimates these technologies to be in operation for at least 15 years as of the date of this filing. The customer lists of both Askott and McBookie are extremely important to the operation of both brands, particularly McBookie as its main business is a B2C website. Given the nature of the industry, management estimates the useful life of these customer lists to be two years. The McBookie trade name and Gaming Licenses allow the Company to operate and develop brand loyalty, and the importance of keeping both the McBookie brand as well as the gaming licenses in good standing will be a continual focus for management.

### **Cycles, Seasonality and Other Factors Impacting the Business**

FansUnite's business can fluctuate due to sporting fixtures and results, seasonal trends, and other factors. The betting operations (and thus the financial performance) of FansUnite are also subject to the seasonal variations dictated by various sports calendars. A significant portion of FansUnite's betting revenue is and will continue to be generated from bets placed on soccer, which has an off-season in the summer that can cause a corresponding temporary decrease in its betting revenues, and betting on horse racing, which is reliant on major events throughout the year. FansUnite's revenues may also be affected by the scheduling of major sporting events that do not occur annually, such as the FIFA World Cup and the UEFA European Championships and other major sporting events globally such as the Olympics. In addition, certain individuals or teams advancing or failing to advance and their scores and other results within specific tournaments, games or events may impact FansUnite's financial performance.

With respect to online betting, revenues generally fluctuate in line with wagering levels and associated win margins (or the total customer wagers less customer winnings as a proportion of the total amount wagered). However, the impact on revenues may be mitigated by the impact of win margins on amounts wagered, which can fluctuate inversely with such margins. As a result, prolonged periods of high win margins can negatively impact customer experience, enjoyment and engagement levels, thus resulting in lower customer betting and/or gaming activity levels. Conversely, while periods of low win margins tend to negatively impact revenues, this may be partially mitigated by increased customer wagering volume (generally referred to as recycling of winnings) due to the positive impact of customer-favorable results on customer experience, enjoyment and engagement. Further, changes to FansUnite's use of various offsets to revenues including free bets, bonuses and promotions, and/or loyalty program rewards impact reported revenue, which could also cause fluctuations. As such, results for any quarter are not necessarily indicative of the results that may be achieved in another quarter or for the full fiscal year. There can be no assurance



that the seasonal trends and other factors that have impacted FansUnite's historical results will repeat in future periods as it cannot influence or forecast many of these factors.

### **Economic Dependence**

Through the License Agreement, the Licensors have granted McBookie a non-exclusive licence to use certain intellectual property rights in relation to: (a) the Gambling Services; and (b) the Platform in the UK and other agreed territories for Registered Users. The Licensors and McBookie have the right to terminate the Licence Agreement on giving the other party not less than three months' written notice of termination. See "*Business of the Company — McBookie — Technology: Summary of Licence Agreement*".

Any unanticipated termination of the Licence Agreement, or the occurrence of any one or more operational risks (including issues with, or availability of, the Platform) would have an adverse impact on the McBookie's future cash flows, earnings, results of operations and financial condition while the Company searches for a new platform provider to provide the related Gambling Services. See "*Risk Factors — Risks related to the Company — Operational Risks*", "*Risk Factors — Risks related to the Company — Risks related to Technical Infrastructure and Disruption in Services*" and "*Risk Factors — Risks related to the Company — Reliance on McBookie's License Agreement*".

### **Foreign Operations**

The Company has entities in Malta for the purpose of licensing and the Askott Games Studio. The Company has offices in the UK for the McBookie business operation. The majority of the Company's revenue comes from the UK, through McBookie. See "*Risk Factors — Risks related to the Company — Reliance on McBookie's License Agreement*".

### **Employees**

As of December 31, 2020, the Company had 21 employees. Of these employees, were employed in positions, were employed in sales and marketing positions, were employed in general and administrative positions, were employed in positions, and the remaining employees were engaged in aspects of the business.

## **REGULATORY FRAMEWORK**

### **General**

The operation of online (including mobile) real-money betting and gaming in jurisdictions with a legal and regulatory framework covering those activities is typically subject to extensive approval, regulation and monitoring by various federal, state, provincial and other responsible local authorities (collectively, "**Gaming Authorities**"). Applicable gaming laws generally require FansUnite to undergo extensive due diligence and demonstrate its suitability to obtain a gaming license from the responsible gaming authorities.

The criteria used by gaming authorities to make determinations as to the suitability of an applicant to conduct gaming varies among jurisdictions, but generally requires extensive and detailed application disclosures followed by a thorough investigation. Gaming authorities have broad discretion in determining whether an applicant should be found suitable to be licensed to conduct gaming in their respective jurisdiction.

In addition, there are various other factors associated with its gaming operations that could prove challenging to FansUnite's business, including compliance with multiple, and sometimes conflicting, regulatory requirements, jurisdictional challenges with respect to contract enforcement, foreign currency risks, certain restrictions on gaming activities, potentially adverse tax risks and tax consequences, and changes in the political and economic stability, regulatory and taxation structures and the interpretation

thereof in the jurisdictions in which FansUnite and its licensee subsidiaries operate or otherwise offer their product offerings. Any or all of such factors could have a material adverse effect on FansUnite's business, operating results and financial condition. See also "*Risk Factors – Risks Related to the Business*". Further, as a public company FansUnite is required to, among other things, maintain effective internal controls over its financial reporting and disclosure controls and procedures, maintain systems for accurate record keeping and maintain strict compliance with applicable laws and regulations.

## **Regulation of FansUnite's Business**

FansUnite, through McBookie, provides online (including mobile) real-money betting and gaming services in the United Kingdom. FansUnite intends to expand its operations to offer gaming services in certain jurisdictions in the EU (under its Maltese gaming licenses), the United States and Canada, the particulars of each of which are set out below.

### ***United Kingdom***

The Company provides B2C online (including mobile) real-money betting and gaming services in the U.K. through its wholly-owned McBookie subsidiary.

McBookie's gaming and betting business is and shall be conducted subject to provisions of The Gambling Act (2005 c 19) (the "**Gambling Act**"). This is an Act of the Parliament of the U.K. It mainly applies to England and Wales, and to Scotland, and is designed to control all forms of gambling. The Gambling Act also created the Gambling Commission which licenses, supervises and regulates and assists with the enforcement of gaming and betting activities provided in the U.K.

The Gambling Act is designed to prevent gambling from being a source of crime or used to support criminal activity. The Act also aims to ensure gambling is conducted in a fair and transparent manner. The Gambling Act, and the licensing regime that exists pursuant to its legal framework, is also intended to promote responsible gambling and reduce incidences of problem gambling, and protect children and vulnerable people from being harmed or exploited by gambling.

McBookie is currently operating under a license issued by the U.K. Gambling Commission. McBookie only accepts players located in the U.K. and only in compliance with the Gambling Act and Regulations and other restrictions set out in its license. More particularly, McBookie's technology platform conducts age verification and other know your client checks on prospective customers prior to their opening accounts. McBookie's advertising and marketing is conducted pursuant to standards set by the U.K. Advertising Standards Authority ("**ASA**"). The ASA is the U.K.'s independent regulator of advertising across all media. The ASA applies the Advertising Codes, which are written by the Committees of Advertising Practice and can take action to ban ads and marketing practices that are deemed to be in violation of the Codes. Advertising restrictions related to McBookie's business are designed to ensure that marketing communications for gambling products are socially responsible, with particular regard to the need to protect children, young persons under 18 years of age and other vulnerable persons from being harmed or exploited by advertising that features or promotes gambling.

### ***Malta***

As of the date hereof, FansUnite does not provide any online (including mobile) real-money betting and gaming services pursuant to its Maltese gaming licenses. Malta is a full member of the European Union. The Malta Gaming Authority ("**MGA**") is the gaming regulator for Malta. The MGA stated mandate is to regulate competently the various sectors of the gaming industry that fall under the MGA authority by ensuring gaming is fair and transparent to the players, preventing crime, corruption, and money laundering and by protecting minor and vulnerable players.

On December 4, 2020, a B2B Critical Gaming Supply License was granted to Askott Entertainment (Malta) Ltd., as licensee, by the MGA and a B2C Gaming Service License was granted to E.G.G. Limited, as licensee, by the MGA.

#### *Critical Gaming Supply License*

A Critical Gaming Supply License (the “**CGS License**”) was granted to Askott Entertainment (Malta) Ltd., as licensee, by the MGA. The CGS License is a B2B license that, under Maltese law, enables FansUnite to sell or license its proprietary software to a broad spectrum of licensed sports betting and iGaming operators throughout the EU or European Economic Area (“**EEA**”) (which excludes the UK).

The following is a summary of the material terms and conditions of the CGS License and does not purport to be a complete summary of the CGS License and is qualified in its entirety with reference to the full text of the CGS License — readers should read this summary in conjunction with the complete CGS License:

- the CGS License was granted for a ten (10) year term — effective on December 1, 2020 and expiring on December 1, 2030 (unless otherwise revoked, cancelled or terminated);
- upon expiration, the CGS License may be renewed by the MGA for further ten (10) year periods subject to the provisions of the applicable regulatory instruments;
- the CGS License was granted subject to all the provisions of Gaming Act (Chapter 583 of the Laws of Malta) (the “**Gaming Act**”), the Gaming Authorisations Regulations (S.L. 583.05) (the “**Gaming Regulations**”) and all other regulatory and binding instruments, as well as any other law which may be applicable from time to time;
- the licensee shall submit the Declaration of Go-Live form no less than two (2) working days before launching operations. Should the licensee remain non-operational for a period exceeding thirty (30) days from when the CGS License is issued, it shall apply for a voluntary suspension of the CGS License in term of the applicable regulatory instruments;
- the licensee shall successfully complete an audit in terms of regulation 6 of the Gaming Compliance and Enforcement Regulations and any other applicable regulatory instruments and policies in place at the time. The expense of such audit shall be borne by the licensee and shall be conducted and successfully completed within the first twelve (12) months after issuance of the CGS License;
- the licensee shall offer the critical gaming supply solely to persons or entities that are licensed by the MGA or the competent regulator in another jurisdiction within the EU or EEA, or in another reputable jurisdiction where the MGA has an agreement with the relevant regulator. The licensee may also offer the critical gaming supply to persons or entities licensed by the competent regulator in another reputable jurisdiction, where the licensee has justifiable reasons to be satisfied that the person or entity to which it is providing its critical gaming supply is subject to regulatory safeguards and supervision which are comparable to those of the MGA, such that the licensee’s integrity shall not be compromised; and
- any critical gaming supplies being used by the licensee that are not in possession of the relevant MGA licence or an equivalent licence issued by a competent Authority in an EU/EEA Member State must be removed from MGA-licensed gaming supplies and services unless they obtain the relevant MGA licence. Providers of critical gaming supplies having an EU/EEA licence must be removed from MGA-licensed gaming supplies and services.

#### *Gaming Service License*

A Gaming Service License (the “**GS License**”) was granted to E.G.G. Limited, as licensee, by the MGA. The GS License is a B2C license that allows FansUnite, under Maltese law, to operate its own brands and game offerings within the EU or EEA market. In addition, FansUnite gained rights under its licence to provide full white label services to partners, eliminating the need for them to undergo the licensing process,

software testing procedures, payment processing configurations and banking requirements that would otherwise be required of those partners in Malta and some other jurisdictions.

The following is a summary of the material term and conditions of the GS License does not purport to be a complete summary of the GS License and is qualified in its entirety with reference to the full text of the GS License — readers should read this summary in conjunction with the complete GS License:

- the GS License was granted for a ten (10) year term — effective on December 1, 2020 and expiring on December 1, 2030 (unless otherwise revoked, cancelled or terminated);
- upon expiration, the GS License may be renewed by the MGA for further ten (10) year periods subject to the provisions of the applicable regulatory instruments;
- the GS License was granted subject to all the provisions of the Gaming Act, the Gaming Regulations and all other regulatory and binding instruments, as well as any other law which may be applicable from time to time;
- all dues owed in terms of the Gaming Licence Fees Regulations (S.L. 583.03) and all dues owed in terms of the Gaming Tax Regulations (S.L. 583.10) are due from the effective date of the GS License;
- the licensee shall submit the Declaration of Go-Live form no less than two (2) working days before launching operations. Should the licensee remain non-operational for a period exceeding thirty (30) days from when the GS License is issued, it shall apply for a voluntary suspension of the GS License in term of the applicable regulatory instruments;
- the licensee shall display on the relevant site, without alteration, the Dynamic Seal of Authorisation, as issued by the MGA;
- the licensee shall successfully complete an audit in terms of regulation 6 of the Gaming Compliance and Enforcement Regulations and any other applicable regulatory instruments and policies in place at the time. The expense of such audit shall be borne by the licensee and shall be conducted and successfully completed within the first twelve (12) months after issuance of the GS License;
- the licensee must exercise due care in selecting the markets in which to pursue its activities and the advertising thereof, ensuring that the activity is underpinned by justifiable arguments;
- the licensee shall ensure that the person who desires to obtain the MGA's approval to perform the AML/CFT key function, in accordance with article 8 of the Authorisations and Compliance Directive, is duly registered as the licensee's Prospective MLRO with the FIAU forthwith and not later than 10 days following the issuance of the GS License, notwithstanding that the application for the Key Function might still be at the processing stage; and
- any critical gaming supplies being used by the licensee that are not in possession of the relevant MGA licence or an equivalent licence issued by a competent Authority in an EU/EEA Member State must be removed from MGA-licensed gaming supplies and services. Providers of critical gaming supplies having an EU/EEA licence must be removed from MGA-licensed gaming supplies and services until they obtain the relevant Authorisation.

## ***North America***

### ***Canada***

As of the date hereof, FansUnite does not provide any online (including mobile) real-money betting and gaming services in Canada.

FansUnite's operations are located in Vancouver, British Columbia. Gaming and betting laws in Canada are set out federally in Part VII of the Criminal Code (RSC 1985, c C-46) and on a province by province

basis under each province's gaming legislation. Provincial law is usually focused on the regulation of gaming and betting activity conducted within the subject province.

FansUnite's Canadian operations include the development of gaming and betting technology and the intended sale or license of that technology to third party company's authorized to use and deploy that technology in and from jurisdictions where the use and deployment of that technology is lawful pursuant to those third parties' applicable gaming licenses or other legal mandates. Should FansUnite decide to accept bets directly on its platform, it will only do so in jurisdictions where it would be lawful for it to do so and only pursuant to a license or other legal authority it has to accept bets.

The Part VII of Canada's federal Criminal Code, R.S.C., 1985, c. C-46 (the "**Code**") primarily prohibits the operation or marketing from within Canada of betting and gaming products or services, lotteries, and pools. Part VII also prohibits certain activities in furtherance of those activities. Notably, section 207(1)(h) provides a broad exemption to certain provisions of other provisions of Part VII. Specifically, the section allows for the making of anything related to gaming and betting that is to be used in a place where it is or would, if certain conditions provided by law are met, be lawful to use such a thing. FansUnite makes gaming and betting technology which is to be used in places where it is or would be lawful pursuant to a government license or other authority.

*The British Columbia Gaming Control Act* [SBC 2002] Chapter 14, regulates gaming and betting activity in the province of British Columbia. The Act primarily concerns itself with the offering of gaming and betting products and services from within British Columbia to the B.C. market. As stated above, FansUnite does not accept bets from Canadian or B.C. residents. Furthermore, FansUnite is of the opinion that its operation is enabled by section 207(1)(h) of the federal Criminal Code, which by way of paramountcy doctrine, would trump any purported application of the Gaming Control Act to FansUnite's current operations.

#### *Canadian Regulatory Changes*

Two significant changes are currently proposed to Canada's gaming and betting regulatory landscape.

The first is Canada's proposed legalization of single-event sports betting. Historically, the Canadian Criminal Code has only permitted wagers on the outcome of multiple events. Bill C-218, known as Canada's *Safe and Regulated Sports Betting Act*, would change this to legalize single-event sports betting in Canada. The bill was voted on and passed at third reading in the House of Commons on April 22, 2021. On June 9, 2021, the Bill passed second reading in the Senate.

It should be noted, however, that Bill C-218 only removes the prohibition on single-event betting in the Canadian Criminal Code. Companies wishing to offer betting on individual events must obtain licensing from the provinces through regulated gaming regimes administered by individual provinces. Currently such online gaming and betting services are only offered to the public by Canadian provinces directly, no Canadian provinces have a regulated online gaming regime in place which allows private, third party operators to offer gaming services to the public directly on a B2C basis.

The second major change to the regulatory landscape is a proposed change to Ontario's online gaming and betting framework regime that would allow private, third party operators to offer gaming services to the public in conjunction with the Alcohol and Gaming Commission of Ontario ("**AGCO**"). In the past, Ontario Lottery and Gaming Corporation ("**OLG**") was the sole entity responsible for conducting and managing all gaming activity in and for the province. The new changes will divest OLG of its 'conduct and manage' mandate, and AGCO will take over that role and commence a licensing process through which private, third-party operators may provide their products and services directly to Ontario residents.

As of the date hereof, the AGCO is undergoing a public consultation process with industry stakeholders to determine the terms of the new licensing regime. It is expected that the process will be finalized and private, third-party operators will be able to apply to offer gaming products directly to the public through the process

supervised by the AGCO in Q4 of 2021. Specifically, companies can commence making application for registration with the AGCO on September 1, 2021, and it is expected registered operator may commence accepting bets from Ontario resident on December 6, 2021.

As of the date hereof, FansUnite intends to register with the AGCO to become an approved B2C and B2B provider of gaming and betting products and services to the Ontario market.

#### *United States of America*

As of the date hereof, FansUnite does not provide any online (including mobile) real-money betting and gaming services in the United States.

In the United States, the repeal of the Professional and Amateur Sports Protection Act in 2018 has created a wave of newly regulated States across the United States' gaming market. Accordingly, companies seeking to gain market entry into these States face massive regulatory processes to obtain operational licenses. The United States legalized gaming industry is State-regulated, meaning companies need to file for a license or registration to provide their gaming products or services for each on a state by state basis.

FansUnite's strategy is to enter different U.S. jurisdictions, beginning with New Jersey, once it complies with applicable regulatory processes. The Company has engaged the services of a U.S. gaming law firm to collaborate with OneComply Inc. ("**OneComply**") assisting FansUnite with its. U.S. licensing strategy.

The Company intends to introduce its esports gaming platform to the U.S. regulated market through its partnership with GameCo, whereby GameCo is an official reseller of FansUnite's esports betting platform and is able to leverage GameCo's gaming licenses it holds in almost thirty jurisdictions including, New Jersey and Nevada in the United States.

#### *General (North America)*

FansUnite has partnered with Vancouver-based OneComply, a compliance and licensing solution, to assist FansUnite as it enters additional North American legalized gaming jurisdictions by advising on protocol and strategy.

FansUnite has signed an agreement with Gaming Laboratories International ("**GLI**"), to assess the Company's online betting offerings for certain compliance and certification assessments. To complete GLI's assessment, FansUnite will undergo world-class testing procedures for its leading iGaming and sports betting solutions, such as the Chameleon Gaming Platform and Askott Entertainment's suite of RNG games, with the goal of enabling FansUnite to deliver its online gambling products to various States in the U.S. and Provinces in Canada that require gambling firms to be compliant with GLI standards. Any additional unique technical requirements that States and Provinces may require can be tested by GLI in parallel, making for the most efficient certification process and allowing for FansUnite to enter markets more expeditiously.

### **RISK FACTORS**

*The following specific factors could materially adversely affect the Company and should be considered when deciding whether to make an investment in the Company. The risks and uncertainties described in this AIF and the information incorporated by reference herein are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows, and consequently the price of the Common Shares could be materially and adversely affected. In all these cases, the trading price of our securities could decline, and prospective investors could lose all or part of their investment.*

***Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision.***

## **General**

A purchase of any of the securities of the Company involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should evaluate carefully the following risk factors associated with an investment in the Company's securities prior to purchasing any of the securities.

## **Risks Related to the Company**

### ***Limited Operating History***

FEI began carrying on business in 2017 and has not yet generated material income. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations.

### ***Global Economic Risk***

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, the Company is subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and trading price of the Common Shares on the stock exchange.

### ***COVID-19 Risk***

The Company's business could be significantly adversely affected by the effects of any widespread global outbreak of contagious disease. A significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn and cancellation of sport events that could affect demand for the Company's services and likely impact operating results. In particular, the recent outbreak of the novel coronavirus ("**COVID-19**") has had a negative impact on global financial conditions. The Company cannot accurately predict the impact COVID-19 will have on the Company's ability to remain open in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries; and future demand of the Company's products. In the event that the prevalence of the coronavirus continues to increase (or fears in respect of the coronavirus continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and the Company's operations, suppliers, customers and distribution channels, and ability to advance its projects, could be adversely affected. In particular, should any employees or consultants of the Company become infected

with COVID-19 or similar pathogens, it could have a material negative impact on the Company's operations and prospects.

### ***Changing Economic Conditions***

The demand for entertainment and leisure activities, including gaming, can be highly sensitive to changes in consumers' disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond the Company's control. Unfavorable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and increasing fuel or transportation costs or the perception by customers of weak or weakening economic conditions, may reduce customers' disposable income or result in fewer individuals engaging in entertainment and leisure activities, such as online gaming. As a result, the Company cannot ensure that demand for its product offerings will remain constant. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities, such as gaming. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could adversely affect the demand for the Company's product offerings, reducing its cash flows and revenues. If the Company experiences a significant unexpected decrease in demand for its product offerings, its business may be harmed.

### ***Economic Environment***

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company's sales and profitability. As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Company's management.

### ***Risks Associated with Acquisitions***

As part of the Company's overall business strategy, the Company 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 Company'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.

### ***Operational Risks***

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; difficulty to obtain banking and payment processing for companies involved in online gambling; difficulty in obtaining gaming licenses for gaming platforms using blockchain technologies; changing online gaming regulatory environment with previously open markets becoming closed, or adopting prohibitive regulations; markets adopting point of consumption tax regimes that can render some markets less lucrative over time; cost of player acquisition and likelihood to recoup value based on player lifetime values; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is



no assurance that the foregoing risks and hazards will not result in personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. Additional operational risks are outlined below.

### ***Risks Relating to Blockchain Technologies***

It is possible that digital currencies may become less popular among the public. They may also be subject to volatility and fluctuations in price, driving away customer demand to use digital currencies, or trade in digital currencies. Any of these events may have a material adverse effect on our business, financial condition and results of operations. Digital currencies and technology in respect of distributed ledger, also known as blockchain technology, is relatively new. Because the technology is in its infancy and its applications are new, there is a certain level of general uncertainty with respect to the technology and its applications. In addition, because the technology is new, it is not widely understood, including among government regulatory agencies. The industry is changing rapidly and as a result of these factors, there may be events, developments or changes in the industry or in the law that are unforeseen that could affect our future market position and performance or our ability to operate.

### ***Risks Relating to Cryptocurrency Transactions***

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred tokens may be irretrievable. Coin transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of a coin or a theft of coin generally will not be reversible and the Company may not be capable of seeking compensation for any such transfer or theft. Although the Company's transfers of tokens will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft or criminal action, the Company's tokens could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

***The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.***

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect the Company's operations. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;
- Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;

- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception of cryptocurrencies.

### ***Liquidity and Volatility Risks in Cryptocurrency***

The markets for cryptocurrencies have experienced much larger fluctuations than other security markets. There can be no assurances that cryptocurrency price might show erratic swings in the future, which could be related not only to improper payment activities involving cryptocurrency but also regulations by law makers in various countries. Furthermore, cryptocurrencies have not been widely adopted as a means of payments for goods and services by the majority of retail and commercial outlets. A significant portion of the demands for cryptocurrency is generated by investors and speculators focusing on generating profits by buying and holding cryptocurrency which might create limitations on the availability of cryptocurrencies to pay for goods and services resulting in increased volatility of cryptocurrency which could adversely impact an investment in FansUnite. Volatility and fluctuations in price may drive away customer demand to use digital currencies, or trade in digital currencies increasing the risk of being able to liquidate cryptocurrency assets.

Several factors may affect the volatility and liquidity of cryptocurrency, including, but not limited to: (a) global cryptocurrency demand depending on the acceptance of cryptocurrency by retail merchants and commercial businesses, the perception that the use and holding of cryptocurrency is safe and secure as well as the lack of regulatory restrictions; (b) investor's expectations with respect to the rate of inflation; (c) interest rates; (d) currency exchange rates, including exchange rates between cryptocurrency and fiat currency; (e) fiat currency withdrawal and deposit policies on cryptocurrency exchanges and liquidity on such cryptocurrency exchanges; (f) Interruption of services or failures of major cryptocurrency exchanges; (g) large investment and trading activities in cryptocurrency; (h) monetary policies of governments, trade restrictions, currency de- and revaluations; (i) regulatory measures restricting the use of cryptocurrency as a form of payment or the purchase of cryptocurrency; (j) global or regional political, economic or financial events and situations, including increased threat of terrorist activities; and/or (k) self-fulfilling expectations of changes in the cryptocurrency market.

Any of these events may have a material adverse effect on our business, financial condition and results of operations.

### ***Cybersecurity Risks***

Our operations involve the storage and transmission of customer data, including personally identifiable information, and security incidents could result in unauthorized access to, the loss of, or unauthorized disclosure of such information. To mitigate cybersecurity risks, we have built a technical team headed by our lead developer which has designed and maintains our technology platform from a security perspective. We do not currently have cybersecurity insurance.

Although we have security systems in place and what we deem sufficient security around our system to prevent unauthorized access, we must ensure that we continually enhance security and fraud protection within our websites and merchant platform, and if we are unable to do so we may become subject to liability for privacy breaches or consequences that result from any unanticipated incident. As a result of advances in computer capabilities, new discoveries in the field of cryptography or other developments, a compromise or breach of our security precautions may occur. The techniques used to obtain unauthorized, improper or illegal access to our systems, our data or our customers' data and to sabotage our system are constantly evolving and may be difficult to detect quickly. An information breach in our system and loss of confidential information such as credit card numbers and related information, or interruption in the operation of our apps, could have a longer and more significant impact on our business operations than a hardware failure. A compromise in our security system could severely harm our business by the loss of our customers' confidence in us and thus the loss of their business. We may be required to spend significant funds and

other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. However, protection may not be available at a reasonable price, or at all. Any failure to adequately comply with necessary protective measures could result in fees, penalties and/or litigation. Concerns regarding the security of e-commerce and the privacy of users may also inhibit the growth of the internet as a means of conducting commercial transactions. This may result in a reduction in revenues and increase our operating expenses, which would prevent us from achieving profitability.

### ***Financial Projections May Prove Materially Inaccurate or Incorrect***

The Company's financial estimates, projections and other forward-looking information accompanying this document were prepared by the Company without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking statements. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should inquire of the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events.

There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operational expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Company and its subsidiaries might achieve.

### ***Difficulty to Forecast***

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the gaming and interactive entertainment industries. A failure in the demand for its services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of the Company.

### ***Competition General***

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and client support.

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

The industries within which the Company will operate are rapidly evolving and intensely competitive, and are subject to changing technology, shifting user needs, and frequent introductions of new offerings. The Company'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 Company, which could negatively impact its business. Furthermore, new competitors, whether licensed or not, may enter the Company's key product and/or geographic markets. There is no assurance that the Company will be able to maintain or grow its position in the marketplace.

As a result of the foregoing, among other factors, the Company 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 Company 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 Company cannot efficiently adapt its processes and infrastructure to meet the needs of its product offering innovations, its business could be negatively impacted.

### ***Management of Growth***

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

### ***Reliance on Management***

The success of the Company will be dependent upon the ability, expertise, judgment, discretion, and good faith of its key executives, including the directors and officers of the Company and a small number of highly skilled and experienced executives and personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, or financial condition. The competition for highly skilled technical, research and development, management and other employees is high and there can be no assurance that the Company will be able to engage or retain the services of such qualified personnel in the future.

Furthermore, equity-based awards comprise a key component of executive and senior management compensation, and if the Company's common share price declines or is volatile, it may be difficult to retain such individuals. The Company's retention and recruiting may require significant increases in compensation expense, which may adversely affect its results of operation.

### ***Risks Relating to Insurance***

The Company intends to insure its operations in accordance with technology industry practice. However, given the novelty of cryptocurrency and associated businesses, such insurance may not be available, uneconomical for the Company, or the nature or level may be insufficient to provide adequate insurance cover. Further, FansUnite will not insure against cyber-theft or hacking attacks. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Company.

### ***Risks related to Technical Infrastructure and Disruption in Services***

FansUnite's reputation and ability to attract, retain and serve its customers depends in part upon the reliable performance and availability of its product offerings and its underlying technical infrastructure. FansUnite devotes significant resources to network and data security, including through the use of cryptographic controls and other security measures intended to protect its systems and data. However, FansUnite's systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to its business. If FansUnite's product offerings are unavailable when customers attempt to access them, or if they do not load as quickly as expected, customers may not use them as often in the future, or at all. If FansUnite's customer base and engagement

continue to grow, and the amount and types of product offerings continue to grow and evolve, it will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy its customers' needs. Such infrastructure expansion may be complex, and unanticipated delays in completing these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of FansUnite's product offerings. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after FansUnite has started to fully use the underlying equipment or software, that could further degrade the customer experience or increase its costs. As such, FansUnite could fail to continue to effectively scale and grow its technical infrastructure to accommodate increased demands.

In addition, FansUnite's business may be subject to interruptions, delays or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, cyber-attacks or other catastrophic events. FansUnite has contingency plans in place to prevent or mitigate the impact of these events. However, if such an event were to occur, customers may be subject to service disruptions or outages and FansUnite may not be able to recover its technical infrastructure and customer information in a timely manner to restart or provide its product offerings, which may adversely affect its financial results.

A substantial portion of FansUnite's network infrastructure is provided by third parties, including internet service providers and other technology-based service providers. FansUnite requires its technology-based service providers to implement cyber-attack-resilient systems and processes. However, if internet service providers experience service interruptions, including because of cyber-attacks, communications over the internet may be interrupted and impair FansUnite's ability to conduct business. Internet service providers and other technology-based service providers may in the future roll out upgraded or new mobile or other telecommunications services, such as 5G or 6G services, which may not be successful and thus may impact the ability of FansUnite's customers to access its product offerings. In addition, FansUnite's ability to process e-commerce transactions depends on bank processing and credit card systems. To prepare for system problems, FansUnite continuously seeks to strengthen and enhance its current facilities and the capabilities of its system infrastructure and support. Nevertheless, there can be no assurance that the internet infrastructure or FansUnite's own network systems will continue to be able to meet the demand placed on it by the continued growth of the internet, the overall online gaming and interactive entertainment industries and FansUnite's customers. Any difficulties these providers face, including the potential of certain network traffic receiving priority over other traffic (i.e., lack of net neutrality), may adversely affect FansUnite's business, and it exercises little control over these providers, which increases its vulnerability to problems with the services they provide. Any system failure as a result of reliance on third parties, such as network, software or hardware failure, including as a result of cyber-attacks, which causes a loss of FansUnite's customers' property or personal information or a delay or interruption in its online services and products and e-commerce services, including its ability to handle existing or increased traffic, could result in a loss of anticipated revenue, interruptions to its product offerings, cause it to incur significant legal, remediation and notification costs, degrade the customer experience and cause customers to lose confidence in its product offerings, any of which could have a material adverse effect on its business, revenues, operating results and financial condition.

### ***Reliance on McBookie's License Agreement***

The majority of the Company's revenue comes from the UK, through McBookie. The Licensors and McBookie have the right to terminate the Licence Agreement on giving the other party not less than three months' written notice of termination. There can be no assurance that the License Agreement will be renewed. There could be material adverse effects on the Company's business, results of operations and financial condition if the Company fails to renew key contracts or licences, if key contracts or licences are terminated or alternative service delivery options are pursued, if key customers merge or are acquired by other businesses that have established relationships with other service providers, or if key customers decide to perform the applicable service in-house. Further, there is no assurance that any new agreement or renewal entered into by the Company, will have terms similar to those contained in current arrangements.

The failure to obtain those terms could have a material adverse effect on our business, results of operations and financial condition. See “*Business of the Company — Economic Dependence*”.

## **Risks Related to Regulation**

### ***The online gaming industry is heavily regulated***

The Company and its officers, directors, major shareholders, key employees and business partners will generally be subject to the laws and regulations relating to online gaming of the jurisdictions in which the Company may conduct business, as well as the general laws and regulations that apply to all e-commerce businesses, such as those related to privacy and personal information, tax and consumer protection. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on the Company's operations and financial results. In particular, some jurisdictions have introduced regulations attempting to restrict or prohibit online gaming, while others have taken the position that online gaming should be licensed and regulated and have adopted or are in the process of considering legislation to enable that to happen. Even where a jurisdiction purports to license and regulate online gaming, the licensing and regulatory regimes can vary considerably in terms of their business-friendliness and at times may be intended to provide incumbent operators with advantages over new licensees. As such, some “liberalized” regulatory regimes are considerably more commercially attractive than others.

Regulatory regimes imposed upon gaming providers vary by jurisdiction. Typically, however, most regulatory regimes include the following elements:

- a requirement for gaming license applicants to make detailed and extensive disclosures as to their beneficial ownership, their source of funds, the probity and integrity of certain persons associated with the applicant, the applicant's management competence and structure and business plans, the applicant's proposed geographical territories of operation and the applicant's ability to operate a gaming business in a socially responsible manner in compliance with regulation;
- interviews and assessments by the relevant gaming authority intended to inform a regulatory determination of the suitability of applicants for gaming licenses;
- ongoing reporting and disclosure obligations, both on a periodic and ad hoc basis in response to material issues affecting the business;
- the testing and certification of software and systems, generally designed to confirm such things as the fairness of the gaming products offered by the business, their genuine randomness and ability accurately to generate settlement instructions and recover from outages;
- the need to account for applicable gaming duties and other taxes and levies, such as fees or contributions to bodies that organize the sports on which bets are offered, as well as contributions to the prevention and treatment of problem gaming; and
- social responsibility obligations.

Any gaming license may be revoked, suspended or conditioned at any time, and the industry has recently experienced significantly more enforcement actions, particularly in Great Britain, where the Gambling Commission has issued fines against numerous operators for regulatory failings. The loss of a gaming license in one jurisdiction could trigger the loss of a gaming license or affect the Company's eligibility for such a license in another jurisdiction, and any of such losses, or potential for such loss, could cause the Company to cease offering some or all of its product offerings in the impacted jurisdictions. The Company may be unable to obtain or maintain all necessary registrations, licenses, permits or approvals, and could incur fines or experience delays related to the licensing process, which could adversely affect its operations. The determination of the suitability process may be expensive and time-consuming. The Company's delay or failure to obtain gaming licenses in any jurisdiction may prevent it from distributing its product offerings,

increasing its customer base and/or generating revenues. A gaming regulatory body may refuse to issue or renew a gaming license if the Company, or one of its directors, officers, employees, major shareholders or business partners: (i) are considered to be a detriment to the integrity or lawful conduct or management of gaming, (ii) no longer meet a licensing or registration requirement, (iii) have breached or are in breach of a condition of licensure or registration or an operational agreement with a regulatory authority, (iv) have made a material misrepresentation, omission or misstatement in an application for licensure or registration or in reply to an inquiry by a person conducting an audit, investigation or inspection for a gaming regulatory authority, (v) have been refused a similar gaming license in another jurisdiction, (vi) have held a similar gaming license in that province, state or another jurisdiction which has been suspended, revoked or cancelled, or (vii) has been convicted of an offence, inside or outside of a particular jurisdiction that calls into question the honesty or integrity of the Company or any of its directors, officers, employees or associates.

Additionally, the Company's product offerings must be approved in most regulated jurisdictions in which they are offered and will likely need to undergo third party testing by a certified testing lab. Such testing can be costly and time consuming; this process cannot be assured or guaranteed. Obtaining these approvals is a time-consuming process that can be extremely costly. A developer and provider of online gaming products may pursue corporate regulatory approval with regulators of a particular jurisdiction while it pursues technical regulatory approval for its product offerings by that same jurisdiction. It is possible that after incurring significant expenses and dedicating substantial time and effort towards such regulatory approvals, the Company may not obtain either of them. If the Company fails to obtain the necessary gaming license in a given jurisdiction, it would likely be prohibited from distributing and providing its product offerings in that particular jurisdiction altogether. If the Company fails to seek, does not receive, or receives a suspension or revocation of a license in a particular jurisdiction for its product offerings (including any related technology and software) then it cannot offer the same in that jurisdiction and its gaming licenses in other jurisdictions may be impacted. Furthermore, some jurisdictions require license holders to obtain government approval before engaging in some transactions, such as business combinations, reorganizations, stock offerings and repurchases. The Company may not be able to obtain all necessary gaming licenses in a timely manner, or at all. Delays in regulatory approvals or failure to obtain such approvals may also serve as a barrier to entry to the market for the Company's product offerings. If the Company is unable to overcome the barriers to entry, it will materially affect its results of operations and future prospects.

There can be no assurance that legally enforceable prohibiting legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to the Company's business to prohibit, legislate or regulate various aspects of the Internet, e-commerce, payment processing, or the online gaming and interactive entertainment industries. Compliance with any such legislation may have a material adverse effect on the Company's business, financial condition and results of operations.

***FansUnite's investments in the United States and Canada are subject to applicable anti-money laundering laws and regulations***

In Canada, FansUnite will only offer the FansUnite Social Platform to the public unless the legal regime changes such that FansUnite can obtain a license that is suitable for FansUnite's business strategy in Canada. In the United States, FansUnite will only offer the FansUnite Social Platform in the United States. FansUnite and the Company are subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the Bank Secrecy Act), as amended by *Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of FansUnite's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of FansUnite to declare or pay dividends, affect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while FansUnite has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, in the event that a determination was made that FansUnite's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

***Complex and evolving domestic and foreign laws and regulations regarding the Internet, privacy, data protection, competition, consumer protection and other matters.***

In addition to regulations governing online gaming, the Company will be subject to a variety of laws and regulations domestically and abroad that involve the Internet, e-commerce, privacy, and protection of data and personal information, rights of publicity, acceptable content, intellectual property, advertising, marketing, distribution, data and information security, electronic contracts and electronic communications, competition, protection of minors, consumer protection, unfair commercial practices, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance, and online payment and payment processing services. The Company may introduce new products, expand its activities in certain jurisdictions, or take other actions that may subject it to additional laws, regulations or other government scrutiny. For example, the Company will handle, collect, store, retrieve, transmit and use confidential, personal information relating to its customers and personnel for various business purposes, including marketing and financial purposes, and credit card information for processing payments. The Company may share this personal or confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of its business, combating fraud or for marketing purposes.

These laws, regulations and legislation, along with other applicable laws and regulations, which in some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations, including pre-existing laws regulating communications and commerce in the context of the Internet and e-commerce, are often uncertain, particularly in the new and rapidly evolving industries in which the Company will operate, and may be interpreted and applied inconsistently across jurisdictions and inconsistently with its future policies and practices.

Legislators and regulators also look beyond online gaming regulations specifically to implement restrictive measures on online gaming. In certain jurisdictions, this has included restrictions on payment processing, internet blocking, account and identity verification requirements, and similar measures. For example, in June 2010, Norway enacted a law prohibiting the remittance of monies from Norwegian bank accounts to gaming operators and in November 2017, Russian President Putin signed a bill into law to require certain banks and payment processors within Russia to block transactions between Russian-based customers and off-shore online gaming operators. Furthermore, restrictions on gambling advertising have been recently introduced in various jurisdictions, such as in July 2018, Italy passed legislation banning gambling advertising in various forms, with the ban extending to in-game advertising and sponsorships of sports or cultural events beginning on July 1, 2019. Such regulations, if not appropriately mitigated, could materially adversely affect the Company's business, results of operations or financial condition.

In addition, such restrictive measures may impact the ability or desire of third-party suppliers, including payment processors, to provide services to the Company globally or in certain jurisdictions. A supplier could require the Company, as a condition of its continued use of the supplier's products, to restrict access from customers in certain jurisdictions. Such third-party restrictions could affect the manner in which the



Company provides its products or services in certain jurisdictions and adversely affect its financial results due to, among other things, the potential need to determine whether to change suppliers, which may not be on as favorable terms, or comply with the supplier's requested restrictions.

The Company is also vulnerable to developments in intellectual property laws and/or political, legislative, regulatory developments that may seek further liability to pay royalties, integrity fees or other types of levy to the organizers of sporting events or data right owners, which arise from the concept of the so-called "right-to-bet", where the organizers of sporting events and competitions and those claiming to have data rights in relation to such events seek to obtain a share of the revenue gaming operators generate on such events and competitions. In all such cases, the level of any such royalty, fee or levy will be outside the Company's control. The Company cannot predict with any certainty what further payments may be required in the future and what other additional resources may need to be made available to address the conditions on which royalties, fees or other levies may be imposed, as well as sports integrity issues.

These laws and regulations, as well as any changes to the same and any related inquiries, investigations or any other government actions, may be costly to comply with and may delay or impede new product development, result in negative publicity, increase the Company's operating costs, require significant management time and attention, and subject it to remedies that may harm its business, including fines or demands or orders that modify or cease certain or all existing business practices, such as limiting its use of personal information to add value for customers, or implement costly and burdensome compliance measures. Any such consequences could adversely affect the Company's business, results of operations or financial condition.

***Social responsibility concerns and public opinion can significantly influence the regulation of online gaming***

Public opinion can significantly influence the regulation of online gaming. A negative shift in the perception of online gaming by the public or by politicians, lobbyists or others could affect future legislation or regulation in different jurisdictions. Among other things, such a shift could cause jurisdictions to abandon proposals to legalize online gaming, thereby limiting the number of new jurisdictions into which the Company could expand. Negative public perception could also lead to new restrictions on or to the prohibition of online gaming in jurisdictions in which the Company may operate.

In addition, concerns with safer betting and gaming could lead to negative publicity, resulting in increased regulatory attention, which may result in restrictions on Issuer's future operations. If the Company had to restrict its future marketing or product offerings or incur increased compliance costs, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Company will likely face scrutiny related to environmental, social, governance and responsible gaming activities, and its reputation and the value of its brands can be materially adversely harmed if it fails to act responsibly in a number of areas, such as environmental, supply chain management, climate change, diversity and inclusion, workplace conduct, responsible gaming, human rights, philanthropy and support for local communities. Any harm to the Company's reputation could impact employee engagement and retention, and the willingness of future customers and the Company's partners to do business with it, which could have a materially adverse effect on its business, results of operations and cash flows.

***The Company may be subject to regulatory investigations***

From time to time, the Company may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance with laws and other matters. Violation of existing or future regulatory orders or consent decrees could subject the Company to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause the Company

to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

## **Risks Related to the Industry**

### ***Risk of Safeguarding Against Security & Privacy Breaches***

A security or privacy breach could:

- expose FansUnite and Issuer to additional liability and to potentially costly litigation;
- increase expenses relating to the resolution of these breaches;
- deter potential customers from using our services; and
- decrease market acceptance of electronic commerce transactions.

Within the online gaming and interactive entertainment industries, the Company will be at risk of exposure to a security or privacy breach of its system which could lead to potentially costly litigation, deter potential customers from using its services, or bring about additional liability. The Company cannot assure that the use of applications designed for data security and integrity will address changing technologies or the security and privacy concerns of existing and potential customers. Although the Company will require that agreements with service providers who have access to sensitive data include confidentiality obligations that restrict these parties from using or disclosing any data except as necessary to perform their services under the applicable agreements, there can be no assurance that these contractual measures will prevent the unauthorized disclosure of sensitive data. If the Company is unable to protect the security and privacy of its electronic transactions and data, its business will be materially adversely affected.

### ***Failure to retain existing customers or add new customers***

The financial performance of the Company will be significantly determined by its success in adding, retaining, engaging and monetizing active customers of its product offerings, in particular high-value, net-depositing customers (primarily recreational players). If people do not perceive the Company's product offerings as enjoyable, reliable, relevant and trustworthy it may be unable to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. A number of other online gaming and interactive entertainment companies that achieved early popularity have since seen their active customer bases or levels of engagement decline. Any number of factors could potentially negatively affect customer retention, growth and engagement, including if:

- customers increasingly engage with the products or services of the Company's competitors;
- the Company fails to introduce, or delays the introduction of, new products or services (whether developed internally, licensed or otherwise obtained or developed in conjunction with third parties) that users find engaging or that work with a variety of operating systems or networks, or if it introduces new products or services, including using technologies with which it has little or no prior development or operating experience, or changes to its existing products or services, that are not favorably received by customers;
- customers have difficulty installing, updating or otherwise accessing the Company's product offerings on desktops or mobile devices as a result of actions by it or third parties that it relies on to distribute and deliver its product offerings, or the Company fails to price its product offerings competitively or provide adequate customer service;
- there are decreases in customer sentiment about the quality of the Company's product offerings or concerns related to privacy, safety, security or other factors, or technical or other problems prevent the Company from delivering its product offerings in a rapid and reliable manner or otherwise affect the customer experience, such as security breaches or failure to prevent or limit spam or similar content;

- new industry standards are adopted or customers adopt new technologies where the Company's product offerings may be displaced in favor of other products or services, may not be featured or otherwise available, or may otherwise be rendered obsolete and unmarketable;
- there are adverse changes in the Company's product offerings that are mandated by legislation, regulatory authorities or litigation, including settlements, or the Company does not obtain applicable regulatory or other approvals or renewals of such approvals to offer, directly or indirectly, its product offerings in new or existing jurisdictions;
- the Company adopts policies or procedures related to areas such as customer data and information that are perceived negatively by its customers or the general public;
- the Company elects to focus its customer growth and engagement efforts more on longer-term initiatives, or if initiatives designed to attract and retain customers and engagement are unsuccessful or discontinued, whether as a result of actions by the Company, third parties or otherwise; or
- the Company or other companies in the industries in which it operates are the subject of adverse media reports or other negative publicity.

If the Company is unable to maintain or increase its customer base or engagement, or effectively monetize its customer base's use of its product offerings, its revenue and financial results may be adversely affected. Any decrease in customer retention, growth or engagement could render the Company's products less attractive to customers.

#### ***Dependence on suppliers and skilled labour***

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

#### ***Reliance on third-party owned communication networks***

The delivery of the Company's offerings and a significant portion of the Company's revenues will be dependent on the continued use and expansion of third-party-owned communication networks, including wireless networks and the Internet. No assurance can be given of the continued use and expansion of these networks as a medium of communications for the Company.

As it relates to its mobile platforms, the Company will be dependent on the interoperability of such platforms with popular mobile operating systems, technologies, networks and standards that it does not control, such as the Android and iOS operating systems, and any changes, bugs, technical or regulatory issues in such systems, the Company's relationships with mobile partners, manufacturers and carriers, or in their terms of service or policies that degrade the Company's product offerings' functionality, may reduce or eliminate its ability to distribute its product offerings, give preferential treatment to competitive products, limit its ability to deliver high quality product offerings, or impose fees or other charges related to delivering its product offerings. The foregoing may adversely affect its product usage and monetization on mobile devices. If it is difficult or unfavorable for the Company's customers to access and use its product offerings on their mobile devices, or if its customers choose not to access or use its product offerings on their mobile devices or use mobile products that do not offer access to its product offerings, its customer growth and engagement could be harmed, which could adversely affect its results of operation.

In addition, increasing traffic, user numbers or bandwidth requirements may result in a decline in internet (or a subset thereof, including in particular mobile internet) performance and/or internet reliability. Internet outages or delays or loss of network connectivity may result in partial or total failure of the Company's offerings, additional and unexpected expenses to fund further development or to add programming

personnel to complete a development project, loss of revenue which could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

***Integrating Askott's business into the Company's business may divert management's attention away from operations***

Successful integration of Askott's operations, products and personnel into those of the Company may place a significant burden on management and other internal resources. The diversion of management's attention and any difficulties encountered in the transition and integration process could harm the Company's business, financial condition and results of operations.

***Evolving Industries***

The online gaming and interactive entertainment industries are relatively new and continue to evolve. Whether these industries grow and whether the Company's online business will ultimately succeed, will be affected by, among other things, developments in social networks, mobile platforms, legal and regulatory developments (such as passing new laws or regulations or extending existing laws or regulations to online gaming and related activities), taxation of gaming activities, data and information privacy and payment processing laws and regulations, and other factors that the Company is unable to predict and which are beyond its control. Given the dynamic evolution of these industries, it can be difficult to plan strategically, including as it relates to product launches in new or existing jurisdictions which may be delayed or denied, and it is possible that competitors will be more successful than the Company at adapting to change and pursuing business opportunities.

***Requirements for Further Financing***

The Company has applied for the Listing on the CSE. The Company may need to obtain further financing, whether through debt financing, equity financing or other means. There can be no guarantee that the Common Shares will be listed on any stock exchange. The Company must obtain such financing through a combination of equity and debt financing and there can be no assurance that the Company can raise the required capital it needs to build and expand its current operations, nor that the capital markets will fund the business of the Company. Without this additional financing, the Company may be unable to achieve positive cash flow and earnings as quickly as anticipated. There can be no certainty that the Company can obtain these funds, in which case any investment in the Company may be lost. The raising of equity funding would also result in dilution of the equity of the Company's shareholders.

***The Company may prioritize customer growth and engagement and the customer experience over short-term financial results***

The Company may in the future make product and investment decisions that may not prioritize its short-term financial results if it believes that the decisions are consistent with its mission and long-term goals to benefit the aggregate customer experience, improve its financial performance and maximize shareholder value. The Company also may take steps that limit distribution of certain product offerings, such as on mobile devices, in the short term to attempt to ensure the availability of such product offerings to its customers over the long term. These decisions may not produce the benefits that the Company expects, in which case its customer growth and engagement, its relationships with third parties, and its business and results of operations could be harmed.

***Litigation***

The Company may be subject to litigation claims through the ordinary course of its business operations or otherwise, regarding, among other things, employment matters, tax matters, security of customer and employee personal information, third-party contracts, marketing, intellectual property right infringement, its current and former operations and the operations of businesses it acquired or may acquire in the future

prior to their respective acquisitions. Litigation to defend the Company against claims by third parties, or to enforce any rights that it may have against third parties, may be necessary, which could result in substantial costs and diversion of its resources, causing a material adverse effect on its business, financial condition and results of operations. Given the nature of the Company's business, it is, and may from time to time in the future be, party to various, and at times numerous, legal, administrative and regulatory inquiries, investigations, proceedings and claims that arise in the ordinary course of business, as well as potential class action lawsuits. Because the outcome of such legal matters is inherently uncertain, if one or more of such legal matters were to be resolved against the Company for amounts in excess of management's expectations or any applicable insurance coverage or indemnification right, or if such legal matters result in decrees or orders preventing it from offering certain features, functionalities, products or services, or requires that it changes its development process or other business practices, its results of operations and financial condition could be materially adversely affected. Any litigation to which the Company may be a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal, or in payments of substantial monetary damages or fines, the posting of bonds requiring significant collateral, letters of credit or similar instruments.

### ***Conflicts of Interest***

Certain of the directors and officers of the Company are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

### ***The Company's intellectual property may be insufficient to properly safeguard its technology and brands***

The Company's success may depend on its ability to obtain trademark protection for the names or symbols under which it markets its product offerings and to obtain copyright protection of its proprietary technologies, other game innovations and creative assets. The Company may not be able to build and maintain goodwill in its trademarks or obtain trademark protection. There can be no assurance that any trademark or copyright will provide competitive advantages for the Company or that its intellectual property will not be successfully challenged or circumvented by competitors.

Source codes for the Company's technology may receive protection under international copyright laws. However, for many third parties who intend to use the Company source codes without its consent, the presence of copyright protection in the source codes alone may not be enough of a deterrent to prevent such use. As such the Company may need to initiate legal proceedings following such use to obtain orders to prevent further use of the source code.

The Company may also rely on trade secrets and proprietary know-how. Although the Company will generally require its employees and independent contractors to enter into confidentiality and intellectual property assignment agreements, it cannot be assured that the obligations therein will be maintained and honored. If these agreements are breached, it is unlikely that the remedies available to the Company will be sufficient to compensate it for the damages suffered even if it promptly applies for injunctive relief. In spite of confidentiality agreements and other methods of protecting trade secrets, the Company's proprietary information could become known to or independently developed by competitors. If the Company fails to adequately protect its intellectual property and confidential information, its business may be harmed and its liquidity and results of operations may be materially adversely impacted.

### ***The Company may be party to intellectual property infringement or invalidity claims and adverse outcomes of litigation could unfavorably affect its operating results.***

If the registration and enforcement policies regarding the Company's intellectual property portfolios are inadequate to deter unauthorized use or appropriation by third parties, the value of the Company's brands and other intangible assets may be diminished and competitors may be able to more effectively mimic its

brands, products, services and methods of operations. Such events could adversely affect the Company's business and financial results. At the same time, the Company has to be mindful of how it will be perceived by its customers and potential customers if it deploys an unduly strict enforcement policy; an overly aggressive position may deter its customers from supporting the brands and therefore damage not only the brands' reputation in the marketplace but also negatively impact financial results.

Moreover, due to the differences in foreign patent, trademark, copyright and other laws concerning proprietary rights, the Company's intellectual property may not receive the same degree of protection in each jurisdiction where it operates. The Company's failure to possess, obtain or maintain adequate protection of its intellectual property rights for any reason in these jurisdictions could have a material adverse effect on its business, results of operations and financial condition.

Furthermore, infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and the Company may not have the financial and human resources to defend itself against any infringement suits that may be brought against it. Litigation can also distract management from day-to-day operations of the business.

In addition, the Company's future success may depend upon its ability to obtain licenses to use new marks and its ability to retain or expand existing licenses for certain products. If the Company is unable to obtain new licenses or renew or expand existing licenses, it may be required to discontinue or limit its use of such products that use the licensed marks and its financial condition, operating results or prospects may be harmed.

The Company may also infringe other intellectual property rights belonging to third parties, such as trademarks, copyrights and confidential information. The infringement of trademarks, copyrights and confidential information involve complex legal and factual issues and the Company's products, branding or associated marketing materials may be found to have infringed existing third-party rights. When any third-party infringement occurs, the Company may be required to stop using the infringing intellectual property rights, pay damages and, if it wishes to keep using the third-party intellectual property, purchase a license or otherwise redesign the product, branding or associated marketing materials to avoid further infringement. Such a license may not be available or may require the Company to pay substantial royalties.

***If the Company fails to adapt and respond effectively to rapidly changing technology, evolving industry standards and changing customer needs or requirements, its technology, such as its platforms and offerings, may become less competitive or obsolete.***

The Company's future success depends on its ability to adapt and enhance its suite of technology and software, such as its platforms, as well as its product offerings. To attract new customers, the Company will need to enhance and improve its platforms, product offerings, features and enhancements to meet customer needs at competitive prices. Such efforts will require adding new functionality and responding to technological advancements or disruptive technologies, such as artificial intelligence, which will increase the Company's research and development costs. If the Company is unable to develop technology and products that address customers' needs, or enhance and improve its platforms and product offerings in a timely manner, that could have a material adverse effect on its business, revenues, operating results and financial condition. The Company's ability to grow is also subject to the risk of future disruptive technologies. If new and/or disruptive technologies emerge that are able to deliver online betting and gaming and/or entertainment products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely affect the Company's ability to compete.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The following describes the material terms of the Company's share capital. The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of our notice of articles and articles, as amended (the "**Articles**").

Our authorized share capital consists of an unlimited number of Common Shares of which 182,751,034 were issued and outstanding as of June 14, 2021 (156,168,237 issued and outstanding as of December 31, 2020).

## Common Shares

The holders of Common Shares are entitled to receive notice of any meeting of the shareholders of the Company and to attend and vote thereat, except those meetings at which only the holders shares of another class or of a particular series are entitled to vote. Each Common Share entitles its holder to one vote. The holders of Common Shares are entitled to receive on a pro-rata basis such dividends as the board of directors may declare out of funds legally available therefore. In the event of the dissolution, liquidation, winding-up or other distribution of the Company's assets, such holders are entitled to receive on a pro-rata basis all of the assets of the Company remaining after payment of all liabilities. The Common Shares carry no pre-emptive or conversion rights.

## MARKET FOR SECURITIES

### Trading Price and Volume of Common Shares

The Common Shares are listed and posted for trading on the CSE under the symbol "FANS" and on the OTCQX under the symbol "FUNFF". The following table sets forth the price range (monthly high and low prices at close) in Canadian dollars of the Common Shares and volume traded for the periods indicated (as reported by the CSE).

Period	High	Low	Volume
June 1-14, 2021	\$1.15	\$0.58	17,895,866
May, 2021	\$0.80	\$0.55	17,058,038
April 2021	\$1.06	\$0.73	11,627,162
March 2021	\$1.88	\$0.95	33,260,102
February 2021	\$2.37	\$0.83	52,572,699
January 2021	\$1.32	\$0.88	22,244,304
December 2020	\$0.94	\$0.61	33,199,329
November 2020	\$1.070	\$0.185	50,646,239
October 2020	\$0.245	\$0.190	8,755,915
September 2020	\$0.300	\$0.210	7,319,489
August 2020	\$0.400	\$0.200	4,837,307
July 2020	\$0.530	\$0.385	5,577,757
June 2020	\$0.480	\$0.350	4,579,504
May 5-31, 2020	\$0.445	\$0.350	4,655,118

### Prior Sales

The following table summarizes the issuances of unlisted securities for the year ended December 31, 2020:

Date of Issue	Type of Security Issued	Number of Securities Issued	Price Per Security (C\$)	Expiry Date, as applicable
February 12, 2020	Warrants	95,160	\$0.05	February 12, 2022
March 26, 2020	Warrants	564,439	\$0.35	March 26, 2022
April 3, 2020	Stock Options	500,000	\$0.35	April 3, 2030
May 9, 2020	Stock Options	675,000	\$0.42	May 9, 2030
August 11, 2020	Warrants	779,762	\$0.55	July 21, 2022
August 11, 2020	Warrants	6,262,307	\$0.55	August 11, 2022
August 11, 2020	Warrants	239,912	\$0.32	May 31, 2023
August 11, 2020	Stock Options	3,234,018	\$0.26	January 1, 2025

Date of Issue	Type of Security Issued	Number of Securities Issued	Price Per Security (C\$)	Expiry Date, as applicable
August 11, 2020	Stock Options	239,912	\$0.32	September 27, 2020
October 9, 2020	Stock Options	2,050,000	\$0.25	September 27, 2030
November 1, 2020	Stock Options	50,000	\$0.25	September 27, 2030

## ESCROWED SECURITIES

### CSE Escrow

The following table summarizes the Company's securities that remain in escrow or subject to restrictions on transfer as of December 31, 2020:

Designation of Class	Number of securities held in escrow or that are subject to contractual restriction on transfer <sup>(1)</sup>	Percentage of Class <sup>(2)</sup>	Release Terms
Common shares issued in exchange for FEI initial shareholders who are also insiders	10,800,000	7%	25% of such restricted Common Shares on the 12 month anniversaries of the Listing. 15% of such restricted Common Shares on the 16, 24, 30 and 36 month anniversaries of the Listing. 10% of such restricted Common Shares on the 18 month, and 5% on the 20 month anniversaries of the Listing.
Common Shares issued to McBookie Directors on closing of the McBookie Acquisition	1,856,000 <sup>(3)</sup>	1%	20% on each of the 12, 18, 24, 30 and 36 month anniversaries of the McBookie Closing Date.
Common shares issued in relation to the V2 Games Interest Acquisition	1,855,659	1%	25.4% on 12, 18, 24 and 23.8% on 30 month anniversary.

### Notes:

- (1) In connection with the listing of the Common Shares for trading on the CSE, an aggregate of 13,274,666 Common Shares were deposited in escrow with the Odyssey Trust Company pursuant to the terms of an escrow agreement among the Company, the escrow agent and certain shareholders (the "**Escrow Agreement**"). Each of the Escrow Agreements provides that the CSE Escrow Shares be held in escrow pursuant to its terms and the beneficial ownership thereof may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner, except in accordance with such Escrow Agreement. In the event of the bankruptcy of an escrow shareholder, the CSE Escrow Shares held by such escrow shareholder may be transferred to the trustees in the bankruptcy or such person legally entitled to the CSE Escrow Shares in accordance with the applicable Escrow Agreement, and such shares will remain in escrow subject to such Escrow Agreement. In the event of the death of an escrow shareholder, the CSE Escrow Shares held by the escrow shareholder will be released from escrow in accordance with the applicable Escrow Agreement.
- (2) Percentages based on Common Shares issued and outstanding as of December 31, 2020.



(3) Pursuant to the terms of the McBookie SPA and subject to the McBookie Repurchase Option.

### Contractual Restrictions on Transfer

The following table summarizes the Company's securities that remain in escrow or subject to restrictions on transfer as of December 31, 2020:

Designation of Class	# of securities held in escrow or that are subject to contractual restriction on transfer	Percentage of Class <sup>(1)</sup>	Release Terms <sup>(2)</sup>
Common Shares issued in exchange for FEI Initial Shareholders	15,700,000	10%	25% of such restricted Common Shares on each of the 12, 16, 20 and 24 month anniversaries of the Listing.
Common Shares issued in exchange for shares in FEI related to May 2018 raise	8,415,500	5%	50% of such restricted Common Shares upon the 9 and 12 month anniversaries of the Listing.
Common Shares issued to HIC shareholders upon Amalgamation	6,750,000	4%	50% of such restricted Common Shares upon the 9 and 12 month anniversaries of the Listing.
Common Shares issued to existing Askott shareholders pursuant to the Askott Acquisition	31,383,962	20%	50% are subject to a hold period expiring February 5, 2021, and 50% are subject to a hold period expiring May 5, 2021
Common shares issued to executive officers pursuant to the Askott Acquisition	7,066,976	5%	9% are subject to a hold period expiring February 5, 2021, 30% are subject to a hold period expiring May 5, 2021, 12% are subject to a hold period expiring September 5, 2021, 8% are subject to a hold period expiring November 5, 2021, 4% are subject to a hold period expiring January 5, 2022, and 12% are subject to a hold period on each of May 5, 2022, November 5, 2022, and May 5, 2023

#### Notes:

(1) Percentages based on Common Shares issued and outstanding as of December 31, 2020.

(2) Listing date was May 5, 2020

### DIVIDENDS

The Company has not declared or paid a dividend. Other than the requirements of the BCBCA, there are no restrictions on the Company that would prevent it from paying a dividend. However, as of the date of this AIF, the Board of Directors intends to retain any future earnings (when available) for reinvestment in the Company's business, and therefore, it has no current intention to declare or pay dividends on the Common Shares in the foreseeable future. Any future determination to pay dividends on the Common Shares will be at the sole discretion of the Board of Directors after considering a variety of factors and conditions existing from time to time including its earnings, financial condition and other relevant factors.

## DIRECTORS AND OFFICERS

As at the date hereof, the Board is comprised of five individuals. The following table sets forth the names and municipalities of residence of the current directors and executive officers of the Company, their respective positions and offices with the Company and the date first appointed or elected as a director and/or officer and their principal occupation(s) within the past five years.

### Name, Occupation and Security Holding

Name and Municipality of Residence	Position Held and Date Appointed	Principal Occupation for Last Five Years	Director/Officer Since
<b>Scott Burton</b> <i>Vancouver, BC Canada</i>	CEO and Director	CEO, FansUnite Entertainment Inc.; previously CEO, Askott Entertainment	August 11, 2020
<b>Darius Alain Eghdami<sup>(1)</sup></b> <i>Vancouver, BC Canada</i>	President and Director	President, FansUnite Entertainment Inc., previously CEO of FansUnite Entertainment Inc.	March 26, 2020
<b>Harish Narayanan Ramachandran<sup>(1)</sup></b> <i>Singapore</i>	Director	Managing director of Leading Tip.	March 26, 2020
<b>Chris Grove</b> <i>Las Vegas, Nevada</i>	Director	Partner, Eilers & Krejcik Gaming LLC	August 11, 2020
<b>James Keane<sup>(1)</sup></b> <i>Vancouver, BC Canada</i>	Director	CEO, King Show Games ULC	August 11, 2020
<b>Jeremy Hutchings</b> <i>Cork, Ireland</i>	CTO	CTO of Askott Entertainment	August 11, 2020
<b>Graeme Moore</b> <i>Burnaby, BC Canada</i>	CFO and Corporate Secretary	CFO, FansUnite Entertainment Inc., previously Corporate Controller at Traction on Demand	March 26, 2020
<b>Ian Winter</b> <i>Vancouver, BC Canada</i>	COO	COO of FansUnite Entertainment Inc., previously COO of Askott Entertainment and CEO of JetPack Interactive Entertainment Ltd.	August 11, 2020

### Notes:

(1) Member of the Audit Committee. Mr. Keane is the Chair of the Audit Committee.

As at the date hereof, the directors and officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 10,058,535 Common Shares, representing 6% of the issued and outstanding Common Shares (on an undiluted basis).

The directors listed above will hold office until the next annual meeting of the Company or until their successors are elected or appointed.

### Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of management, other than as disclosed herein, no director or executive officer as at the date hereof, is or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company), that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

To the knowledge of management, other than as disclosed herein, no director or executive officer of FansUnite, or a Shareholder holding a sufficient number of securities of FansUnite to affect materially the control of the company (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

### **Penalties or Sanctions**

No director, executive officer or Shareholder holding a sufficient number of securities of FansUnite to materially affect the control of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Certain of the directors and officers of the Company may be subject to various potential conflicts of interest as a result of the fact that certain of them are engaged in a range of business activities. In accordance with the applicable corporate and securities legislation, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the matter. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Certain of the directors and executive officers of the Company have either other employment or other business or time restrictions placed on them and accordingly, these directors and officers will only be able to devote part of their time to the affairs of the Company. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable corporate law.

## **AUDIT COMMITTEE**

### **Audit Committee Charter**

The full text of the Company's Audit Committee Charter is included as Schedule A to the AIF. The principal duties and responsibilities of the audit committee are to assist the Board in discharging the oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, the review of financial information, accounting systems and procedures, and financial reporting and financial statements. The Board has charged the audit committee with the responsibility of recommending, for approval by the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The audit committee has access to all books, records, facilities and personnel and may request any information about the Company as it may deem appropriate. It also has the authority to retain and compensate special legal, accounting, financial and other consultants or advisors to advise the Audit Committee. The audit committee reviews and approves all related-party transactions and prepares reports for the Board on related party transactions. The audit committee is also responsible for the pre-approval of all non-audit services to be provided by the Company's auditors.

## **Audit Committee Composition**

The Company's audit committee consists of Darius Eghdami, James Keane, and Harish Ramachandran, and is chaired by James Kean. All members of the audit committee are financially literate, and James Keane and Harish Ramachandran are independent, as those terms are used and defined in National Instrument 52-110 – *Audit Committees* ("NI 52-110"). Darius Eghdami is not independent because he is the President of the Company. See "*Directors and Officers*". Each of the audit committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For additional details regarding the education and experience of each member of the audit committee, see "*Directors and Officers*".

## **Relevant Education and Experience**

### ***Darius Eghdami, President and Director***

Darius Eghdami is a Chartered Public Accountant who received his designation in 2014 after working with KPMG. Darius has completed audits of dozens of publicly traded companies. Darius has a deep understanding of accounting principles used by FansUnite to prepare the company's financial statements and an understanding of internal controls and procedures for financial reporting as he had years of experience auditing such at KPMG. Through his work experience of auditing both private and public companies, Darius has acquired the ability to assess the general and complex accounting principles that are to be expected to be raised by FansUnite's on-going business and financial statements

### ***James Keane, Director***

James completed his undergraduate degree in Economics and Business/Managerial Economics. He has decades of hands on executive experience and advisory roles running multi-million dollar businesses and managing financial statements. He helped grow ParadisePoker.com into one of the top 3 poker sites in the world and oversaw its acquisition by Sportingbet in 2005. Mr. Keane remained with Sportingbet holding Manager Director roles for ParadisePoker.com and subsequently Emerging Markets. After the sale of Sportingbet to William Hill and GVC, Mr. Keane consulted in both the online and brick and mortar casino world on growth, M&A, and business execution strategies. Through this experience, Mr. Keane has acquired the expertise to assess the general and complex accounting principles that are expected to be raised by FansUnite's ongoing business and financial statements. Mr. Keane is currently the CEO of a social casino games developer, taking the role after structuring and executing the sale of a social casino game developer to KSG in 2016.

### ***Harish Ramachandran, Director***

Harish completed his undergraduate degree in accounting and commerce at St Joseph's college of commerce Bangalore securing first class honours followed by a masters degree in business administration from TA Pai Management Institute from 1993-1995. Through his undergraduate degree in accounting, he acquired an understanding of accounting principles similar to those used by FansUnite, as well as the ability to assess such principles. Harish went on to obtain another masters degree in international business from the University of Canberra, ACT. For the past ten years, Harish has been in management consulting through Leading Tip. Leading Tip focuses on M&A and Strategic Partnerships in Digital Marketing & Online Gaming sector. Through his experience operating, investing and acquiring gaming companies over the past 10 years, Harish has gained the requisite experience analyzing and evaluating financial statements that are of similar or greater complexity to FansUnite's ongoing business.

## Audit Committee Oversight

At no time since the Company's incorporation was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board.

## Reliance on Certain Exemptions

At no time since the beginning of the fiscal year ended December 31, 2018 or June 30, 2019, has the Company relied on any of the following exemption: (a) the exemption in section 2.4 (De Minimis Non-audit Services); (b) the exemption in subsection 6.1.1 (4) (Circumstances Affecting the Business or Operations of the Venture Issuer); (c) the exemption in subsection 6.1.1 (5) (Events Outside Control of Member); (d) the exemption in subsection 6.1.1 (6) (Death, Incapacity or Resignation); or (e) an exemption from NI 51-110, in whole or in part, granted under Part 8 (Exemption).

## Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of the Company's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve any non-audit services or additional work which the Chairman of the Audit Committee deems as necessary who will notify the other members of the Audit Committee of such non-audit or additional work.

## External Auditor Service Fees

The aggregate fees billed by the Company's external auditors during the financial years ended December 31, 2020 and 2019 were as follows:

Financial Year Ending	Audit Fees <sup>(1)</sup> (CAD\$)	Audit Related Fees <sup>(2)</sup> (CAD\$)	Tax Fees <sup>(3)</sup> (CAD\$)	All Other Fees <sup>(4)</sup> (CAD\$)
December 31, 2020	85,000	29,500	0	0
December 31, 2019	25,000	5,000	0	0

### Notes:

- (1) **"Audit Fees"** include fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) **"Audit-Related Fees"** for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as audit fees. The services provided in this category include due diligence assistance, accounting consultations on proposed transactions, and consultation on International Financial Reporting Standards conversion.
- (3) **"Tax Fees"** include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. During 2019, the Company used a third-party tax service other than its external auditor for tax compliance, tax planning and tax advice.
- (4) **"All Other Fees"** include all other non-audit services.

## Exemption

The Company is a "venture issuer" as defined in NI 52-110 and will rely on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not and has not been at any time within the most recently completed financial year, a party to any legal proceedings, nor is or was the Company's property the subject of any legal proceedings, known or contemplated, that involves a claim for damages exclusive of interest and costs that met or exceeded 10% of its current assets.

Further, there have not been any (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2020, (b) any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, or (c) settlement agreements entered into by the Company before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2020.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as otherwise disclosed herein, there were no material interests, direct or indirect, of any directors or executive officers of the Company, any Shareholder who beneficially owns more than 10% of the voting rights attached to the Shares or any known associate or affiliate of such persons in any transaction completed within the most recently completed financial year or during the current financial year, or any transaction proposed during the current financial year, that has materially affected or are reasonably expected to materially affect the Company.

## AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are DMCL LLP, Chartered Professional Accountants, 1500-1700, 1140 W Pender Street, Vancouver, BC V6E 4G1.

The transfer agent and registrar for our Common Shares is Odyssey Trust Company at its offices in Vancouver, British Columbia.

## MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the material contracts entered into by the Company within the most recently completed financial year, or before the most recently completed financial year but which are still in effect, are:

1. the Escrow Agreement; see "*Escrowed Securities*";
2. the Licence Agreement; see "*Business of the Company — McBookie — Technology: Summary of Licence Agreement*";
3. the McBookie SPA; see "*Business of the Company — McBookie — McBookie Acquisition*";
4. AEI Amalgamation Agreement; see "*Business of the Company — Askott — Askott Acquisition*";
5. the CGS License; see "*Regulatory Framework — Regulation of FansUnite's Business — Malta — Critical Gaming Supply License*";
6. the GS License; see "*Regulatory Framework — Regulation of FansUnite's Business — Malta — Gaming Service License*";
7. the Agency Agreement; see "*General Development of the Business of the Company — Three Year History*";

8. the Warrant Indenture; see “*General Development of the Business of the Company — Three Year History*”; and
9. FEI Amalgamation Agreement; see “see “*General Development of the Business of the Company — Three Year History*”.

Summaries of the material contracts contained herein are qualified in their entirety by reference to the terms of the material contract.

### **INTERESTS OF EXPERTS**

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or related to, the Company’s most recently completed financial year other than DMCL LLP, the Company’s auditors, BDO LLP, the former auditors of McBookie, and Davidson & Company LLP, the former auditors of Askott.

DMCL LLP is the auditor of the Company and prepared the annual financial statements of the Company for the financial year ended December 31, 2020 and December 31, 2019. DMCL LLP report that they are independent of the Company in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

BDO LLP are the former auditors of McBookie and have prepared an opinion with respect to McBookie’s financial statements as at and for the financial year ended December 31, 2018.

Davidson & Company LLP are the former auditors of Askott and have prepared an opinion with respect to Askott’s consolidated financial statements as at and for the financial years ended December 31, 2019 and December 31, 2018.

### **ADDITIONAL INFORMATION**

Additional information about FansUnite may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in FansUnite’s audited financial statements for the period ended December 31, 2020 and the accompanying MD&A. Information about remuneration and indebtedness of directors and officers of FansUnite, principal holders of the Shares and securities authorized for issuance under security-based compensation of the Company, will be contained in the information circular and management proxy statement of the Company.

For copies of the financial statements of the Company and accompanying MD&A and additional copies of the AIF (in certain circumstances, reasonable fees may apply), please contact:

Chief Financial Officer  
FansUnite Entertainment Inc.  
Telephone: 604.329.8669  
Email: [graeme@fansunite.com](mailto:graeme@fansunite.com)

**SCHEDULE A**  
**AUDIT COMMITTEE CHARTER**

Attached.



## AUDIT COMMITTEE CHARTER

### I. PURPOSE

The Audit Committee Charter (the “**Charter**”) outlines the duties and responsibilities of the Audit Committee (the “**Committee**”) is, subject to applicable laws and the Company’s constating documents, to:

- (a) assist the board of directors (the “**Board of Directors**” or “**Board**”) of FansUnite Entertainment Inc. (the “**Company**”) in fulfilling its oversight responsibilities by reviewing and reporting on the financial information which will be provided to shareholders and others, the system of corporate internal controls which management and the Board have established, and the audit process;
- (b) identifying the principal risks of the Company and its subsidiaries and ensuring the implementation of appropriate systems to monitor those risks;
- (c) reviewing accounting principles, capital budgeting and major transactions (acquisitions, divestitures and funding);
- (d) increasing the credibility and objectivity of financial reports;
- (e) facilitating better communication between director of the Company (the “**Directors**”) and the external auditor;
- (f) enhancing the independence of the external auditor; and
- (g) reviewing compliance with applicable legal and regulatory requirements.

### II. COMPOSITION AND TERM OF OFFICE

- A. Members of the Committee are appointed for a one (1) year term at the first meeting of the Board following the Annual General Meeting. Members of the Committee may be removed from office or replaced at any time by the Board. Any member shall cease to be a member upon ceasing to be a Director. Each member of the Committee shall hold office until the close of the next annual meeting of shareholders of the Company or until the member ceases to be a director, resigns or is replaced, whichever first occurs.
- B. The Committee is comprised of not less than three (3) Directors who are financially literate (i.e. have the ability to read and understand a set of financial statements such as a balance sheet, an income statement and a cash flow statement) and at least one member shall have an accounting designation or related financial expertise.
- C. The Chair of the Committee shall be appointed by the Board of Directors. In the absence of the appointed Chair from any meeting of the Committee, the members shall elect a Chair from those in attendance to act as Chair of the meeting.

- D. The Chief Financial Officer (“CFO”) will act as the management liaison for the Committee.
- E. The Committee will meet not less than four (4) times per year.
- F. The quorum for the Committee is a majority of members.

### **III. FINANCIAL REPORTING**

The Committee will have the following duties and responsibilities:

- A. Review and recommend to the Board the annual financial reports (AIF, MIC, N.I. 52-11OF1, financial statements, MD&A, reports to shareholders and press releases) for approval.
- B. Review and recommend to the Board the quarterly financial statements (financial statements, MD&A, reports to shareholders and press releases) for approval.
- C. Be satisfied that for all other public disclosures or information that is extracted or derived from the financial statements, that management has procedures in place to review such information, and periodically assess the adequacy of such procedures.
- D. Review and approve any other press releases that relate to material financial disclosures.
- E. Review and recommend any changes to accounting policies to the Board.
- F. Review with the auditors any areas of judgment or where estimates have been made, including effects of alternatives under generally accepted accounting principles.

### **IV. IV OTHER REVIEW PROCEDURES**

The Committee will have the following duties and responsibilities:

- A. Review with management the opportunities and risks inherent in the business and the effectiveness of the controls thereon, including risk mitigation and management strategies.
- B. Oversee management reporting on and review of adequacy of internal controls (while it is management’s responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so).
- C. Gain reasonable assurance that the Company complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure.
- D. Confirm or review the Company’s disclosure policy.
- E. Review material transactions (acquisitions, divestitures and funding).

- F. Review policies and compliance with same that require significant actual or potential liabilities, contingent or otherwise, to be reported to the committee in a timely fashion.
- G. Approve annually the reasonableness of the expenses of the Executive Chairman, President and CFO.

## **V. EXTERNAL AUDITORS**

The Committee will recommend to the Board, for shareholder approval, an external auditor to examine the Company's accounts, control and financial statements on the basis that the external auditor is accountable to the Board and the Committee as representatives of the shareholders of the Company.

The external auditor reports directly to the Committee with unrestricted access and will meet at least quarterly with the Committee. Matters discussed will include the annual audit, quarterly reviews, the quality of the Company's accounting policies and principles, and the adequacy and effectiveness of the Company's internal control and management information systems. In-camera sessions with the external auditors will be held quarterly or as determined by the Committee. In addition, the Committee will have the following duties and responsibilities:

- A. Provide approval and recommend to the Board the external auditor's remuneration, or their discharge.
- B. Provide oversight to the audit engagement by way of a direct reporting relationship with the external auditor and ensure their independence.
- C. Evaluate the audit services provided by the external auditor;
- D. Review external audit plans for the year.
- E. Review with the external auditors any difficulties which arose during the course of their engagement and the ongoing relationship with management.
- F. Obtain and review, at least annually, a written report by the external auditor setting out the auditor's internal quality-control procedures, any material issues raised by the auditor's internal quality-control reviews and the steps taken to resolve those issues.
- G. Review, at least annually, the relationship between the Company and the external auditor in order to establish the independence of the external auditor.
- H. Pre-approve all audit and non-audit services to be provided by the external auditor (which may be delegated to one or more members of the Committee for ratification at the next scheduled Audit Committee meeting).
- I. Review and approve any hiring of partners/employees of the external auditors.

## **VI. OTHER**

The Committee will have the following duties and responsibilities:

- A. Establish procedures for receipt, retention and treatment of complaints and concerns regarding accounting matters, internal accounting controls and auditing matters or related questionable practices, including anonymous submissions by employees. Refer to Whistle Blowing Policy of the Company.
- B. Ensure for each meeting that minutes are recorded, drafted and circulated on a timely basis to committee members.
- C. Confirm or amend the Committee's charter annually, for review by external auditors and legal counsel and approval by the Board.
- D. Prior to renewals, review Director & Officer Liability insurance and other corporate insurance coverage.

## **VII. REVIEW OF CHARTER, AMENDMENT AND WAIVER**

The Board will review and reassess the adequacy of this Charter annually or otherwise as it deems appropriate.

These guidelines may be amended or modified by the Board, subject to disclosure and other policies and guidelines of the Canadian Securities Administrators.

Last approved by the Board of Directors: March 26, 2020.