KINGS ENTERTAINMENT GROUP INC. (formerly 1242455 B.C. Ltd.)

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in US dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2023 and 2022

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Kings Entertainment Group Inc. for the interim periods ended September 30, 2023 and 2022, have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* as issued by the International Accounting Standards Board, and are the responsibility of management.

The independent auditors, Reliant CPA PC, have not performed a review of these unaudited condensed interim consolidated financial statements.

November 28, 2023

KINGS ENTERTAINMENT GROUP INC. (formerly 1242455 B.C. Ltd.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in US dollars)

	Note	**September 30, 2023**	December 31, 2022
		$	$
ASSETS			
Current			
Cash and cash equivalents		**1,113,676**	1,191,694
Trade and other receivables		**2,434,936**	435,966
Due from processors	6	**733,197**	524,816
Goods and services tax recoverable		**84,662**	68,516
Prepaid expenses and deposits		**209,600**	138,595
Loan receivable	7	**-**	1,477,980
		4,576,071	3,837,567
Goodwill	5	**344,214**	-
Intangible asset	5	**4,377,841**	-
Property, plant and equipment		**3,253**	3,259
Deferred income tax assets		**594,415**	45,262
Due from related parties	10	**283,479**	301,637
Total assets		**10,179,273**	4,187,725
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	**3,873,225**	2,377,943
Deferred revenue		**76,367**	128,203
Income tax payable		**31,653**	96,734
Total liabilities		**3,981,245**	2,602,880
SHAREHOLDERS' EQUITY			
Share capital	9(b)	**19,585,198**	14,547,436
Reserves		**2,892,843**	2,892,843
Accumulated other comprehensive loss		**(187,430)**	(158,319)
Deficit		**(16,092,583)**	(15,697,115)
Total shareholders' equity		**6,198,028**	1,584,845
Total liabilities and shareholders' equity		**10,179,273**	4,187,725

Nature of operations and going concern (Note 1)

Approved and authorized for issue on behalf of the Board of Directors:

/s/ "Kelvin Lee"	*/s/ "Steve Budin"*
Director	Director

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

KINGS ENTERTAINMENT GROUP INC. (formerly 1242455 B.C. Ltd.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in US dollars, except per share amounts and number of shares)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
		$	$	**$**	$
Revenue					
Lottery procurement revenue		**1,397,375**	539,252	**3,002,142**	1,743,492
Online casino and scratchcard revenue		**190,315**	684,113	**671,706**	1,468,255
Other revenue		**91,635**	18,797	**91,635**	30,884
		1,679,325	1,242,162	**3,765,483**	3,242,631
Costs					
Processing costs		**177,853**	135,103	**436,090**	372,633
License fees		**38,327**	30,243	**99,955**	139,436
Commissions		**523,075**	207,016	**1,012,273**	734,774
		739,255	372,362	**1,548,318**	1,246,843
Gross profit		**940,070**	869,800	**2,217,165**	1,995,788
Operating expenses					
Bank charges		**54,309**	49,189	**127,299**	129,745
Depreciation		**7,416**	-	**7,416**	-
Expected credit loss reversal		**-**	(7,847)	**-**	(11,909)
General and administrative		**434,947**	103,936	**571,753**	332,750
Information technology services		**63,643**	161,081	**180,403**	487,134
Management fees	11	**65,800**	-	**268,212**	-
Marketing expenses		**258,354**	57,183	**355,224**	442,570
Professional fees	11	**120,934**	1,212,942	**1,090,650**	2,392,923
Salaries and benefits	11	**459,243**	451,763	**1,371,554**	1,345,089
Share-based compensation	11	**-**	-	**-**	2,707,337
Travel		**-**	-	**3,204**	11,196
Operating loss		**1,464,646**	2,028,247	**3,975,715**	7,836,835
Other income (expense)					
Foreign exchange gain (loss)		**(30,472)**	534,092	**(103,467)**	1,198,767
Legal fees settlement	7	**-**	-	**1,294,510**	-
Other income		**30,651**	43,021	**195,508**	74,135
Transaction costs	5	**(566,657)**	-	**(566,657)**	-
		(566,478)	577,113	**819,894**	1,272,902
Net loss before income taxes		**(1,091,054)**	(581,334)	**(938,656)**	(4,568,145)
Current income tax recovery (expense)		**-**	6,630	**(11,337)**	(53,155)
Deferred income tax recovery (expense)		**544,419**	(6,005)	**554,525**	(5,473)
Net loss		**(546,635)**	(580,709)	**(395,468)**	(4,626,773)
Currency translation differences		**(57,667)**	(607,408)	**(29,111)**	(1,062,109)
Comprehensive loss		**(604,302)**	(1,188,117)	**(424,579)**	(5,688,882)
Net loss per share:					
Basic and diluted		**(0.01)**	(0.01)	**(0.01)**	(0.07)
Weighted average number of common shares:					
Basic and diluted		**125,253,974**	68,463,500	**87,601,682**	67,355,760

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

KINGS ENTERTAINMENT GROUP INC. (formerly 1242455 B.C. Ltd.)
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in US dollars)

	Nine months ended September 30,	
	2023	2022
	$	$
Operating activities:		
Net loss for the period	**(395,468)**	(4,626,773)
Items not affecting cash:		
Depreciation	**7,416**	-
Share-based compensation	**-**	2,707,337
Transaction cost	**521,507**	-
Deferred income tax (recovery) expense	**(549,153)**	5,473
Changes in non-cash working capital:		
Trade and other receivables	**34,106**	(300,000)
Due from processors	**(208,381)**	(52,721)
Goods and services tax recoverable	**(16,146)**	16,587
Prepaid expenses and deposits	**(70,882)**	232,371
Loan receivable	**-**	(332,867)
Due from related parties	**-**	(727,170)
Accounts payable and accrued liabilities	**(704,460)**	(444,926)
Deferred revenue	**(51,836)**	(93,426)
Income taxes payable	**(65,081)**	9,554
Due to related parties	**18,158**	1,212
Cash used in operating activities	**(1,480,220)**	(3,605,349)
Investing activities		
Development expenditures	**(47,388)**	-
Cash used in investing activities	**(47,388)**	-
Financing activities:		
Proceeds from collection of loan receivable	**1,477,980**	-
Cash provided by financing activities	**1,477,980**	**-**
Effect of exchange rate on changes in cash	**(28,390)**	1,779,861
Change in cash and cash equivalents	**(78,018)**	(1,825,488)
Cash and cash equivalents, beginning of period	**1,191,694**	4,369,593
Cash and cash equivalents, end of period	**1,113,676**	2,544,105
Supplemental cash flow information		
Cash paid for interest expense	**-**	-
Cash paid for income tax	**63,466**	-
Cash received from legal fees reimbursement	**1,294,510**	
Fair value of common shares issued for acquisition of Braight AI	**4,516,255**	-
Fair value of common shares issued for transaction costs issued to Finders’	**521,507**	-

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

KINGS ENTERTAINMENT GROUP INC. (formerly 1242455 B.C. Ltd.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in US dollars, except number of shares)

	Share capital	Share subscription received	Share-based payments reserve	Reserve	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
	$	$	$	$	$	$	$
Balance, December 31, 2021	50,674,500	8,223,957	7,075,405	185,506	12,652	(9,023,537)	6,473,983
Conversion of share subscriptions	17,789,000	7,075,405	(7,075,405)	-	-	-	-
Prepaid issue costs	-	(743,178)	-	-	-	-	(743,178)
Share-based payments	-	-	-	2,707,337	-	-	2,707,337
Currency translation differences	-	-	-	-	(1,062,109)	-	(1,062,109)
Net loss for the period	-	-	-	-	-	(4,626,773)	(4,626,773)
Balance, September 30, 2022	68,463,500	14,556,184	-	2,892,843	(1,049,457)	(13,650,310)	2,749,260
Prepaid issue costs	-	(8,748)	-	-	-	-	(8,748)
Currency translation differences	-	-	-	-	891,138	-	891,138
Net loss for the period	-	-	-	-	-	(2,046,805)	(2,046,805)
Balance, December 31, 2022	68,463,500	14,547,436	-	2,892,843	(158,319)	(15,697,115)	1,584,845
Shares issued for acquisition of Braight AI	59,289,392	4,516,255	-	-	-	-	4,516,255
Shares issued to Finders'	6,846,350	521,507	-	-	-	-	521,507
Currency translation differences	-	-	-	-	(29,111)	-	(29,111)
Net loss for the period	-	-	-	-	-	(395,468)	(395,468)
Balance, September 30, 2023	**134,599,242**	**19,585,198**	**-**	**2,892,843**	**(187,430)**	**(16,092,583)**	**6,198,028**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.) ("Kings" or the "Company") was incorporated pursuant to the Business Corporations Act of British Columbia on February 27, 2020. The head office and registered and records office of the Company is located at Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7. The Company is listed on the Canadian Security Exchange under the symbol “JKPT”.

The Company is a global business to consumer service provider specializing in online lotteries and casino-style games under established brands such as www.wintrillions.com, www.trillionaire.com, and www.LottoKings.com. Operating under the Curacao Gaming License, the Company offers a seamless transition between lottery and casino gambling experiences, including lottery subscriptions and a variety of browser-based casino games.

Going concern

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 (“financial statements”) have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. As at September 30, 2023, the Company has working capital of $594,826 (December 31, 2022 - $1,234,687) and an accumulated deficit of $16,092,583 (December 31, 2022 - $15,697,115). For the three and nine months ended September 30, 2023, the Company recorded a net loss of $546,635 and $395,468 respectively (2022 - $580,709 and $4,626,773, respectively). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Should the Company be unable to continue as a going concern, asset and liability realization values may be substantially different from their carrying values. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on November 28, 2023.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 *Interim Financial Reporting*. These financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited financial statements for the years ended December 31, 2022 and 2021 (the “Annual Financial Statements”).

b) Basis of presentation

The financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS, as well as information presented in the condensed interim consolidated statements of cash flows.

c) Functional and presentation currency

The financial statements are presented in United States dollars (“US dollar” or “USD”). The functional currency is the currency of the primary economic environment in which an entity operates and listed in Note 2(d) below.

(Unaudited - Expressed in US dollars, except where noted)

2. BASIS OF PREPARATION (continued)

A summary of references to currencies other than US dollar is as below:

Currencies	References
Euros	EUR
Canadian dollars	CAD
Mexican pesos	MXN
Great British pounds	GBP
Uruguayan pesos	UYU
Polish zloty	PLN

d) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

A summary of the Company's subsidiaries included in these financial statements as at September 30, 2023 is as follows:

Name of subsidiary	References	Country of incorporation	Percentage ownership	Functional currency	Principal activity
Legacy Eight Curacao N.V.	L8 Curacao	Curacao	100%	USD	Operating
Legacy Eight Malta Ltd.	L8 Malta	Malta	100%	EUR	Operating
Bulleg Eight Limited	Bulleg	Cyprus	100%	EUR	Operating
Azteca Messenger Services S.A. de C.V.	Azteca	Mexico	99.82%	MXN	Operating
Phoenix Digital Services Ltd.	Phoenix	UK	100%	GBP	Operating
Litermi S.A.	Litermi	Uruguay	100%	UYU	Operating
Braight AI Technologies Inc.	Bright AI	Canada	100%	CAD	Operating
Epeer r Spółka Z Ograniczoną Odpowiedzialnością (through Bright AI)	Epeer	Poland	100%	PLN	Operating

e) Common control transactions

IFRS 3 *Business Combinations* does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, the Company has developed a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. The Company's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying amount on the transferor's financial statements, and to have the interim consolidated statements of financial position, interim consolidated statements of income (loss) and comprehensive income (loss) and statements of cash flows reflect the results of combining entities for all periods presented for which the entities were under the transferor's common control, irrespective of when the combination takes place.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in Note 3 to the Annual Financial Statements except as described below.

a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Under the guidance of IFRS 10 *Consolidated Financial Statements*, control is established by having power over the acquiree, exposure or rights to variable returns from the investor's involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquirer's returns. The acquiree's identifiable assets, liabilities, and contingent liabilities are recognized at their fair value at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Goodwill

The Company allocates goodwill arising from business combinations (Note 5) to each cash generating unit ("CGU") or group of CGUs that are expected to receive the benefits from the business combination. The carrying amount of the CGU or group of CGUs to which goodwill has been allocated is tested annually for impairment or when there is an indication that the goodwill may be impaired. Any impairment is recognized as an expense immediately. Should there be a recovery in the value of a CGU, any impairment of goodwill previously recorded is not subsequently reversed.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

Significant judgments exercised by management in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are consistent with the Annual Financial Statements except for as follows:

a) Assessment of the transactions as asset acquisitions or business combinations

Management applied judgement relating to the acquisition of Braight AI (Note 5) to assess whether the acquisition was an asset acquisition or business combination. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of the acquisition in order to reach a conclusion. The Company has determined the operations constitute a business by assessing that the following exist: Inputs – tangible and intangible assets, Processes – business operations, management and staff, Outputs – revenue generating from data operations. The acquisition method of accounting requires management to measure the fair value of consideration transferred and net assets acquired. To measure the fair value of consideration transferred and assets acquired at acquisition date, management is required to make certain judgements and assumptions, including but not limited to the selection of the most appropriate valuation methodology, assessment of economic viability of the intangible assets, future operating costs, capital expenditures, discount rates, future sales prices, and long-term foreign exchange rates. Preliminary measurements of assets and liabilities acquired may be adjusted retrospectively if new information becomes available. These adjustments are made until the final measurements are determined within one year of the acquisition date.

Significant assumptions about the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities in the next year are consistent with the Annual Financial Statements except for as follows:

b) Valuation of net assets acquired in business combinations

Estimates were made as to the fair value of assets and liabilities acquired in business combinations (Note 5). In certain circumstances, such as the valuation of intangible assets, the Company will rely on independent third-party valuators. The Company measured all assets acquired and liabilities assumed at their acquisition date fair values.

c) Review of asset carrying values and impairment assessment

The assessment of the fair value of goodwill, intangible assets, property, plant and equipment requires the use of estimates and assumptions for long-term prices, discount rates, foreign exchange rates, capital requirements, and operating performance. Changes in any of the estimates or assumptions used in determining the fair values could impact the impairment analysis.

(Unaudited - Expressed in US dollars, except where noted)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Each asset or CGU is evaluated every reporting period to determine whether there are any indicators of impairment. If any such indicators exist, which is often judgment-based, a formal estimate of the recoverable amount is performed and an impairment charge is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or CGU of assets is measured at the higher of fair value less cost to dispose ("FVLCTD") or value in use ("VIU").

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, product/service sales prices and volumes, discount rates, operating costs, taxes and future capital expenditures. The determination of FVLCTD and VIU requires management to make estimates and assumptions on all these factors. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reversed with the impact recorded in profit or loss.

5. ACQUISITION OF BRAIGHT AI

On July 14, 2023, the Company acquired 100% ownership of Braight AI (the "Acquisition"), an intellectual property acquisition and development company.

Consideration for the Acquisition comprised 59,289,392 common shares of the Company issued to the shareholders of Braight AI with a fair value of $4,516,255.

The Acquisition has been accounted for by the Company as a business combination under IFRS 3 *Business Combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date. The Company is required to determine the fair value of tangible and identifiable intangible assets acquired and liabilities assumed.

Given the complexity of certain assets and liabilities acquired, primarily intangibles and income tax items, the purchase accounting recorded in the accompanying interim financial statements is preliminary and the amounts presented below are provisional. The Company is completing a full and detailed valuation of the fair value of the net assets acquired using income, market, and cost valuation methods with the assistance of an independent third party. The fair value of assets acquired, and liabilities assumed are subject to change for up to one year from the acquisition date. Additionally, any consequential impact on the deferred tax liabilities, has yet to be finally determined. If new information arises which would impact management's assessment of the fair value at the acquisition date, any adjustments to the allocation of the purchase consideration will be recognized retrospectively and comparative information will be revised. Consequently, the final allocation of the purchase price consideration may result in material adjustments to the amounts shown in these financial statements.

The following table is a preliminary summary of the Company's allocation of the purchase price to the fair values of assets acquired and liabilities assumed at the acquisition date.

	$
Consideration	
Fair value of 59,289,392 shares issued to shareholders of Braight AI	4,516,255
	4,516,255
Net assets acquired	
Trade and other receivables	2,033,076
Prepaid expenses and other assets	123
Intangible assets	4,338,584
Accounts payable and accrued liabilities	(2,199,742)
	4,172,041
Goodwill	**344,214**

Trade and other receivables comprise of receivables generated from sales from its data analytic services to customers.

Intangible assets represent the software and intellectual property developed internally for providing data analytical services.

(Unaudited - Expressed in US dollars, except where noted)

5. ACQUISITION OF BRAIGHT AI (continued)

Accounts payable and accrued liabilities represents Braight AI's payroll and payroll tax liabilities, value-added tax liabilities, and cost relating to operation of the business.

The goodwill generated from the Acquisition related to other intangible assets that did not qualify for separate recognition.

In connection with the Acquisition, the Company issued 6,846,350 common shares with a fair value of $521,507 to finders ("Finders'") in relation to the Acquisition to settle of fees for services provided pursuant to the terms of a consulting services agreement. In addition, the Company incurred $45,150 in legal and consulting costs in order to complete the Acquisition. These transaction costs of $566,657 have been expensed in accordance with IFRS 3.

6. DUE FROM PROCESSORS

A summary of the Company's amounts due from processors is as follows:

	September 30, 2023	December 31, 2022
	$	$
Due from processors	**750,695**	539,955
Less: chargebacks and reversals	**(16,639)**	(14,280)
Less: expected credit losses	**(859)**	(859)
	733,197	524,816

Chargebacks and reversals payable to processors are offset against amounts due from processors as there is a legally enforceable right to settle the amounts with processors on a net basis, and management has the intention to settle the balances on a net basis.

7. LOAN RECEIVABLE

On May 25, 2022, the Company announced that it had entered into an arm's length business combination agreement (the "Definitive Agreement") dated May 24, 2022 with Sports Venture Holdings Inc. ("SVH") to combine SVH and the Company (the "Business Combination"). In connection with the Business Combination, the Company has agreed to make available to SVH a senior secured non-interest-bearing credit facility of up to $3,694,950 (CAD$5,000,000). The credit facility is due on demand. During the year ended December 31, 2022, pursuant to this credit facility, the Company advanced a loan receivable to SVH of $1,477,980 (CAD$2,000,000). On March 17, 2023, the Company announced the termination of the proposed Business Combination, noting that subsequent to December 31, 2022 and until the termination date, the Company had advanced an additional loan receivable of $369,495 (CAD$500,000).

As part of the termination agreement, SVH committed to repay the Company the loan receivable balance of $1,847,475 (CAD$2,500,000) and reimburse the Company its costs and expenses incurred in connection with the proposed Business Combination totaling $1,294,510 (CAD$1,750,000).

As at September 30, 2023. the Company has been repaid the loan receivable and has been reimbursed for Business Combination costs.

(Unaudited - Expressed in US dollars, except where noted)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILTIIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	September 30, 2023	December 31, 2022
	$	$
Trade payables	**3,166,444**	1,933,845
Customer claims payable	**137,921**	132,746
Payroll accruals	**156,657**	112,899
Tax liabilities	**215,220**	-
Accrued expenses	**196,983**	198,453
	3,873,225	2,377,943

9. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued share capital

As at September 30, 2023, 134,599,242 (December 31, 2022 - 68,463,500) common shares were issued and outstanding.

During the nine months ended September 30, 2023, the Company had the following share capital transactions:

- On July 14, 2023, pursuant to the closing of the Acquisition (Note 5), the Company issued 59,289,392 shares to the shareholders of Braight AI with a fair value of $0.08 (CAD$0.10) per share for an aggregate fair value of $4,516,255. In addition, the Company issued 6,846,350 shares to Finders' with a fair value of $0.08 (CAD$0.10) per share for an aggregate fair value of $521,507.

During the year ended December 31, 2022, the Company had the following share capital transactions:

- Subsequent to the completion of a reverse takeover transaction ("RTO") during the year ended December 31, 2021, 17,789,000 common shares were issued in relation to subscription receipts received in the year ended December 31, 2021. The subscription receipts were originally issued at CAD$0.50 per share and were subjected to escrow conditions and were release upon the completion of the RTO. The Company incurred $751,926 in share issuance cost relating to the issuance of subscription received and were recognized as a reduction in share capital upon conversion of subscription receipts.

c) Warrants

During the year ended December 31, 2021, the Company issued 1,067,880 agent warrants, each of which entitles the subscriber to acquire one additional share at a price of CAD$0.50 per warrant until December 31, 2023. The Company assigned a fair value of $185,506 to the warrants using the Black-Scholes option pricing model with the following key inputs: share price of $0.40 (CAD$0.50), volatility of 113%, expected life of 2 years, risk-free rate of 0.23%, and forfeiture rate and dividend yield of 0.00%. As at September 30, 2023, all of the agent warrants remain outstanding with a weighted average exercise price of $0.40 (CAD$0.50) and a weighted average remaining life of 0.25 years.

As at September 30, 2023, 1,067,880 warrants are outstanding and exercisable (December 31, 2022 - 1,067,880). The weighted average contractual remaining life of the warrants is 0.25 years, with a weighted average exercise price of $0.40 (CAD$0.50).

(Unaudited - Expressed in US dollars, except where noted)

9. SHARE CAPITAL (continued)

d) Stock options

A summary of Company's stock option activity is as follows:

	Number of stock options	Weight average exercise price
	#	$
As at December 31, 2021	-	-
Granted	10,012,000	0.50
Balance, September 30, 2023 and December 31, 2022	10,012,000	0.50

On January 24, 2022, the Company granted 10,012,000 stock options to directors, officers, employees and consultants with an exercise price of CAD$0.50, expiry date of January 24, 2027, and were immediately vested upon grant. The fair value of the options was estimated at $2,707,337 using the Black-Scholes option pricing model with assumption disclosed below.

	2022
Weighted average exercise price	$0.40 (CAD$0.50)
Weighted average share price	$0.32 (CAD$0.40)
Weighted average risk-free interest rate	1.63%
Weighted average expected stock price volatility	132%
Expected dividend yield	0.00%
Expected life	5 years

During the three and nine months ended September 30, 2023, the Company recorded share-based compensation of $nil and $nil, respectively (2022 - $nil and $2,707,337, respectively).

As at September 30, 2023, 10,012,000 stock options are outstanding and exercisable (December 31, 2022 - 10,012,000). The weighted average contractual remaining life of the options is 3.32 years, with a weighted average exercise price of $0.40 (CAD$0.50).

10. DUE TO AND FROM RELATED PARTIES

A summary of the Company's due from (to) related parties is as follow:

	September 30, 2023	December 31, 2022
	$	$
Due from related party		
Legacy Eight Group Ltd.	**373,010**	390,555
	373,010	390,555
Due to related parties		
WestOcean S.A.	**(69,591)**	(69,591)
Former shareholder of Phoenix (1)	**(19,940)**	(19,327)
	(89,531)	(88,918)
	283,479	301,637

1. The former shareholder of Phoenix sold all of his shares in Phoenix to Legacy Eight Ltd., parent corporation of L8 Curacao in February 2021. The former shareholder of Phoenix is also the corporate secretary of Legacy Eight Group Ltd., the parent corporation of Legacy Eight Ltd.

During the three and nine months ended September 30, 2023, L8 Curacao advanced $nil and $nil, respectively (2022 - $nil and $30,000, respectively), to Legacy Eight Group Ltd.

The due from (to) related parties' balances relate to amounts owed for funds provided for working capital needs by the related parties. These balances are non-interest bearing with no fixed term of repayment.

(Unaudited - Expressed in US dollars, except where noted)

10. DUE TO AND FROM RELATED PARTIES (continued)

As at September 30, 2023 and December 31, 2022, balances due from related parties and due to related parties have been offset in the interim consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts.

A summary of the Company's offsetting of balances due from (to) related parties is as follows:

	Ledonford Ltd.	**Legacy Eight Group Ltd.**	**R.S. World Services Ltd.**	**WestOcean S.A.**	**Former shareholder of Phoenix**	**Total**
	$	$	$	$	$	$
Due from related party	1,213,532	998,377	879,816	9,888,643	-	12,980,368
Due to related party	-	(170,037)	(38,916)	(12,467,996)	(19,940)	(12,696,889)
Balance offset	(1,213,532)	(455,330)	(840,900)	2,509,762	-	-
Balance, September 30, 2023	**-**	**373,010**	**-**	**(69,591)**	**(19,940)**	**283,479**
Due from related party	1,213,544	932,828	898,315	9,887,592	-	12,932,279
Due to related party	-	(104,402)	(38,917)	(12,467,996)	(19,327)	(12,630,642)
Balance offset	(1,213,544)	(437,871)	(859,398)	2,510,813	-	-
Balance, December 31, 2022	**-**	**390,555**	**-**	**(69,591)**	**(19,327)**	**301,637**

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company has identified its directors and senior officers as key management personnel. Key management personnel are those persons responsible for planning, directing and controlling the activities of the Company, and include executives and non-executive directors.

A summary of the Company's compensation paid to key management personnel is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Chief Executive Officer ("CEO") (1)	**28,300**	-	**115,800**	-
Chief Financial Officer ("CFO") (2)	**22,500**	22,500	**67,500**	67,500
Directors (3)	**56,957**	48,625	**154,207**	136,459
Former officers (2) (4)	**-**	38,460	**105,000**	157,100
	107,757	109,585	**442,507**	361,059

1. The compensation paid to the CEO is included in management fees in profit and loss.
2. The compensation paid to the former Chief Operating Officer ("COO") and Chief Financial Officer ("CFO") is included in salaries and benefits in profit and loss. COO left the Company in July 2022.
3. The compensation paid to directors is included in salaries and benefits in profit and loss.
4. The Chief Marketing Officer's ("CMO") compensation is included in professional fees in profit and loss.

A summary of the Company's fair value of stock options issued to key management personnel as part of the share-based compensation is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
	$	$	**$**	$
CEO	**-**	-	**-**	318,318
CFO	**-**	-	**-**	63,664
Directors	**-**	-	**-**	133,693
Former officers	**-**	-	**-**	82,763
	-	-	-	598,438

(Unaudited - Expressed in US dollars, except where noted)

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

As at September 30, 2023, a total of $84,832 (December 31, 2022 - $nil) was due to the related parties and included in accounts payable and accrued liabilities. The amounts are unsecured, non-interest-bearing and have no fixed term of repayment.

12. GEOGRAPHIC INFORMATION

The Company has only one reportable segment being lottery procurement and online casino and scratchcard.

A summary of the Company's geographic segmentation of the Company's revenues for the three months ended September 30, 2023 is as follows:

	Mexico	Brazil	OLAM (1)	Others (1)	Total
	$	$	$	$	$
Lottery procurement revenue	331,222	55,895	568,776	441,482	1,397,375
Online casino and scratchcard revenue	43,997	(5,822)	144,751	7,389	190,315
	375,219	**50,073**	**713,527**	**448,871**	**1,587,690**

A summary of the Company's geographic segmentation of the Company's revenues for the three months ended September 30, 2022 is as follows:

	Mexico	Brazil	OLAM (1)	Others (1)	Total
	$	$	$	$	$
Lottery procurement revenue	161,776	32,355	231,879	113,242	539,252
Online casino and scratchcard revenue	109,458	136,823	362,579	75,253	684,113
	271,234	**169,178**	**594,458**	**188,495**	**1,223,365**

A summary of the Company's geographic segmentation of the Company's revenues for the nine months ended September 30, 2023 is as follows:

	Mexico	Brazil	OLAM (1)	Others (1)	Total
	$	$	$	$	$
Lottery procurement revenue	780,557	120,086	1,290,921	810,578	3,002,142
Online casino and scratchcard revenue	87,322	13,434	476,911	94,039	671,706
	867,879	**133,520**	**1,767,832**	**904,617**	**3,673,848**

A summary of the Company's geographic segmentation of the Company's revenues for the nine months ended September 30, 2022 is as follows:

	Mexico	Brazil	OLAM (1)	Others (1)	Total
	$	$	$	$	$
Lottery procurement revenue	505,613	104,610	802,006	331,263	1,743,492
Online casino and scratchcard revenue	205,556	176,191	1,013,095	73,413	1,468,255
	711,169	**280,801**	**1,815,101**	**404,676**	**3,211,747**

1. "Other Latin American countries" and "Other" categories represent Latin American and non-Latin American countries with insignificant revenue which have been grouped together.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

(Unaudited - Expressed in US dollars, except where noted)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The carrying values of the Company's trade and other receivables, due from processors, loan receivable, accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The carrying value of balance due from related parties approximate fair value as the Company has an intention to net settle these balances with future amounts due to the related parties.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its amounts due from processors balance. The Company does not provide credit to its customers, however, credit risks arise as the payments might not be collectible from processors. The maximum credit risk is the carrying value of the amounts due from processors. As at September 30, 2023, 92% (December 31, 2022 - 91%) of the amounts due from processors balance is owing from four processors (December 31, 2022 - four processors).

The Company has applied the simplified approach to providing for expected credit losses, which permits the use of a lifetime expected credit loss provision for all amounts due from processors balances, which are of similar nature to trade receivables. To measure the expected credit losses, a full allowance is provided for a processor balance when there is doubt about the processor's future capacity to fulfill its payment obligations. For the remaining amounts due from processor balances, each processors' ability of fulfilling the payments in the future are evaluated specifically based on the information available on the date of the interim consolidated statements of financial position. The loss allowances at September 30, 2023 and December 31, 2022 were determined as follows for amounts due from processors balances based upon the Company's historical default rates over the expected life of the balances, adjusted for forward looking estimates.

A summary of the Company's due from processors, net is as follows:

	September 30, 2023	December 31, 2022
	$	$
Carrying amount, net of refund liability	**734,056**	525,675
Lifetime expected credit loss	**(859)**	(859)
	733,197	524,816

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by cash or another financial asset. The primary sources of liquidity risk are accounts payable and accrued liabilities and amounts due to related party. The Company's ability to meet its obligations depends on the receipt of funds from its operations. Management monitors its working capital to ensure the obligations under current liabilities are met on a timely basis.

As at September 30, 2023 and December 31, 2022, all of the Company's financial liabilities are due within 12 months from the date of these financial statements. To address the settlement of these liabilities, the Company maintains a prudent level of cash and cash equivalents. As of September 30, 2023, the Company held cash and cash equivalents balances of $1,113,676 (December 31, 2022 - $1,191,694) and current liabilities of $3,981,245 (December 31, 2022 - $2,602,880). The Company has implemented effective cash management strategies and is actively pursuing opportunities to optimize its working capital, reduce costs, and generate additional cash flow to ensure timely settlement of its financial obligations.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to equity price risk.

(Unaudited - Expressed in US dollars, except where noted)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates increase, the Company will incur more interest expense. The sensitivity of the Company’s profit or loss to changes in the interest rate would be as follows: a 1% change in the interest rate would change the Company’s profit or loss by approximately $225.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from financial instruments, primarily cash, amounts due from processors, amounts due from related party, accounts payable and accrued liabilities and amounts due to related party, denominated in a currency other than the functional currency of the entity. All entities included in these interim consolidated financial statements do not use derivative financial instruments to manage its currency risk. As at September 30, 2023, a 10% appreciation (depreciation) of foreign currencies against USD will result in an increase (decrease) in income and comprehensive income of $94,463 (December 31, 2022 - 77,525).

A summary of the Company’s balances denominated in currencies other than USD as at September 30, 2023 is as follows:

	CAD	EUR	MXN	UYU	PLN	Other
	$	$	$	$	$	$
Cash	695,720	105,997	103,564	28,072	62,714	6,638
Due from processors	1,718	395,411	268,562	-	-	85,004
Government remittance recoverable	-	18,388	52,389	13,824	-	60
Trade and other receivables	-	-	-	-	1,970,080	3,585
Accounts payable and accrued liabilities	(231,045)	-	-	(756,644)	(2,149,137)	753
Income taxes recoverable (payable)	-	(2,116)	(16,377)	7,488	-	(20,648)

14. CAPITAL MANAGEMENT

The Company considers capital to include items within shareholders’ equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and evaluation of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or issue debt instruments. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any capital restrictions and the Company’s approach to capital management has not changed.