



PLAYGON GAMES INC.
Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

PLAYGON GAMES INC.**Condensed Interim Consolidated Statements of Financial Position
(Unaudited - expressed in Canadian Dollars)**

	Note	September 30, 2021	December 31, 2020
		\$	\$
ASSETS			
Current assets			
Cash		406,978	781,456
Amounts receivable		15,409	7,482
Sales tax receivable		134,787	134,125
Prepays		213,321	159,283
Other assets	4	442,033	445,749
		1,212,528	1,528,095
Security deposit		-	85,466
Property and equipment	5	1,033,726	1,005,866
Intangible assets	6	9,111,435	10,953,174
Right-of-use asset	7	234,828	109,204
		11,592,517	13,681,805
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	3,313,106	2,476,255
Loans payable	9	200,000	764,750
Purchase obligation payable		35,542	37,479
Current portion of lease liability	7	191,344	122,395
		3,739,992	3,400,879
Long-term debt	10	1,241,217	1,220,477
Long-term portion of lease liability	7	46,813	-
		5,028,022	4,621,356
SHAREHOLDERS' DEFICIENCY			
Share capital	11	43,336,283	36,135,666
Reserves	11	3,759,284	2,827,012
Subscriptions received		49,950	-
Shares to be issued	11	-	21,500
Accumulated other comprehensive loss		87,956	98,296
Accumulated deficit		(40,668,978)	(30,022,025)
		6,564,495	9,060,449
		11,592,517	13,681,805

Nature and continuance of operations (Note 1)**Subsequent events (Note 16)****Approved on behalf of the Board of Directors on November 26, 2021:**

/s/ Darcy Krogh
Darcy Krogh
Director

/s/ Mike Marrandino
Mike Marrandino
Director

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

PLAYGON GAMES INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - expressed in Canadian Dollars)**

		Three months ended September 30,		Nine months ended September 30,	
	Note	2021	2020	2021	2020
		\$	\$	\$	\$
Revenue	13	5,624	-	7,842	-
Operating expenses					
Advertising and promotion		21,731	625,878	187,734	625,878
Bad debts		-	-	-	11,442
Consulting fees		188,407	179,500	372,886	333,872
Data access fees		197,614	29,231	435,195	72,472
Depreciation	5, 6, 7	796,334	721,806	2,303,887	853,183
Interest and bank charges		36,713	39,620	119,170	76,726
Management and directors fees	12	215,721	79,907	633,027	463,623
Other general and administrative expenses		218,642	58,616	582,842	93,727
Professional fees		150,630	103,401	399,928	377,051
Regulatory and shareholder services		28,388	15,889	93,134	26,892
Rent	7	37,249	48,643	149,065	56,114
Salaries and benefits		1,483,336	419,477	4,302,576	523,810
Share-based compensation	11	175,265	309,164	1,035,965	953,354
Travel		12,190	1,159	47,517	10,153
		3,562,220	2,632,291	10,662,926	4,478,297
Loss before other income (expenses)		(3,556,596)	(2,632,291)	(10,655,084)	(4,478,297)
Other income (expenses)					
Interest income		3,317	6,688	11,664	8,477
Foreign exchange gain/(loss)		(37,659)	(13,900)	(24,600)	(41,811)
Gain on debt settlement	8	21,067	-	21,067	-
Loss on disposal of assets	5	-	-	-	(1,009)
		(13,275)	(7,212)	8,131	(34,343)
Loss for the period		(3,569,871)	(2,639,503)	(10,646,953)	(4,512,640)
Foreign currency translation adjustment		27,491	(30,359)	(10,340)	(25,826)
Comprehensive loss for the period		(3,542,380)	(2,669,862)	(10,657,293)	(4,538,466)
Basic and diluted loss per common share		(0.02)	(0.01)	(0.05)	(0.04)
Weighted average number of common shares outstanding					
Basic and diluted		213,230,132	176,955,117	206,610,489	113,959,667

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

PLAYGON GAMES INC.**Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - expressed in Canadian Dollars)**

	Nine months ended September 30,	
	2021	2020
	\$	\$
Cash flows used in operating activities		
Loss for the period	(10,646,953)	(4,512,640)
Items not affecting cash:		
Accrued interest expense	73,351	70,488
Bad debt	-	11,442
Depreciation	2,303,887	853,183
Share-based compensation	1,035,965	953,354
Gain on debt settlement	(21,067)	-
Loss on disposal of assets	-	1,009
Unrealized foreign exchange	1,779	(20,688)
Changes in non-cash working capital:		
Amounts receivable	(7,927)	10,733
Sales tax receivable	(662)	(54,062)
Prepays	31,428	(20,703)
Accounts payable and accrued liabilities	815,688	77,692
	(6,414,511)	(2,630,192)
Cash flows provided by investing activities		
Cash acquired from asset acquisition	-	30,206
Purchase of property and equipment	(340,973)	(68,524)
	(340,973)	(38,318)
Cash flows provided by financing activities		
Loan proceeds	20,000	199,750
Loan repayments	(564,750)	(310,000)
Interest paid on loans	(22,345)	(20,869)
Long-term debt proceeds	-	50,000
Long-term debt repayments	-	(30,000)
Shares issued for cash	-	5,749,738
Share issuance costs	-	(827,500)
Subscriptions received	49,950	-
Lease payments	(174,745)	(38,932)
Warrants exercised	7,075,424	630,000
	6,383,534	5,402,187
Effect of foreign exchange on cash	(2,528)	37,758
Change in cash during the period	(374,478)	2,771,435
Cash, beginning of period	781,456	90,292
Cash, end of period	406,978	2,861,727

Supplemental disclosure with respect to cash flows (Note 14)

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

PLAYGON GAMES INC.
**Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited - expressed in Canadian Dollars)**

	Shares	Amount	Shares to be issued	Subscriptions received	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
		\$	\$		\$	\$	\$	\$
Balance, December 31, 2019	74,374,005	21,026,969	-	-	1,416,687	-	(23,630,708)	(1,187,052)
Shares issued per acquisition agreement	63,333,333	9,500,000	-	-	-	-	-	9,500,000
Shares issued for cash	38,331,588	5,749,738	-	-	-	-	-	5,749,738
Shares issued for agent's fees	96,960	20,362	-	-	-	-	-	20,362
Share issue costs	-	(979,528)	-	-	131,666	-	-	(847,862)
Warrant exercised	3,150,000	630,000	-	-	-	-	-	630,000
Share-based compensation	-	-	-	-	953,354	-	-	953,354
Foreign exchange on translation	-	-	-	-	-	25,826	-	25,826
Loss for the period	-	-	-	-	-	-	(4,512,640)	(4,512,640)
Balance, September 30, 2020	179,285,886	35,947,541	-	-	2,501,707	25,826	(28,143,348)	10,331,726
Shares issued for agent's fees	-	(5,818)	-	-	-	-	-	(5,818)
Share issue costs	-	5,818	-	-	-	-	-	5,818
Warrant exercised	875,000	188,125	-	-	-	-	-	188,125
Shares to be issued	-	-	21,500	-	-	-	-	21,500
Share-based compensation	-	-	-	-	325,305	-	-	325,305
Foreign exchange on translation	-	-	-	-	-	72,470	-	72,470
Loss for the period	-	-	-	-	-	-	(1,878,677)	(1,878,677)
Balance, December 31, 2020	180,160,886	36,135,666	21,500	-	2,827,012	98,296	(30,022,025)	9,060,449
Warrant exercises	33,072,833	7,200,617	(21,500)	-	(103,693)	-	-	7,075,424
Subscriptions received	-	-	-	49,950	-	-	-	49,950
Share-based compensation	-	-	-	-	1,035,965	-	-	1,035,965
Foreign exchange on translation	-	-	-	-	-	(10,340)	-	(10,340)
Loss for the period	-	-	-	-	-	-	(10,646,953)	(10,646,953)
Balance, September 30, 2021	213,233,719	43,336,283	-	49,950	3,759,284	87,956	(40,668,978)	6,564,495

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

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Playgon Games Inc. ("Playgon") was incorporated on December 2, 1985, under the laws of the Province of British Columbia. All references in this document to the "Company" refer to Playgon Games Inc. and its wholly owned subsidiaries. The Company is listed and traded on the TSX Venture Exchange ("TSXV") under the symbol "DEAL". The Company's principal office is located at #1500 - 675 West Hastings Street, Vancouver, British Columbia, V6B 1N2, Canada.

The Company's principal business is the development and licensing of digital content for the growing iGaming market. The Company provides a multi-tenant gateway that allows online operators the ability to offer their customers innovative iGaming software solutions. Its current software platform includes Live Dealer Casino, E-Table games ("Live Dealer Product") and Daily Fantasy Sports ("DFS") which, through a seamless integration at the operator level, allows customer access without having to share or compromise any sensitive customer data.

On June 19, 2020, the Company purchased 100% of the outstanding shares of Playgon Interactive Inc. ("Playgon Interactive"), a company existing under the laws of the Province of British Columbia. Playgon Interactive is in the business of developing online multi-player Live Dealer Casino and E-Table games that streams live casino games with dealers to online players. The acquisition of Playgon Interactive is being accounted for as an asset acquisition under IFRS 3 as Playgon Interactive did not meet the definition of a business (Note 3).

The Company's operations have been primarily funded from equity financings, which are dependent upon many external factors and may be difficult to secure or raise when required on terms acceptable to the Company or at all. As at September 30, 2021 the Company has a working capital deficit of \$2,527,464 (December 31, 2020 - \$1,872,784) and an accumulated deficit of \$40,668,978 (December 31, 2020 - \$30,022,025). The Company recognizes that its objectives and scope of expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future.

On March 11, 2020, the World Health Organization ("WHO") declared coronavirus COVID-19 a global pandemic. In order to combat the spread of COVID-19 governments worldwide, including Canada, have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures will have a significant, negative effect on the economy of all nations for an undeterminable period of time, the extent of which is also uncertain. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, it could impact the Company's ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated in the unaudited condensed interim consolidated financial statements.

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year December 31, 2020.

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets and liabilities that are measured at fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

The condensed interim financial statements were approved by the board and authorized for issue on November 26, 2021.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries at the end of the reporting period as follows:

	Incorporation	Percentage owned	
		2021	2020
Playgon Interactive Inc.	Canada	100%	100%
Companies owned by Playgon Interactive			
Cleebo Games Inc.	Canada	100%	100%
Bitrate Productions (“Bitrate”)	USA	100%	100%
Playgon Distribution Limited	Cyprus	100%	-
Playgon Malta Holding Limited	Malta	100%	100%
Companies owned by Playgon Malta Holding Limited			
Playgon Malta Limited	Malta	100%	100%

All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Critical accounting estimates and judgements

The Company uses the same critical accounting estimates and judgements as those that applied to the annual consolidated financial statements for the year ended December 31, 2020.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

3. ACQUISITION

On June 19, 2020, the Company acquired 16,850,447 (100%) common shares of Playgon Interactive through the issuance of 63,333,333 common shares of the Company at \$0.15 per common share for a total value of \$9,500,000. The acquisition has been treated as an acquisition of an intangible asset.

The assets and liabilities of Playgon Interactive and its subsidiaries on acquisition were as follows:

	\$
Cash	30,206
Amounts receivable	7,482
Sales tax receivable	50,952
Prepays	836
Security deposit	91,205
Property and equipment	631,816
Intangible assets	399,923
Right-of-use asset	186,459
Accounts payable and accrued liabilities	(1,125,107)
Loans payable	(560,000)
Long-term debt	(1,280,775)
Lease liability	(204,332)
Net liabilities	(1,771,335)

The total consideration for the acquisition was as follows:

	\$
Value of common shares issued	9,500,000
Net liabilities acquired	1,771,335
Total consideration	11,271,335

The total consideration for the acquisition of Playgon Interactive and its subsidiaries has been added to intangible assets (Note 6).

4. OTHER ASSETS

In October 2018 the Company's bank in Malta, Satabank, was directed by the Malta Financial Services Authority ("MFSA") to refrain, cease and desist from taking further deposits into the accounts of its current customers. The MFSA also retained Richard Galea Debono, to take charge of the bank's assets for the purpose of safeguarding the interests of depositors and to assume control of the bank's business. The Company has 46,047 euro (CAD\$68,155) (December 31, 2020 – 46,047 euro (CAD\$71,871)) in a bank account at Satabank and is in the process of transferring these funds to a new bank in Malta. As the funds are not currently available, the cash amount has been categorized as "Other assets" in the consolidated statement of financial position. Dialogue with Satabank is ongoing and the Company continues to work towards the release of these funds.

On December 14, 2020, Devkey Consulting Limited ("Devkey"), a company controlled by the former CFO of Playgon Paul Dever, initiated a civil claim against the Company in the Supreme Court of British Columbia (the "Court") for failure to pay monthly fees and invoiced expenses from July 2018 to August 2020 and an unpaid severance amount upon termination of his consulting contract. The claim was for €231,569 (CAD - \$373,878) and on December 16, 2020, the Court ordered the full amount claimed be garnished from the Company and paid into court until a judgement on the claim is reached. The Company has retained legal counsel regarding this matter and strongly believes the garnishment order will be lifted. As at September

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)**

30, 2021, the Company has recorded the full amount of the garnishment as "Other Assets" on the consolidated statement of financial position.

5. PROPERTY AND EQUIPMENT

	Computers	Computer Software	Furniture and Equipment	Other Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
Cost:						
At December 31, 2019	-	-	8,652	-	-	8,652
Acquired on acquisition (Note 3)	14,619	4,494	336,117	86,714	189,872	631,816
Additions	35,268	-	-	154,876	425,780	615,924
Disposals	-	-	(8,652)	-	-	(8,652)
Net exchange differences	(1,213)	-	(19,388)	(10,069)	(11,949)	(42,619)
At December 31, 2020	48,674	4,494	316,729	231,521	603,703	1,205,121
Additions	46,691	-	-	89,965	204,317	340,973
Net exchange differences	547	-	204	1,803	4,150	6,704
At September 30, 2021	95,912	4,494	316,933	323,289	812,170	1,552,798
Amortization:						
At December 31, 2019	-	-	7,499	-	-	7,499
Additions	17,390	698	62,493	31,418	95,641	207,640
Disposals	-	-	(7,643)	-	-	(7,643)
Net exchange differences	(258)	-	(1,709)	(833)	(1,086)	(3,886)
At December 31, 2020	17,132	698	60,640	30,585	94,555	203,610
Additions	18,201	568	37,707	35,773	213,599	305,848
Net exchange differences	237	-	667	672	8,038	9,614
At September 30, 2021	35,570	1,266	99,014	67,030	316,192	519,072
Net book value:						
At December 31, 2020	31,542	3,796	256,089	200,936	509,148	1,001,511
At September 30, 2021	60,342	3,228	217,919	256,259	495,978	1,033,726

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)

6. INTANGIBLE ASSETS

	Gaming Platform
	\$
Cost:	
At December 31, 2019	-
Acquired on acquisition (Note 3)	11,671,258
Internally developed additions	607,003
At December 31, 2020 and September 30, 2021	12,278,261
Amortization:	
At December 31, 2019	-
Additions	1,325,087
At December 31, 2020	1,325,087
Additions	1,841,739
At September 30, 2021	3,166,826
Net book value:	
At December 31, 2020	10,953,174
At September 30, 2021	9,111,435

Gaming Platform

Upon completion of the Playgon Interactive Inc. acquisition the Company allocated \$11,671,258 of acquisition costs to intangible assets related to Playgon Interactives Gaming Platform. The multi-tenant B2B gateway allows operators the ability to offer their customers innovative iGaming software solutions including Live Dealer Casino and E-table games.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**Right-of-use asset**

	Office Lease
	\$
Cost:	
At December 31, 2019	-
Acquired on acquisition (Note 3)	186,459
Net exchange difference	(11,733)
At December 31, 2020	174,726
Office lease agreement	283,607
Net exchange difference	123
At September 30, 2021	458,456
Depreciation:	
At December 31, 2019	-
Additions	67,805
Net exchange differences	(2,283)
At December 31, 2020	65,522
Additions	156,300
Net exchange differences	1,806
At September 30, 2021	223,628
Net book value:	
At December 31, 2020	109,204
At September 30, 2021	234,828

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

Lease liability

On June 1, 2021, the Company entered into an office lease agreement with a 19-month term and monthly payments of \$15,805. At the date of recognition, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 7%. The continuity of the lease liabilities is presented in the table below:

	September 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period	122,395	-
Acquired on acquisition (Note 3)	-	204,332
Office lease agreement	283,607	-
Lease payments	(174,745)	(77,387)
Interest expense	8,776	5,912
Net exchange difference	(1,876)	(10,462)
	238,157	122,395
Less: current portion of lease liability	(191,344)	(122,395)
Non-current portion of lease liability	46,813	-

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease including assumed renewal periods are as follows:

September 30, 2021 to December 31, 2021	\$60,325
December 31, 2021 to December 31, 2022	189,658
	249,983

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
	\$	\$
Accounts payable	3,027,668	2,224,893
Accrued liabilities	-	44,066
Payroll taxes payable	162,679	131,138
Accrued interest payable (Note 9 & 10)	122,759	76,158
	3,313,106	2,476,255

During the nine months ended September 30, 2021, the Company settled US \$43,574 of debt for US \$27,000 and recorded a gain on debt settlement of US \$16,574 (CAD - \$21,067).

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)

9. LOANS PAYABLE

	Third Party Loans
	\$
Balance, December 31, 2019	300,000
Advance	199,750
Acquired on acquisition (Note 3)	560,000
Repayment - cash	(310,000)
Interest	15,000
Balance, December 31, 2020	764,750
Repayment - cash	(564,750)
Balance, September 30, 2021	200,000

Third Party Loans

During the nine months ended September 30, 2021, the Company repaid \$564,750 of short-term third-party loans. As at September 30, 2021, the Company owes third party lenders \$200,000. The loans are secured by assets of the Company with due dates ranging from demand loans to periods of one year and interest rates ranging from 7% to 12% per annum. As at September 30, 2021, the amount outstanding was due on demand and incurred interest of 12% per annum. Interest of \$47,032 (December 31, 2020 - \$25,926) remains outstanding and is included in accounts payable and accrued liabilities.

10. LONG-TERM DEBT

	Third Party Loans	CEBA	Total
	\$	\$	\$
Balance, December 31, 2019	-	-	-
Advance	-	40,000	40,000
Acquired on acquisition (Note 3)	1,250,775	30,000	1,280,775
Repayment – cash	-	(30,000)	(30,000)
Foreign exchange adjustment	(70,298)	-	(70,298)
Balance, December 31, 2020	1,180,477	40,000	1,220,477
Advance	-	20,000	20,000
Foreign exchange adjustment	740	-	740
Balance, September 30, 2021	1,181,217	60,000	1,241,217

Third Party Loans

As at September 30, 2021 the Company has \$133,660 and US\$822,194 (CAD \$1,047,557) owing to various third party lenders. The loans are secured by assets of the Company and bear interest at 5% per annum. The loan repayment schedule is based on an amount equal to 25% of the free cash flow of the Company, that is cash flow generated by operations after deducting all expenditures (“Available Cash Flow”). Additionally, in the event the Company completes a financing of \$5,000,000 or greater the loan amounts become due on demand. As at September 30, 2021, the Company does not expect to have Available Cash Flow, over the next twelve months, for the purposes of debt repayments and accordingly, has recorded the debt as a long-term liability. The Company evaluates the likelihood of having Available Cash Flow for debt repayments on a quarterly basis. Interest of \$75,727 (December 31, 2020 - \$50,232) remains outstanding and is included in accounts payable and accrued liabilities.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

Canada Emergency Business Account

As at September 30, 2021, the Company owes the Government of Canada \$60,000 in relation to two loans received under the Canada Emergency Business Account (“CEBA”) program. The CEBA loans are interest free and mature December 31, 2022. Should the Company repay the balance of the loans before the maturity date, 25% of the loan will be forgiven.

11. SHARE CAPITAL AND RESERVES

Authorized share capital

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

Issued share capital

During the nine months ended September 30, 2021:

- 33,072,833 warrants were exercised for gross proceeds of \$7,096,924, of which, \$21,500 had been received at December 31, 2020 and were recorded as shares to be issued.

During the year ended December 31, 2020:

- the Company issued 63,333,333 common shares at \$0.15 per common share for a total value of \$9,500,000 for the acquisition of Playgon Interactive (Note 3). Pursuant to the terms of the Playgon Acquisition 4,608,891 Common Shares (the “Indemnity Escrow Consideration Shares”), were placed in escrow to satisfy any indemnity claims. Subject to the satisfaction of any agreed claims under the purchase agreement, 50% of the Indemnity Escrow Consideration Shares will be released to certain selling shareholders on the one-year anniversary of the closing date of the Playgon Acquisition and the balance will be released on the 18-month anniversary of the closing date of the Playgon Acquisition. In addition, 41,480,009 common shares of the Company (the “Release Escrow Consideration Shares”) will be subject to resale restrictions, such that 12.5% of the Release Escrow Consideration Shares shall be released for sale on a quarterly basis following the initial six-month anniversary of the closing date of the Playgon Acquisition. If the aggregate of indemnity claims exceeds the number of Indemnity Escrow Consideration Shares multiplied by \$0.15 per share, the Release Escrow Consideration Shares shall also be subject to recovery by the Company to a maximum indemnity cap of \$5,000,000. As of September 30, 2021, there have been no indemnity claims and 2,304,446 of the Indemnity Escrow Consideration Shares have been released. As of September 30, 2021, 15,555,004 of the Release Escrow Consideration Shares have been released.
- the Company completed a brokered private placement of 38,331,588 units at a price of \$0.15 per unit for gross proceeds of \$5,749,738 (“June 2020 PP”). Each unit consists of one common share and one common share purchase warrant exercisable for an 18-month period at an exercise price of \$0.215 per warrant. The Company fair valued the warrants at \$nil, using the residual value method. In connection with this private placement, the Company incurred agent fees of \$364,656, agents’ expenses of \$119,033, regulatory and other fees of \$72,249, legal fees of \$271,562, issued 96,960 common shares valued at \$14,544 to the agent, and issued 1,171,866 agent warrants at a value of \$131,666 with each agent warrant being exercisable for an 18-month period at an exercise price of \$0.15 per warrant.
- During the year ended December 31, 2020, 4,025,000 warrants were exercised for gross proceeds of \$818,125.

Share options

The Company has established a rolling share option plan (the “Plan”), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company’s closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

The vesting provisions are determined by the Board of Directors and, unless otherwise stated, fully vest when granted.

During the nine months ended September 30, 2021, the Company granted 2,500,000 share options to various consultants and employees of the Company with a total fair value of \$352,411. Of the options granted, 500,000 vested immediately, 750,000 vest over the next three years and 1,250,000 options vest upon completion of performance obligations which as at September 30, 2021 were not met and the associated options were forfeited. During the nine months ended September 30, 2021, the Company recorded \$1,035,965 in share-based compensation (September 30, 2020 - \$953,354).

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the valuation of the share options granted:

	September 30, 2021	December 31, 2020
Risk-free interest rate	0.62%	0.36%
Dividend yield	Nil	Nil
Expected life	3.14 years	5.06 years
Volatility	95.04%	130.74%
Weighted average fair value per options	0.23	0.25

Share option transactions are summarized as follows:

	Number of Share Options	Weighted Average Exercise Price \$
Balance, December 31, 2019	2,291,663	0.45
Granted	11,625,000	0.30
Forfeited	(183,336)	0.48
Expired	(508,327)	0.48
Balance, December 31, 2020	13,225,000	0.32
Granted	2,500,000	0.43
Forfeited	(1,650,000)	0.39
Balance, September 30, 2021	14,075,000	0.32
Unvested	(6,533,327)	0.32
Exercisable, September 30, 2021	7,541,673	0.26

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)**

A summary of the share options outstanding and exercisable at September 30, 2021 is as follows:

Number of Share Options Outstanding	Number of Share Options Exercisable	Exercise Price	Expiry Date
		\$	
250,000	250,000	0.30	February 21, 2022
1,400,000	1,400,000	0.48	September 12, 2022
500,000	250,000	0.47	February 11, 2023
200,000	200,000	0.15	August 23, 2023
8,825,000	5,591,671	0.28	June 30, 2025
100,000	100,000	0.39	August 12, 2025
500,000	166,667	0.37	September 15, 2025
100,000	-	0.40	December 1, 2025
1,000,000	-	0.37	January 1, 2026
500,000	-	0.37	January 1, 2026
100,000	-	0.47	February 10, 2026
100,000	-	0.58	March 1, 2026
50,000	-	0.40	May 22, 2026
150,000	-	0.38	June 30, 2026
200,000	-	0.28	August 25, 2026
100,000	-	0.30	September 1, 2026
14,075,000	7,958,338		

The weighted average life of share options outstanding at September 30, 2021 was 3.41 years.

Warrants

During the nine months ended September 30, 2021, 33,072,833 warrants were exercised for gross proceeds of \$7,096,924, of which \$21,500 was received at December 31, 2020 and recorded as shares to be issued.

Warrant transactions are summarized as follows:

	Number of Share Options	Weighted Average Exercise Price
		\$
Balance, December 31, 2019	19,975,730	0.25
Issued	39,503,424	0.21
Exercised	(4,025,000)	0.20
Expired	(11,850,000)	0.20
Balance, December 31, 2020	43,604,154	0.23
Exercised	(33,072,833)	0.21
Expired	(4,725,714)	0.40
Balance, September 30, 2021	5,805,607	0.21

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

Warrants

A summary of the warrants outstanding at September 30, 2021 is as follows:

Number of Warrants Outstanding	Exercise Price	Expiry Date
	\$	
5,556,633	0.215	December 19, 2021
248,974	0.15	December 19, 2021
7,664,209		

The weighted average life of warrants outstanding at September 30, 2021 was 0.22 years.

12. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and certain of the members of the Board of Director. Transactions with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts receivable at September 30, 2021 includes \$7,482 (December 31, 2020 - \$7,482) receivable from a company related by way of common directors.

Accounts payable and accrued liabilities at September 30, 2021, includes \$1,753,764 (December 31, 2020 - \$1,236,578) owing to directors, officers, or to companies significantly controlled by common directors for unpaid fees and expense reimbursements.

Summary of key management personnel compensation:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management and directors fees	215,959	79,907	633,027	463,623
Salaries and benefits	95,000	-	255,000	34,091
Professional fees	30,500	-	67,000	8,500
Share-based compensation	107,727	256,966	749,384	888,583
Share issue costs	-	52,673	-	71,869
	449,186	389,546	1,704,411	1,466,666

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

13. REVENUE

During the three and nine months ended September 30, 2021, the Company generated \$5,624 (2020 - \$nil) and \$7,842 (2020 - \$nil), respectively, in licensing and use revenue from its Live Dealer Product. Revenue for the three and nine months ended September 30, 2021 was generated through Malta.

14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	For the nine months ended September 30,	
	2021	2020
	\$	\$
Supplemental cash-flow disclosure		
Interest paid	38,425	375
Taxes paid	-	-
Supplemental non-cash disclosures		
Shares issued pursuant to the acquisition (Note 3)	-	9,500,000
Shares issued for share issue costs	-	20,362
Warrants issued for share issue costs	-	131,666

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and financial liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); amortized costs; and fair value through other comprehensive income. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	September 30, 2021	December 31, 2020
		\$	\$
Cash	FVTPL	406,978	781,456
Amounts receivable	Amortized costs	15,409	7,482
Sales tax receivable	Amortized costs	134,787	134,125
Other assets	Amortized costs	442,033	445,749
Accounts payable and accrued liabilities	Amortized costs	(3,313,106)	(2,476,255)
Loans payable	FVTPL	(200,000)	(764,750)
Purchase obligation payable	Amortized costs	(35,542)	(37,479)
Lease liability	Amortized costs	(238,157)	(122,395)
Long-term debt	Amortized costs	(1,241,217)	(1,220,477)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market-place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, amounts receivable, sales tax receivable, accounts payable and accrued liabilities, loans payable, purchase obligation payable approximate their fair value due to their short-term nature. The Company's fair value of cash and other assets under the fair value hierarchy is measured using Level 1 inputs. The Company's lease liability is measured as the present value of the discounted future cash flows.

Risk exposure

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) **Currency risk**

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are carried out in Canada, the United States, and Malta. As at September 30, 2021, the Company had assets totaling US\$137,670 and liabilities totalling US\$1,094,690. Additionally, the Company had assets totalling EUR\$2,281 and liabilities totalling EUR\$252,608. These factors expose the Company to foreign currency exchange rate risk, which could have an adverse effect on the profitability of the Company. A 10% change in the exchange rate with the USD would change other comprehensive income/loss by approximately CAD\$100,000 while a 10% change in the exchange rate with the EURO would change other comprehensive income/loss by approximately CAD\$25,000. At this time, the Company currently does not have plans to enter into foreign currency future contracts to mitigate this risk, however it may do so in the future.

b) **Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

c) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. As at September 30, 2021, the Company had a cash balance of \$406,978 to settle current liabilities of \$3,739,992.

d) **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

e) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The loans included in loans payable bear interest at rates ranging from 0% to 12% per annum with maturity dates occurring within the next twelve months. The Company does maintain bank accounts which earn interest at variable rates, but it does not believe it is currently subject to any significant interest rate risk.

f) Regulatory risk

The Company is exposed to risk due to the regulatory uncertainty of the online gaming industry. The Company is unable to predict whether regulations will be introduced in the future and if so, whether they could negatively impact the operations of the Company.

Capital Management

The Company does not have any externally imposed regulatory capital requirements for managing capital. The Company has defined its capital to mean working capital and shareholders' equity, as determined at each reporting date.

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or engage in debt financing.

16. SUBSEQUENT EVENTS

Subsequent to September 30, 2021:

- The Company closed a non-brokered private placement consisting of 34,971,112 Units ("Units") at a price of \$0.30 per unit for gross proceeds of \$10,491,334. Each Unit consists of one common share of the Company and one-half common share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company at a price of \$0.50 per common share for a period of 24 months from the closing date. As part of the private placement the Company issued 233,870 finders shares and 438,618 broker warrants with each broker warrant exercisable for one common share at a price of \$0.30 per broker warrant for a period of 18 months following the closing. The Company also incurred \$62,424 in cash finder's fees. As at September 30, 2021 the Company had received \$49,950 in subscriptions.
- 427,164 warrants were exercised for gross proceeds of \$83,574.