



PLAYGON GAMES INC.
Condensed Interim Consolidated Financial Statements
For the Three and Nine months Ended September 30, 2022 and 2021
(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, 2022	December 31, 2021
		\$	\$
ASSETS			
Current assets			
Cash		34,384	5,930,003
Amounts receivable		254,220	162,480
Sales tax receivable		136,044	81,365
Prepays		318,896	333,711
Other assets	3	435,503	440,145
		1,179,047	6,947,704
Property and equipment	4	793,731	1,060,567
Intangible assets	5	6,655,784	8,497,522
Right-of-use asset	6	296,585	573,670
		8,925,147	17,079,463
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7, 11	3,056,303	1,911,411
Loans payable	8	3,093,000	200,000
Purchase obligation payable		34,252	42,881
Current portion of lease liability	6	290,132	389,084
		6,473,687	2,543,376
Long-term debt	9	588,904	559,231
Long-term portion of lease liability	6	21,123	190,346
		7,083,714	3,292,953
SHAREHOLDERS' DEFICIENCY			
Share capital	10	54,533,474	54,533,474
Reserves	10	4,568,078	4,051,237
Accumulated other comprehensive loss		107,117	67,655
Accumulated deficit		(57,367,236)	(44,865,856)
		1,841,433	13,786,510
		8,925,147	17,079,463

Nature and continuance of operations (Note 1)**Subsequent event** (Note 15)**Approved on behalf of the Board of Directors on November 28, 2022:**/s/ Darcy KroghDarcy Krogh
Director/s/ Mike MarrantinoMike Marrantino
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	2022	2021	2022	2021
		\$	\$	\$	\$
Revenue	14	316,222	5,624	673,980	7,842
Operating expenses					
Advertising and promotion		18,404	21,731	153,916	187,734
Consulting fees		373,939	188,407	1,166,118	372,886
Data access fees		203,106	197,614	682,146	435,195
Depreciation and amortization	4, 5, 6	836,714	796,334	2,496,297	2,303,887
Interest and bank charges		71,860	36,713	133,301	119,170
Management and director's fees	11	183,967	215,721	597,374	633,027
Other general and administrative expenses		206,690	218,642	671,729	582,842
Professional fees		57,846	150,630	245,494	399,928
Regulatory and shareholder services		26,581	28,388	50,119	93,134
Rent	6	21,320	37,249	85,049	149,065
Sales commissions		90,029	-	130,973	-
Salaries and benefits		2,240,926	1,483,336	6,069,451	4,302,576
Share-based compensation	10	99,652	175,265	516,841	1,035,965
Travel		18,151	12,190	70,860	47,517
		4,449,185	3,562,220	13,069,668	10,662,926
Loss before other income (expenses)		(4,132,963)	(3,556,596)	(12,395,688)	(10,655,084)
Other income (expenses)					
Interest income		461	3,317	14,696	11,664
Foreign exchange gain/(loss)		(66,970)	(37,659)	(120,388)	(24,600)
Gain on debt settlement		-	21,067	-	21,067
		(66,509)	(13,275)	(105,692)	8,131
Loss for the period		(4,199,472)	(3,569,871)	(12,501,380)	(10,646,953)
Foreign currency translation adjustment		(2,398)	27,491	39,462	(10,340)
Comprehensive loss for the period		(4,201,870)	(3,542,380)	(12,461,918)	(10,657,293)
Basic and diluted loss per common share		(0.02)	(0.02)	(0.05)	(0.05)
Weighted average number of common shares outstanding					
Basic and diluted		253,331,449	213,230,132	253,331,449	206,610,489

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,	
	2022	2021
	\$	\$
Cash flows used in operating activities		
Loss for the period	(12,501,380)	(10,646,953)
Items not affecting cash:		
Accrued interest expense	105,844	73,351
Depreciation and amortization	2,496,297	2,303,887
Share-based compensation	516,841	1,035,965
Gain on debt settlement	-	(21,067)
Unrealized foreign exchange	(3,987)	1,779
Changes in non-cash working capital:		
Amounts receivable	(91,740)	(7,927)
Sales tax receivable	(54,679)	(662)
Prepays	14,815	31,428
Accounts payable and accrued liabilities	1,063,677	815,688
	<u>(8,454,312)</u>	<u>(6,414,511)</u>
Cash flows provided by investing activity		
Acquisition of property and equipment	(29,402)	(340,973)
	<u>(29,402)</u>	<u>(340,973)</u>
Cash flows provided by financing activities		
Loan proceeds	2,893,000	20,000
Loan repayments	-	(564,750)
Interest paid on loans	-	(22,345)
Repayment of lease liability	(314,465)	(174,745)
Subscriptions received	-	49,950
Warrants exercised	-	7,075,424
	<u>2,578,535</u>	<u>6,383,534</u>
Effect of foreign exchange on cash	9,560	(2,528)
Change in cash during the period	(5,895,619)	(374,478)
Cash, beginning of period	5,930,003	781,456
Cash, end of period	34,384	406,978

Supplemental disclosure with respect to cash flows (Note 12)

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)**

	Share Capital	Share Capital	Shares to be issued	Subscriptions received	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
	#	\$	\$	\$	\$	\$	\$	\$
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
Shares issued for cash	34,971,112	10,491,334	-	(49,950)	-	-	-	10,441,384
Shares issued for agent's fees	233,872	107,581	-	-	-	-	-	107,581
Share issue costs	-	(464,844)	-	-	135,112	-	-	(329,732)
Warrant exercised	4,892,746	1,063,120	-	-	(26,525)	-	-	1,036,595
Share-based compensation	-	-	-	-	183,366	-	-	183,366
Foreign exchange on translation	-	-	-	-	-	(20,301)	-	(20,301)
Loss for the period	-	-	-	-	-	-	(4,196,878)	(4,196,878)
Balance, December 31, 2021	253,331,449	54,533,474	-	-	4,051,237	67,655	(44,865,856)	13,786,510
Share-based compensation	-	-	-	-	516,841	-	-	516,841
Foreign exchange on translation	-	-	-	-	-	39,462	-	39,462
Loss for the period	-	-	-	-	-	-	(12,501,380)	(12,501,380)
Balance, September 30, 2022	253,331,449	54,533,474	-	-	4,568,078	107,117	(57,367,236)	1,841,433

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, 2022 and 2021 (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.

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. During the nine months ended September 30, 2022, the Company incurred a net loss of \$12,501,380 (September 30, 2021 - \$10,646,953). As at September 30, 2022, the Company has a working capital deficit of \$5,294,640 (December 31, 2021 - surplus of \$4,404,328) and an accumulated deficit of \$57,367,236 (December 31, 2021 - \$44,865,856). 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.

These condensed interim consolidated 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 the next twelve months. 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, 2021.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year December 31, 2021.

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.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited - expressed in Canadian Dollars)

The condensed interim financial statements were approved by the board and authorized for issue on **November XX, 2022.**

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	
		2022	2021
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%	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 condensed interim 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, 2021.

3. 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 Ernst & Young LLP, 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\$61,625) (December 31, 2021 - 46,047 euro (CAD\$66,267)) 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. During the period ended September 30, 2022, representatives for Sata Bank confirmed the amounts owing to the Company and a resolution is expected in the near future.

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 30, 2022, the Company has recorded the full amount of the garnishment as “Other Assets” on the condensed interim consolidated statement of financial position.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

4. PROPERTY AND EQUIPMENT

	Computers	Computer Software	Furniture and Equipment	Other Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
Cost:						
At December 31, 2020	48,674	4,494	316,729	231,521	608,058	1,209,476
Additions	70,807	-	-	90,124	319,632	480,563
Net exchange differences	473	-	(1,224)	46	(3,269)	(3,974)
At December 31, 2021	119,954	4,494	315,505	321,691	924,421	1,686,065
Additions	19,396	-	-	10,006	-	29,402
Net exchange differences	7,417	-	23,333	26,795	75,030	132,575
At September 30, 2022	146,767	4,494	338,838	358,492	999,451	1,848,042
Amortization:						
At December 31, 2020	17,132	698	60,640	30,585	94,555	203,610
Additions	26,092	759	50,495	48,080	288,634	414,060
Net exchange differences	167	-	293	418	6,950	7,828
At December 31, 2021	43,391	1,457	111,428	79,083	390,139	625,498
Additions	35,064	454	30,858	37,086	253,196	356,658
Net exchange differences	4,012	-	10,168	8,960	49,015	72,155
At September 30, 2022	82,467	1,911	152,454	125,129	692,350	1,054,311
Net book value:						
At December 31, 2021	76,563	3,037	204,077	242,608	534,282	1,060,567
At September 30, 2022	64,300	2,583	186,384	233,363	307,101	793,731

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

5. INTANGIBLE ASSETS

	Gaming Platform
	\$
Cost:	
At December 31, 2020	12,278,261
Internally developed additions	-
At December 31, 2021 and September 30, 2022	12,278,261
Amortization:	
At December 31, 2020	1,325,087
Additions	2,455,652
At December 31, 2021	3,780,739
Additions	1,841,738
At September 30, 2022	5,622,477
Net book value:	
At December 31, 2021	8,497,522
At September 30, 2022	6,655,784

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 Interactive's Gaming Platform. Of the \$11,671,258 of intangible assets acquired, \$399,923 was recorded as an asset by Playgon Interactive at the time of acquisition. 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, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

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

	Office Lease
	\$
Cost:	
At December 31, 2020	174,726
Additions	709,223
Derecognition	(219,019)
Net exchange difference	49,148
At December 31, 2021	714,078
Net exchange differences	34,938
At September 30, 2022	749,016
Depreciation:	
At December 31, 2020	65,522
Additions	247,517
Derecognition	(216,901)
Net exchange differences	44,270
At December 31, 2021	140,408
Additions	297,901
Net exchange differences	14,122
At September 30, 2022	452,431
Net book value:	
At December 31, 2021	573,670
At September 30, 2022	296,585

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

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. On November 1, 2021, the Company entered into an office lease extension agreement with a 24-month term and monthly payments of US\$14,917. 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% and 8%, respectively. The continuity of the lease liabilities is presented in the table below:

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)**

	September 30, 2022	December 31, 2021
	\$	\$
Balance, beginning of period	579,430	122,395
Additions	-	709,223
Lease payments	(314,465)	(272,454)
Interest expense	24,629	17,678
Net exchange difference	21,661	2,588
	311,255	579,430
Less: current portion of lease liability	(290,132)	(389,084)
Non-current portion of lease liability	21,123	190,346

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

July 1, 2022 to December 31, 2022	\$110,353
January 1, 2023 to December 31, 2023	\$212,456

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2022	December 31, 2021
	\$	\$
Accounts payable	2,511,764	1,386,759
Accrued liabilities	261,318	301,978
Payroll taxes payable	105,908	129,798
Accrued interest payable (Note 8)	177,313	92,876
	3,056,303	1,911,411

8. LOANS PAYABLE

	Third Party Loans
	\$
Balance, December 31, 2020	764,750
Repayment – cash	(564,750)
Balance, December 31, 2021	200,000
Additions	2,893,000
Balance, September 30, 2022	3,093,000

During the nine months ended September 30, 2022, the Company received \$2,893,000 in loans payable, the loans are due on demand and accrue interest at 8% per annum. Of the \$2,893,000 in loans received, \$2,393,000 were from related parties. As at September 30, 2022, the Company owes \$3,093,000 in short term loans. The loans are unsecured and as at September 30, 2022, the amount outstanding was due on demand and incurred interest 8% to 12% per annum. Interest of \$116,960 (December 31, 2021 - \$54,579) remains outstanding and is included in accounts payable and accrued liabilities (Note 7).

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

9. LONG-TERM DEBT

	Third Party Loans	CEBA	Total
	\$	\$	\$
Balance, December 31, 2020	1,180,477	40,000	1,220,477
Advance	-	20,000	20,000
Repayment – cash	(679,689)	-	(679,689)
Foreign exchange adjustment	(1,557)	-	(1,557)
Balance, December 31, 2021	499,231	60,000	559,231
Foreign exchange adjustment	29,671	-	29,671
Balance, September 30, 2022	528,902	60,000	588,902

Third Party Loans

As at September 30, 2022 the Company has \$133,660 and US\$288,351 (CAD \$395,242) owing to various third party lenders. The loans are unsecured 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”). As at September 30, 2022, 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 \$60,353 (December 31, 2021 - \$38,297) remains outstanding and is included in accounts payable and accrued liabilities (Note 7).

Canada Emergency Business Account

As at September 30, 2022, 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, 2023. Should the Company repay the balance of the loans before the maturity date, up to a third of the loan will be forgiven.

10. 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, 2022, there were no share issuances.

During the year ended December 31, 2021:

- the Company completed a brokered private placement of 34,971,112 units at a price of \$0.30 per unit for gross proceeds of \$10,491,334. Each unit consists of one common share and one-half common share purchase warrant exercisable for a 24-month period at an exercise price of \$0.50 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 \$65,794, agents’ expenses of \$49,900, regulatory and other fees of \$34,063, legal fees of \$72,394, issued 233,872 common shares valued at \$107,581 to the agent, and issued 438,618 agent warrants at a value of \$135,112 with each agent warrant being exercisable for an 18-month period at an exercise price of \$0.30 per warrant.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited - expressed in Canadian Dollars)

- 37,965,579 warrants were exercised for gross proceeds of \$8,133,519, of which, \$21,500 had been received at December 31, 2020 and were recorded as shares to be issued.

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. 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, 2022, the Company granted 2,350,000 share options to various consultants, employees and directors of the Company with a total fair value of \$243,999. Of the options granted, 641,667 vest immediately and 1,708,333 vest over the next three years. During the nine months ended September 30, 2022, the Company recorded \$516,841 in share-based compensation (September 30, 2021 - \$1,035,965).

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, 2022	December 31, 2021
Risk-free interest rate	2.30%	0.62%
Dividend yield	Nil	Nil
Expected life	4.36 years	3.14 years
Volatility	86.85%	95.04%
Weighted average fair value per options	0.10	0.23

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)**

Share option transactions are summarized as follows:

	Number of Share Options	Weighted Average Exercise Price
		\$
Balance, December 31, 2020	13,225,000	0.32
Granted	2,500,000	0.43
Forfeited	(1,850,000)	0.37
Balance, December 31, 2021	13,875,000	0.32
Granted	2,350,000	0.18
Expired	(1,400,000)	0.48
Forfeited	(1,025,000)	0.38
Balance, September 30, 2022	13,800,000	0.28
Unvested	(4,008,332)	0.28
Exercisable, September 30, 2022	9,791,668	0.28

A summary of the share options outstanding and exercisable at September 30, 2022 is as follows:

Number of Share Options Outstanding	Number of Share Options Exercisable	Exercise Price	Expiry Date
		\$	
200,000	200,000	0.15	August 23, 2023
8,450,000	8,116,670	0.28	June 30, 2025
100,000	100,000	0.39	August 12, 2025
500,000	333,333	0.37	September 15, 2025
500,000	166,667	0.37	January 1, 2026
1,000,000	-	0.37	January 1, 2027
100,000	33,333	0.40	December 1, 2025
100,000	33,333	0.47	February 10, 2026
100,000	33,333	0.58	March 1, 2026
150,000	50,000	0.38	June 30, 2026
150,000	50,000	0.28	August 25, 2026
100,000	33,333	0.30	September 1, 2026
50,000	-	0.32	January 6, 2027
1,550,000	516,666	0.21	February 24, 2027
50,000	-	0.15	March 9, 2027
50,000	-	0.07	May 2, 2027
100,000	-	0.07	May 9, 2027
50,000	-	0.09	August 22, 2027
500,000	125,000	0.11	September 16, 2024
13,800,000	9,791,668		

The weighted average life of share options outstanding at September 30, 2022 was 3.03 years.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited - expressed in Canadian Dollars)

Warrants

During the nine months ended September 30, 2022, there were no warrant transactions.

During the year ended December 31, 2021, the Company issued the following warrants:

- In connection with the November 2021 Private Placement, 17,485,556 warrants with an exercise price of \$0.50 per warrant plus 438,618 agent warrants with an exercise price of \$0.30 per warrant issued as finders' fees with a total value of \$135,112.

During the year ended December 31, 2021, 37,965,579 warrants were exercised for gross proceeds of \$8,133,519 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, 2020	43,604,154	0.23
Issued	17,924,174	0.50
Exercised	(37,965,579)	0.21
Expired	(5,638,575)	0.37
Balance, December 31, 2021 and September 30, 2022	17,924,174	0.50

A summary of the warrants outstanding at September 30, 2022 is as follows:

Number of Warrants Outstanding	Exercise Price \$	Expiry Date
17,485,556	0.50	November 12, 2023
438,618	0.30	May 13, 2023
17,924,174		

The weighted average life of warrants outstanding at September 30, 2022 was 1.11 years.

11. 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, 2022 includes \$7,482 (December 31, 2021 - \$7,482) receivable from a company related by way of common directors.

Accounts payable and accrued liabilities at September 30, 2022 includes \$561,183 (December 31, 2021 - \$471,193) owing to directors, officers, or to companies significantly controlled by common directors for unpaid fees, expense reimbursements and accrued interest. During the nine months ended September 30,

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited - expressed in Canadian Dollars)

2022, the Company received \$2,393,000 in loans from related parties, the loans are due on demand and accrue interest at 8% per annum. As at September 30, 2022, \$2,393,000 in loans payable is due to related parties.

Summary of key management personnel compensation:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management and directors fees	183,173	215,959	597,374	633,027
Salaries and benefits	95,000	95,000	285,000	255,000
Professional fees	29,448	30,500	101,250	67,000
Share-based compensation	63,024	107,727	376,181	749,384
	370,645	449,186	1,359,805	1,704,411

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	For the nine months ended September 30,	
	2022	2021
	\$	\$
Supplemental cash-flow disclosure		
Interest paid	24,629	38,425
Taxes paid	-	-

13. 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, 2022	December 31, 2021
		\$	\$
Cash	FVTPL	34,384	5,930,003
Amounts receivable	Amortized costs	254,220	162,480
Other assets	Amortized costs	435,503	440,145
Accounts payable and accrued liabilities	Amortized costs	(3,056,303)	(1,911,411)
Loans payable	Amortized costs	(3,093,000)	(200,000)
Purchase obligation payable	Amortized costs	(34,252)	(42,881)
Lease liability	Amortized costs	(311,255)	(579,430)
Long-term debt	Amortized costs	(588,904)	(559,231)

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:

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited - expressed in Canadian Dollars)

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 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, 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, 2022, the Company had assets totaling US\$8,244 and liabilities totalling US\$733,837. Additionally, the Company had assets totalling EUR\$206,741 and liabilities totalling EUR\$422,844. 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\$99,500 while a 10% change in the exchange rate with the EURO would change other comprehensive income/loss by approximately CAD\$28,900. 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, 2022, the Company had a cash balance of \$34,384 to settle current liabilities of \$6,473,687.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited - expressed in Canadian Dollars)

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.

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 8% 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.

14. REVENUE

During the three and nine months ended September 30, 2022, the Company generated \$316,222 and \$673,980 (September 30, 2021 - \$5,624 and \$7,842) in licensing and use revenue from its Live Dealer Product. Revenue for the three and nine months ended September 30, 2022, was generated through the Company's Cyprus and Malta subsidiaries.

15. SUBSEQUENT EVENT

Subsequent to September 30, 2022:

- The Company received \$1,265,000 in loans that are due on demand and accrue interest at 8% per annum.