

Wondr Gaming Corp.

(formerly, Transglobe Internet and Telecom Co. Ltd.)

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited)

Wondr Gaming Corp.
(formerly, Transglobe Internet and Telecom Co. Ltd.)
Condensed Consolidated Interim Statements of Financial Position
As at September 30, 2021 and December 31, 2020
(Expressed in Canadian dollars - Unaudited)

	September 30, 2021	December 31, 2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	4,940,846	263,699
Receivables (Note 4)	290,472	21,073
Due from related parties	-	-
Prepaid expenses and deposits	395,254	147,211
	5,626,572	431,983
Restricted cash	50,000	-
Deposits	4,425	4,425
Property and equipment	4,645	-
Intangible assets (Note 5)	17,915	183,701
Right-of-use asset (Note 6)	33,439	66,883
Investment in a private company	163,245	163,245
Goodwill (Note 7)	3,363,118	-
	9,263,359	850,237
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,039,428	489,525
Due to related parties	10,500	3,672
Current portion of lease liability (Note 6)	33,254	43,628
	1,083,182	536,825
Lease liability (Note 6)	-	20,169
	1,083,182	556,994
Shareholders' Equity		
Common shares (Note 9)	16,915,326	2,495,714
Warrant reserve (Note 10)	764,394	13,400
Share-based benefits reserve (Note 11)	348,035	-
Deficit	(9,847,578)	(2,215,871)
	8,180,177	293,243
	9,263,359	850,237

Commitments (Note 13)

Significant events (Note 17)

Contingent liabilities (Note 18)

Events after the reporting period (Note 19)

Approved on behalf of the board of directors

[Signed]
Director

[Signed]
Director

Wondr Gaming Corp.

(formerly, Transglobe Internet and Telecom Co. Ltd.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars - Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Expenses				
Consultants and subcontractors	500,151	105,000	1,071,373	335,002
Professional fees (Note 8)	76,565	-	544,037	6,521
General and administrative	217,467	31,206	512,015	78,346
Salaries, wages and benefits	201,485	-	360,077	-
Advertising and promotion	98,190	-	238,922	-
Finance costs, net (Note 12)	(969)	2,238	194,071	2,238
Research and development	-	200,000	-	450,000
Share-based payments (Notes 9, 10 and 11)	104,846	-	610,152	-
Depreciation (Note 6)	11,149	11,147	33,444	11,147
Short-term and variable lease payments (Note 6)	-	5,274	-	13,274
Impairment loss on intangible assets (Note 5)	267,562	-	880,040	-
Loss on revaluation of conversion option liability (Note 8)	-	-	8,000	-
Listing expense (Note 17)	-	-	3,179,576	-
Net loss and total comprehensive loss	(1,476,446)	(354,865)	(7,631,707)	(896,528)
Basic and diluted loss per share	(0.01)	-	(0.06)	(0.01)
Weighted average number of common shares outstanding	164,668,424	75,469,498	129,706,414	63,808,189

Wondr Gaming Corp.

(formerly, Transglobe Internet and Telecom Co. Ltd.)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars - Unaudited)

	Common shares	Warrant reserve	Share-based benefits reserve	Deficit	Total shareholders' equity (deficiency)
	\$	\$	\$	\$	\$
Balance, December 31, 2019	458	-	-	(282,233)	(281,775)
Issue of common shares for cash	1,216,331	-	-	-	1,216,331
Share issue costs	(12,350)	-	-	-	(12,350)
Net loss and total comprehensive loss	-	-	-	(896,528)	(896,528)
Balance, September 30, 2020	1,204,439	-	-	(1,178,761)	25,678
Balance, December 31, 2020	2,495,714	13,400	-	(2,215,871)	293,243
Issue of common shares and warrants on conversion of subscription receipts (Note 9)	8,377,385	440,915	-	-	8,818,300
Issue of Finders' Units for services received in connection with the private placement of subscription receipts (Note 10)	-	132,233	-	-	132,233
Issue of warrants for services received in connection with the private placement of Units (Note 10)	-	3,200	-	-	3,200
Issue of common shares for consulting services received	20,000	-	-	-	20,000
Issue of warrants for consulting services received (Note 10)	-	219,617	-	-	219,617
Issue of common shares on reverse takeover to shareholders of Transglobe Internet and Telecom Co. Ltd. (Note 17)	3,156,295	-	-	-	3,156,295
Issue of common shares on acquisition of Enterprise Gaming Canada Inc. (Note 7)	1,097,460	-	-	-	1,097,460
Issue of common shares on acquisition of Hot Dot Media Inc. (Note 7)	2,229,760	-	-	-	2,229,760
Issue of common shares on conversion of convertible debentures (Notes 8 and 9)	355,179	-	-	-	355,179
Issue of common shares for payment of accrued interest on convertible debentures (Note 8)	15,479	-	-	-	15,479
Share-based compensation (Notes 9 and 11)	22,500	-	348,035	-	370,535
Transaction costs:					
- paid in cash (Note 9(iii))	(728,825)	(38,359)	-	-	(767,184)
- paid in warrants (Note 9(iii))	(125,621)	(6,612)	-	-	(132,233)
Net loss and total comprehensive loss	-	-	-	(7,631,707)	(7,631,707)
Balance, September 30, 2021	16,915,326	764,394	348,035	(9,847,578)	8,180,177

Wondr Gaming Corp.
(formerly, Transglobe Internet and Telecom Co. Ltd.)
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended September 30, 2021 and 2020
(Expressed in Canadian dollars - Unaudited)

	Nine months ended	
	September 30,	
	2021	2020
	\$	\$
Cash flows used in operating activities		
Net loss	(7,631,707)	(896,528)
Adjustments for:		
Depreciation (Note 6)	33,444	11,147
Finance costs, net (Note 12)	194,071	2,238
Share-based payments (Notes 9 and 11)	610,152	-
Impairment loss on intangible assets (Note 5)	880,040	-
Loss on revaluation of conversion option liability (Note 8)	8,000	-
Listing expense (Note 17)	3,179,576	-
Issue of warrants for services received in connection with the private placement of Units (Note 10)	128	-
	(2,726,296)	(883,143)
Changes in non-cash working capital items:		
Receivables	(259,795)	-
Prepaid expenses and deposits	(248,043)	(4,425)
Accounts payable and accrued liabilities	477,318	(32,370)
	(2,756,816)	(919,938)
Finance costs paid	(23,253)	-
Interest received	4,169	-
	(2,775,900)	(919,938)
Cash flows used in investing activities		
Restricted cash	(50,000)	-
Additions to property and equipment	(4,645)	-
Payments for intangible assets (Note 5)	(710,040)	(13,701)
Repayment of advances received from related parties	(3,672)	(21,256)
Advances made to related parties	-	(25,000)
Net cash inflow from acquisition of subsidiaries:		
- Enterprise Gaming Canada Inc. (Note 7)	2,410	-
- Hot Dot Media Inc. (Note 7)	7,678	-
Investment in a private company	-	(3,245)
	(758,269)	(63,202)
Cash flows provided from financing activities		
Proceeds from issue of subscription receipts (Note 9)	8,818,300	-
Proceeds from issue of Units (Note 8)	1,000,000	-
Repayment of convertible debentures (Note 8)	(700,000)	-
Proceeds from issue of common shares	-	1,025,037
Lease payments (Note 6)	(34,200)	(18,000)
Share issue costs	-	(12,350)
Transaction costs (Notes 8 and 9)	(872,784)	-
	8,211,316	994,687
Net increase in cash	4,677,147	11,547
Cash and cash equivalents, beginning of period	263,699	130,267
Cash and cash equivalents, end of period	4,940,846	141,814

Wondr Gaming Corp.
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 Notes to the Condensed Consolidated Interim Financial Statements
 For the three and nine months ended September 30, 2021 and 2020
 (Expressed in Canadian dollars - Unaudited)

1. General information

Wondr Gaming Corp. (formerly, Transglobe Internet and Telecom Co. Ltd.) (the “Company” or “Wondr”) was incorporated under the laws of the Province of British Columbia on June 24, 1999. The Company’s principal place of business is 405-120 Carlton St., Toronto, Ontario, Canada. Wondr is a publicly traded company, listed on the Canadian Securities Exchange (“CSE”) under the symbol “WDR”.

As described in Note 17, the Company completed a reverse takeover transaction on May 3, 2021, pursuant to an agreement between 1Wondr Gaming Corporation and Transglobe Internet and Telecom Co. Ltd. (“Transglobe”). Pursuant to the reverse takeover transaction, 1Wondr Gaming Corporation amalgamated with a newly incorporated, wholly-owned subsidiary of Transglobe formed solely for the purpose of facilitating the reverse takeover transaction. Subsequently, Transglobe changed its name to Wondr Gaming Corp. The historical operations, assets and liabilities of 1Wondr Gaming Corporation are included as the comparative figures as at December 31, 2020, and for the three and nine months ended September 30, 2020, which is deemed to be the continuing entity for financial reporting purposes.

Wondr Gaming Corp., a development stage technology and entertainment company, plans to build and acquire assets focused on esports loyalty and rewards programs and non-fungible token (“NFT”) assets to unite the global gaming community.

2. Significant accounting policies

Statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements do not include all of the disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2020.

The condensed consolidated interim financial statements were authorized for issuance by the board of directors on November 29, 2021.

Basis of preparation

The condensed consolidated interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as those of the audited financial statements for the year ended December 31, 2020, except for the expansion to the accounting policies for business combinations and financial instruments (as disclosed below) to reflect the issuance of convertible debentures, including the derivative conversion option, as described in (Note 8). All financial information is presented in Canadian dollars, except share and per share amounts or as otherwise noted. The functional currency of the Company and each of its subsidiaries is the Canadian dollar, except for Wondr Gaming USA Corp. for which the functional currency is the U.S. dollar.

Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries:

Subsidiary	Domicile and country of incorporation
Enterprise Gaming Canada Inc.	Quebec, Canada
Hot Dot Media Inc.	Ontario, Canada
Wondr Gaming USA Corp.	Delaware, United States of America (incorporated on August 30, 2021)

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2. Significant accounting policies (continued from previous page)

Basis of consolidation (continued from previous page)

On May 31, 2021, the Company acquired 100% of the issued and outstanding common shares of Enterprise Gaming Canada Inc. ("EGCI") (Note 7).

On June 4, 2021, the Company acquired 100% of the issued and outstanding common shares of Hot Dot Media Inc. ("HDM") (Note 7).

Each subsidiary is fully consolidated from the date of acquisition, which is when the Company obtains control, and continues to be consolidated until the date when such control ceases. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and can use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate changes to one or more of the three elements of control listed above. The subsidiaries' financial statements are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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2. Significant accounting policies (continued from previous page)

Business combinations (continued from previous page)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Financial instruments

IFRS 9 *Financial Instruments* ("IFRS 9") contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income or loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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2. Significant accounting policies *(continued from previous page)*

Financial instruments (continued from previous page)

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.
- Designated at fair value through profit or loss - On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss except where the Company has irrevocably elected on initial recognition to present in other comprehensive income the fair value gains and losses of an equity investment that is neither held for trading nor contingent consideration acquired in a business combination. In such cases, the cumulative gains and losses recognized in other comprehensive income are not reclassified to profit or loss on derecognition of the investment.

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Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian dollars - Unaudited)

2. Significant accounting policies *(continued from previous page)*

Financial instruments (continued from previous page)

Financial assets (continued from previous page)

Classification and subsequent measurement *(continued from previous page)*

On initial recognition, the Company made the irrevocable election to present in other comprehensive income the fair value gains and losses from its investment in Rival.ai Inc.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

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2. Significant accounting policies (continued from previous page)

Financial instruments (continued from previous page)

Financial assets (continued from previous page)

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Company either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Company retains the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Company derecognizes the financial asset. At the same time, the Company separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities, except for financial liabilities subsequently measured at fair value through profit or loss, are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

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2. Significant accounting policies (continued from previous page)

Derivative financial instruments

Derivative instruments are recorded at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recorded in profit or loss.

Embedded derivatives

For hybrid contracts containing a host that is not an asset in the scope of IFRS 9, embedded derivatives are evaluated on initial recognition to determine if the embedded derivative must be separated from the host contract. Embedded derivatives are separated from the host contract when the economic characteristics and risks of the derivative are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives that are separated from the host contract are initially measured at fair value and subsequently measured at fair value through profit or loss. The host contract is accounted for in accordance with the appropriate Standards.

Non-option derivatives are separated from the host contract on the basis of their stated or implied substantive terms so as to result in them having a fair value of zero at inception. Option-based derivatives are separated from the host contract on the basis of stated terms and conditions and measured at their fair value on inception, with the host contract's initial carrying amount being the residual amount after separating the derivative.

Classification of financial instruments

The following table summarizes the classification of the Company's financial instruments:

<u>Asset / liability:</u>	<u>Classification:</u>
Cash and cash equivalents	FVTPL
Receivables	Amortized cost
Due from related parties	Amortized cost
Deposits	Amortized cost
Investment in a private company	FVOCI
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Convertible debentures (debt host liability)	Amortized cost
Conversion option liability	FVTPL
Lease liability	Amortized cost

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors and management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 future periods if the revision affects both current and future periods.

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3. Critical accounting judgments and key sources of estimation uncertainty

The critical accounting judgments and key sources of estimation uncertainty applicable to these condensed consolidated interim financial statements are the same as those described in the Company's annual audited financial statements for the year ended December 31, 2020 except as disclosed below:

Fair value of financial liabilities as at FVTPL

The determination of the fair values of debt instruments or the component parts of hybrid contracts requires the use of valuation models and/or techniques for which the underlying assumptions are inherently subject to significant estimation and judgment. These models and techniques require that management make estimates and assumptions with respect to one or more of the following at the date of issuance: the fair value of the Company's equity securities, expected volatility of the Company's share value, estimated life of conversion rights and warrants and interest rates which could be obtained for debt instruments with similar terms and maturities.

Identification and measurement of assets acquired and liabilities assumed in a business combination

Management is required to make judgments and estimates when identifying and measuring the assets acquired and liabilities assumed in a business combination. Management applied the guidance set out in IFRS 3 *Business Combinations* when determining the recognition of assets acquired and liabilities assumed in connection with the acquisitions of EGCI and HDM (Note 7).

Identification of cash-generating units

The Company has allocated its tangible and intangible assets to the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets. Management applied judgment to determine its cash-generating units.

4. Receivables

	September 30, 2021	December 31, 2020
	\$	\$
Harmonized sales tax receivable	290,014	20,615
Other receivables	458	458
	290,472	21,073

5. Intangible assets

	Gaming rewards and loyalty platform	Domain names	Total
	\$	\$	\$
Cost			
Balance, December 31, 2019	-	-	-
Additions	170,000	13,701	183,701
Balance, December 31, 2020	170,000	13,701	183,701
Additions	710,040	-	710,040
Acquired in connection with the business combination with EGCI (Note 7)	-	4,214	4,214
Balance, September 30, 2021	880,040	17,915	897,955

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5. Intangible assets (continued from previous page)

	Gaming rewards and loyalty platform	Domain names	Total
	\$	\$	\$
Accumulated amortization and impairment losses			
Balance, December 31, 2020 and 2019	-	-	-
Impairment loss	880,040	-	880,040
Balance, September 30, 2021	880,040	-	880,040
Carrying amount			
Balance, December 31, 2020	170,000	13,701	183,701
Balance, September 30, 2021	-	17,915	17,915

During the nine months ended September 30, 2021, the Company carried out a review of the recoverable amount of its internally generated gaming rewards and loyalty platform. The review resulted in the recognition of an impairment loss of \$880,040, representing the accumulated cost of materials and services used and consumed in development phase activity.

At September 30, 2021, the development phase of the Company's gaming rewards and loyalty platform was still underway. Accordingly, no amount of amortization has been recognized in profit or loss to-date.

6. Right-of-use asset and lease liability

In 2020, the Company entered into a lease agreement with a related party for office premises. The lessor is a company owned by a shareholder of Wondr. The Company recognized a right-of-use asset and corresponding lease liability upon entering into the lease. The lease liability was measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease of 12%.

The following schedule shows the movement in the Company's right-of-use asset during the period:

	Office premises
	\$
Cost	
Balance, December 31, 2019	-
Recognized during the year	89,177
Balance, September 30, 2021 and December 31, 2020	89,177
Accumulated depreciation	
Balance, December 31, 2019	-
Depreciation	22,294
Balance, December 31, 2020	22,294
Depreciation	33,444
Balance, September 30, 2021	55,738
Carrying amount	
Balance, December 31, 2020	66,883
Balance, September 30, 2021	33,439

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6. Right-of-use asset and lease liability (continued from previous page)

The right-of-use asset is being depreciated on a straight-line basis over the remaining lease term, ending July 14, 2022. During the nine months ended September 30, 2021, the Company recognized depreciation expense of \$33,444 (Nine months ended September 30, 2020 - \$nil), included in the line item 'depreciation' in the condensed consolidated interim statements of loss and comprehensive loss.

During the nine months ended September 30, 2021, short-term and variable lease payments not included in the measurement of the lease liability totalled \$nil (Nine months ended September 30, 2020 - \$13,274). These payments were recognized as an expense in the condensed consolidated interim statements of loss and comprehensive loss.

The following schedule shows the movement in the Company's lease liability during the period:

	\$
Balance, December 31, 2019	-
Recognized during the year	89,177
Interest expense	4,020
Lease payments	(29,400)
Balance, December 31, 2020	63,797
Interest expense	3,657
Lease payments	(34,200)
Balance, September 30, 2021	33,254

A reconciliation of the current and non-current components of the lease liability as at September 30, 2021 follows:

	\$
Current	33,254
Non-current	-
	<u>33,254</u>

The following table provides a maturity analysis of the Company's lease liability. The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows before deducting interest or finance charges.

	\$
2021	11,400
2022	22,800
	<u>34,200</u>

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7. Business combinations

The initial accounting for the business combinations with Enterprise Gaming Canada Inc. and Hot Dot Media Inc. was incomplete at September 30, 2021. Accordingly, the amounts disclosed below are provisional. To the extent that new information is obtained about facts and circumstances that existed at the respective acquisition dates and, if known, would have affected the measurement of the amounts recognized as of that date, the Company will retroactively adjust the provisional amounts recognized at the acquisition date. The period over which such retroactive adjustments may be recognized will not exceed one year from the acquisition date. During this one year period, the Company may also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

Enterprise Gaming Canada Inc.

On May 31, 2021, the Company acquired 100% of the voting equity interests in Enterprise Gaming Canada Inc. ("EGCI") in exchange for 4,000,000 common shares of Wondr. EGCI is the owner of a proprietary non-fungible token platform leveraging Ethereum. The fair value of the Wondr shares issued as consideration was estimated to be \$1,097,460 on the date of acquisition. All common shares issued in connection with the transaction are subject to a four-month and one day re-sale restriction and an 18-month voluntary escrow agreement between the selling shareholders of EGCI and the Company. The transaction has been accounted for as a business combination under the requirements of IFRS 3.

Acquisition-related costs amounting to \$25,323 were excluded from the consideration transferred and were recognized as an expense within the line item 'professional fees' in the condensed consolidated interim statements of loss and comprehensive loss for the nine months ended September 30, 2021.

The identifiable assets acquired and liabilities recognized at the date of acquisition included:

	\$
Current assets	
Cash and cash equivalents	2,410
Non-current assets	
Intangible assets	
Domain names	4,214
Current liabilities	
Accounts payable and accrued liabilities	(43,831)
Total	(37,207)

Goodwill arose in the acquisition of EGCI because the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development, the assembled workforce and other expected synergies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

	\$
Consideration transferred	1,097,460
Add: Fair value of identifiable net liabilities acquired	37,207
Goodwill arising on acquisition	1,134,667

Goodwill arising on the acquisition is not expected to be deductible for tax purposes.

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7. Business combinations (continued from previous page)

Hot Dot Media Inc.

On June 4, 2021, the Company acquired 100% of the voting equity interests in Hot Dot Media Inc. (“HDM”) in exchange for 8,000,000 common shares of Wondr. HDM is a social media agency focused exclusively on emerging platforms with media reach through a diverse network of creators across TikTok, Instagram, Facebook, and YouTube. The fair value of the Wondr shares issued as consideration was estimated to be \$2,229,760 on the date of acquisition. All common shares issued in connection with the transaction are subject to a four-month and one day re-sale restriction and an 18-month voluntary escrow agreement between the selling shareholders of HDM and the Company. The transaction has been accounted for as a business combination under the requirements of IFRS 3.

Acquisition-related costs amounting to \$25,323 were excluded from the consideration transferred and were recognized as an expense within the line item ‘professional fees’ in the condensed consolidated interim statements of loss and comprehensive loss for the nine months ended September 30, 2021.

The identifiable assets acquired and liabilities recognized at the date of acquisition included:

	\$
Current assets	
Cash and cash equivalents	7,678
Receivables	5,000
Current liabilities	
Accounts payable and accrued liabilities	(869)
Due to related parties	(10,500)
Total	1,309

Goodwill arose in the acquisition of HDM because the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development, the assembled workforce and other expected synergies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

	\$
Consideration transferred	2,229,760
Less: Fair value of identifiable net assets acquired	(1,309)
Goodwill arising on acquisition	2,228,451

Goodwill arising on the acquisition is not expected to be deductible for tax purposes.

8. Convertible debentures

On March 12, 2021, the Company completed a non-brokered private placement of senior secured convertible debentures in the aggregate principal amount of \$1,000,000 (the “convertible debentures”) and 2,000,000 common share purchase warrants (the “warrants”) for gross proceeds of \$1,000,000. The financing was structured as a unit offering, whereby each unit consisted of one secured convertible debenture in the principal amount of \$1,000 and 2,000 common share purchase warrants (the “Units”).

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8. Convertible debentures *(continued from previous page)*

The convertible debentures bore interest at a rate equal to 10% per annum, payable on maturity. The maturity date was defined as the date that was 60 days following the completion of a go-public transaction. The Company subsequently completed its go-public transaction on May 3, 2021. Accordingly, the convertible debentures matured on July 2, 2021.

The principal amount of each convertible debenture was convertible, for no additional consideration, into common shares of the Company at the option of the holder at any time while the principal amount remained outstanding, at a conversion price of \$0.25 per share, subject to certain adjustments (the "Conversion Price").

Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.40 for a period of 2-years from the date of issuance.

The Company evaluated the separate components of each Unit under IAS 32 *Financial Instruments: Presentation*. The Units represented hybrid contracts, consisting of a debt host liability, conversion option and warrants to purchase common shares. Management classified the debt host liability at amortized cost, and the warrants to purchase common shares as equity. The Conversion Price associated with the conversion option was subject to adjustment upon the occurrence of certain events, including the issuance of additional common shares (or instruments convertible or exchangeable into common shares) at a price less than the Conversion Price at the time of issuance. Consequently, management concluded that the instrument did not meet the definition of equity and classified the conversion option as a separate, free-standing derivative at FVTPL.

The allocation of proceeds between each of the components comprising the hybrid contract was made upon initial recognition of the instruments and was not subsequently revised. The method used was as follows:

- firstly, the fair value of the conversion option was estimated on a stand-alone basis and the resultant fair value established the amount of proceeds allocated to that instrument;
- secondly, the fair value of the debt host liability component was calculated, and this fair value established the initial carrying amount of the liability component; and
- lastly, the fair value of the conversion option and liability component were deducted from the fair value of the instrument as a whole, with the resulting residual amount being recognized as the equity component.

This method of allocating the liability and equity components is consistent with the definition of equity as a residual interest in the assets of an entity after deducting all of its liabilities. It ensures that no gain or loss arises on the initial recognition of the three components.

The allocation of proceeds from the issue of Units on initial recognition was as follows:

	\$
Proceeds from issue of Units	1,000,000
Less: fair value of derivative conversion option	(40,000)
Less: fair value of debt host liability	(960,000)
Warrants to purchase common shares	-

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8. Convertible debentures *(continued from previous page)*

The fair value of the conversion option was estimated using an expected value, option pricing model that considered the following key estimates and assumptions:

- the probability that the Company will issue additional common shares (or instruments convertible or exchangeable into common shares) at a price less than the Conversion Price at the time of issuance) before maturity;
- the estimated fair value of the underlying common shares into which the debenture may be converted;
- the expected time until a conversion event may occur;
- the expected volatility of the Company's common share value; and
- the estimated risk-free interest rate.

At the time the Units were issued, there was no active market for the Company's common shares. For this reason, the Company considered the historical volatility of similar entities for which share price information was publicly-available when estimating the expected volatility.

The following schedule summarizes the key inputs used to estimate the fair value of the conversion option at the date of initial recognition (March 12, 2021) and at June 30, 2021:

	March 12, 2021	June 30, 2021
Conversion Price	\$0.25	\$0.25
Estimated fair value per common share	\$0.19	\$0.24
Expected time until a conversion event may occur	0.3 years	0.1 years
Expected volatility of the underlying common share	55.0%	33.0%
Risk-free interest rate	0.1%	0.1%

The fair value of the debt host liability component on initial recognition was the present value of the contractual stream of future cash flows (including both principal and interest) discounted at a rate of 26.9%, representing the estimated market rate of interest that would have been applied to an instrument of comparable credit quality with substantially the same cash flows, on the same terms, but without the conversion option or warrants.

In connection with the private placement of Units, the Company incurred transaction costs of \$113,200, of which \$110,000 was paid in cash and \$3,200 was paid by the issue of warrants to purchase common shares of the Company (Note 10). The transaction costs were allocated between the debt host liability, conversion option and warrants in the same proportion as how the proceeds from issue of the Units were allocated on initial recognition, as described above. Transaction costs of \$4,528 allocated to the derivative conversion option were recognized immediately as an expense, recorded in the line item 'professional fees', in the condensed consolidated interim statement of loss and comprehensive loss for the nine months ended September 30, 2021, of which \$4,400 was attributable to transaction costs paid in cash and \$128 was attributable to transaction costs paid by the issue of warrants.

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8. Convertible debentures *(continued from previous page)*

The following table summarizes the movement in the carrying amount of the debt host liability and derivative conversion option during the period:

	Debt host liability	Derivative conversion option	Total
	\$	\$	\$
Balance, December 31, 2020	-	-	-
Proceeds from issue of Units	960,000	40,000	1,000,000
Transaction costs	(108,672)	-	(108,672)
Interest and accretion	182,101	-	182,101
Reclassified to common shares on conversion	(307,179)	(48,000)	(355,179)
Repayment of principal	(700,000)	-	(700,000)
Interest paid in cash	(10,771)	-	(10,771)
Interest paid in common shares (Note 9)	(15,479)	-	(15,479)
Loss on revaluation of derivative conversion option	-	8,000	8,000
Balance, September 30, 2021	-	-	-

9. Common shares

Issued

The following schedule shows the movement in common shares during the period:

	#	\$
Balance, December 31, 2019	45,750,000	458
Issue of Class "A" Common Voting shares for cash	44,394,466	2,601,871
Share-based compensation	500,000	7,392
Issuance costs:		
- paid in cash	-	(100,607)
- paid by issuance of warrants	-	(13,400)
Balance, December 31, 2020	90,644,466	2,495,714
Issue of common shares on conversion of subscription receipts (i)	44,091,500	8,377,385
Issue of common shares for consulting services received	62,500	20,000
Issue of common shares on reverse takeover to shareholders of Transglobe Internet and Telecom Co. Ltd. (Note 17)	16,612,079	3,156,295
Issue of common shares on acquisition of Enterprise Gaming Canada Inc. (Note 7)	4,000,000	1,097,460
Issue of common shares on acquisition of Hot Dot Media Inc. (Note 7)	8,000,000	2,229,760
Issue of common share on conversion of convertible debentures (Note 8)	1,200,000	355,179
Issue of common shares for payment of accrued interest on convertible debentures (Note 8)	61,917	15,479
Share-based compensation (ii)	-	22,500
Transaction costs:		
- paid in cash (iii)	-	(728,825)
- paid in warrants (iii)	-	(125,621)
Balance, September 30, 2021	164,672,462	16,915,326

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9. Common shares (continued from previous page)

Issued (continued from previous page)

(i) Private placement of subscription receipts

Pursuant to the terms of the Definitive Agreement (Note 17), and as condition to the consummation of the reverse takeover transaction, on February 9, 2021, the Company completed a private placement of 44,091,500 subscription receipts at a price of \$0.20 per subscription receipt for aggregate gross proceeds of \$8,818,300. Immediately prior to consummation of the reverse takeover transaction, the subscription receipts automatically converted into 44,091,500 common shares and 22,045,750 warrants to purchase common shares. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.40 per share for a period of two years from the closing date.

The allocation of proceeds between common shares and warrants was made when the equity instruments were issued and was not subsequently revised. The method used was as follows:

- firstly, the fair value of the warrants was estimated using the Black-Scholes Merton formula, and this fair value established the amount of proceeds allocated to the warrants; and
- secondly, the fair value of the warrants was deducted from the total proceeds, with the resulting residual amount allocated to common shares.

The allocation of proceeds between common shares and warrants follows:

	\$
Proceeds from issuance of subscription receipts	8,818,300
Fair value of warrants issued	440,915
Allocation of proceeds to common shares	8,377,385

The fair value of the warrants was estimated to be \$0.01 using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	\$ 0.19
Exercise price of the warrant	\$ 0.40
Expected volatility of the underlying common share	45.5%
Expected life of the warrant	2 years
Expected dividend yield	0.00%
Risk-free interest rate	0.3%

(ii) Share-based compensation

In 2020, the Company awarded 500,000 Class "A" Common Voting shares with an estimated fair value of \$30,000 (\$0.06 per share) to an officer of the Company as part of a remuneration package. If the officer's employment with the Company terminates within one year of its commencement, the terms of the arrangement require the officer to sell the shares back to the Company for a nominal amount. Consequently, the fair value of the shares awarded is being expensed on a straight-line basis over the one-year performance period. During the three and nine months ended September 30, 2021, the Company recognized an expense of \$7,500 and \$22,500, respectively (Three and nine months ended September 30, 2020 - \$nil and \$nil, respectively) in respect of the share-based payment, presented in the line item 'share-based payments' in the condensed consolidated interim statements of loss and comprehensive loss.

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9. Common shares (continued from previous page)

Issued (continued from previous page)

(iii) Issuance costs

In connection with the issuance of subscription receipts (Note 9(i)), the Company issued 3,305,820 Finders' Units with an estimated fair value of \$132,233 (Note 10), in addition to cash transaction costs of \$767,184. These issuance costs were allocated \$854,446 to common shares and \$44,971 to the warrant reserve (Note 10). The allocation was made in the same proportion as how the proceeds from the issuance of the subscription receipts were allocated between common shares and warrants.

10. Warrant reserve

	#	\$
Balance, December 31, 2020	446,674	13,400
Issue of Finders' Units for services received in connection with the private placement of subscription receipts (Note 9(iii))	3,305,820	132,233
Issue of warrants for services received in connection with the private placement of Units (Note 8)	320,000	3,200
Issue of warrants in connection with the private placement of Units (Note 8)	2,000,000	-
Issue of warrants on conversion of subscription receipts (Note 9(i))	22,045,750	440,915
Issue of warrants for consulting services received	4,000,000	219,617
Transaction costs:		
- paid in cash (Note 9(iii))	-	(38,359)
- paid in warrants (Note 9(iii))	-	(6,612)
Balance, September 30, 2021	32,118,244	764,394

Issue of warrants for services received in connection with the private placement of subscription receipts

The Company issued 3,305,820 warrants to purchase Finders' Units for services received in connection with the private placement of subscription receipts (Note 9(i)). Each Finders' Unit entitles the holder to one common share of the Company and one-half of one warrant for an exercise price of \$0.20 per Finders' Unit, exercisable for a period of 2-years from the date of issuance. Each whole warrant entitles the holder to one common share of the Company at an exercise price of \$0.40 for a period of 2-years from the date the Finders' Unit was first issued.

The fair value of the services received could not be estimated reliably. Accordingly, the fair value of the services received, and the corresponding increase in equity, was measured by reference to the fair value of equity instruments granted. The corresponding cost of the services received was recognized as a reduction to common shares and the warrant reserve, as described in Note 9(iii).

The fair value the warrants was estimated to be \$0.04 using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	\$0.19
Exercise price of the Finders' Unit	\$0.20
Expected life of the Finders' Unit	2 years
Expected volatility of the underlying common share	45.6%
Risk-free interest rate	0.2%

No active market existed for the Company's common shares at the time of issuance. For this reason, the Company considered the historical volatility of similar entities for which share price information was publicly-available when estimating the expected volatility.

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10. Warrant reserve (continued from previous page)

Issue of warrants for services received in connection with the private placement of Units

The Company issued 320,000 warrants to purchase common shares for services received in connection with the private placement of Units (Note 8), of which 160,000 warrants were issued to Canaccord Genuity Corp. and 160,000 warrants were issued to First Republic Capital Corporation. Each warrant entitles the holder to one common share of the Company at an exercise price of \$0.40 for a period of 2-years from the date of issuance.

The fair value of the services received could not be estimated reliably. Accordingly, the fair value of the services received, and the corresponding increase in equity, was measured by reference to the fair value of equity instruments granted. The corresponding cost of the services received was recognized as a transaction cost as described in (Note 8).

The fair value the warrants was estimated to be \$0.01 using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	\$0.19
Exercise price of the warrant	\$0.40
Expected life of the warrant	2 years
Expected volatility of the underlying common share	45.6%
Risk-free interest rate	0.3%

Issue of warrants to Blue Deer Capital

In May 2021, the Company entered into an arrangement with Blue Deer Capital Partners Inc. ("Blue Deer"), pursuant to which Blue Deer has agreed to provide the Company with financial advisory services. As consideration for these services, the Company issued 4,000,000 common share purchase warrants with an estimated fair value of \$320,000 (\$0.08 per warrant). The warrants vest according to an agreed upon schedule whereby 1,000,000 warrants vest immediately, 1,000,000 warrants vest on September 17, 2021 and 2,000,000 warrants vest on May 17, 2022. Each fully warrant entitles the holder thereof to acquire one common share of the Company for a price of \$0.29. Any unexercised warrants shall expire 3 years from the date of issuance.

The fair value of consulting services received, and the corresponding increase in equity, was measured by reference to the fair value of equity instruments granted. The fair value of equity instruments granted is being recognized as a share-based payment over the vesting period, included in the line item 'share-based payments' in the condensed consolidated interim statements of loss and comprehensive loss. During the three and nine months ended September 30, 2021, the Company recognized \$91,711 and \$219,617, respectively (Three and nine months ended September 30, 2021 - \$nil and \$nil, respectively) in respect of the arrangement.

The fair value of the warrants was estimated to be \$0.08 using the Black-Scholes Merton formula and the following inputs:

Estimated fair value per common share	\$0.29
Exercise price of the warrant	\$0.29
Expected life of the warrant	3 years
Expected volatility of the underlying common share	41.5%
Risk-free interest rate	0.3%

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10. Warrant reserve (continued from previous page)

The following reconciles the warrants outstanding at the beginning and the end of the period:

	Number of warrants #	Weighted average exercise price \$
Balance, December 31, 2020	446,674	0.12
Issued during the period	31,671,570	0.37
Balance, September 30, 2021	32,118,244	0.36

There were no warrants outstanding during the three and nine months ended September 30, 2020.

Additional information regarding warrants outstanding at September 30, 2021 follows:

	Warrants outstanding	
Exercise price	Number of warrants #	Weighted average remaining contractual life (in years)
\$0.12	446,674	1.2
\$0.20	3,305,820	1.6
\$0.29	4,000,000	2.6
\$0.40	24,365,750	1.6
	32,118,244	1.7

11. Share-based benefits reserve

The Company has adopted a stock option plan (the "Plan") to attract, retain and motivate qualified directors, officers, employees and consultants whose present and future contributions are important to the success of the Wondr by offering them an opportunity to participate in the entity's future performance through the award of stock options.

Each stock option converts into one common share of Wondr on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The total number of common shares reserved and available for grant and issuance pursuant to the Plan is equal to 10% of the issued and outstanding common shares of the Company. The following reconciles the number of share options available for grant under the Plan:

	#
Total number of options reserved and available for grant and issuance under the Plan	16,467,246
Issued and outstanding at end of year	(8,752,500)
Number of options available for grant under the Plan at September 30, 2021	7,714,746

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11. Share-based benefits reserve (continued from previous page)

The vesting terms of options granted pursuant to the Plan are determined by the board of directors. To-date, all of the granted options vested immediately upon grant.

The following reconciles the options outstanding at the beginning and end of the period that were granted to eligible participants pursuant to the Plan:

	Nine months ended September 30, 2021		Year ended December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Balance, beginning of period	-	-	-	-
Granted	8,752,500	0.40	-	-
Balance, end of period	8,752,500	0.40	-	-
Exercisable, end of period	8,052,500	0.40	-	-

The weighted average fair value of share options granted during the period was \$0.04. The Company used the Black-Scholes Merton formula to estimate the fair value of share options granted during the period, based on the following inputs:

Weighted average estimated fair value per common share	\$	0.27
Weighted average exercise price of the share option	\$	0.40
Weighted average expected volatility of the underlying common share		41.5%
Weighted average expected life of the share option		3 years
Weighted average expected dividend yield		0.00%
Weighted average risk-free interest rate		0.3%

The following table provides additional information about the Group's share option plan at September 30, 2021:

Exercise prices	Share options issued and outstanding	
	Number of options	Weighted average remaining contractual life in years
	#	#
\$0.40	8,752,500	2.6

During the three and nine months ended September 30, 2021, the Company recognized share-based compensation expense of \$5,635 and \$348,035, respectively (Three and nine months ended September 30, 2020 - \$nil and \$nil, respectively), presented in the line item 'share-based payments' in the condensed consolidated interim statements of loss and comprehensive loss.

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12. Finance costs, net

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Interest expense on lease liability (Note 6)	930	2,238	3,657	2,238
Interest and accretion expense on convertible debentures (Note 8)	-	-	182,101	-
Interest and bank charges	(1,429)	-	7,954	-
Other finance costs	-	-	4,528	-
Interest income	(470)	-	(4,169)	-
	(969)	2,238	194,071	2,238

13. Commitments

The Company has contractual commitments for the continued development of its gaming rewards and loyalty platform (Note 5) which may require aggregate payments as follows (expressed in U.S. Dollars ("USD")):

2021	USD	1,340,000
2022	USD	1,200,000
2023	USD	500,000
	USD	3,040,000

14. Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2020.

The capital structure of the Company consists of net debt (comprising amounts due to related parties, convertible debentures, conversion option liability, lease liability offset by cash and cash equivalents) and equity (comprising common shares, warrant reserve, share-based benefits reserve and deficit).

The Company is not subject to any externally imposed capital requirements.

15. Financial instruments

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are described below.

Fair value

The carrying value of financial instruments classified at amortized cost (including accounts payable and accrued liabilities, amounts due to related parties and convertible debentures) approximate fair value due to their short-term nature.

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15. Financial instruments (continued from previous page)

Credit and concentration risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company does not provide any guarantees which would expose the Company to credit risk.

The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no instance of default with any counterparty since the Company's incorporation on May 6, 2019.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets or liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

Amounts due to related parties are non-interest bearing. Accordingly, the fair value of these financial liabilities could fluctuate because of changes in market interest rates.

Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash balances and borrowings, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table provides details of the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

	Less than one year	Later than one year and not later than five years	Later than five years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,039,428	-	-	1,039,428
Due to related parties	10,500	-	-	10,500
	1,049,928	-	-	1,049,928

Refer to Note 6 for a maturity analysis of the Company's lease liability.

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15. Financial instruments (continued from previous page)

Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Monetary assets		
U.S. dollars	5,730	-
Monetary liabilities		
U.S. dollars	(557,287)	-

The following table details the Company's sensitivity to a 10% increase and decrease in the Canadian dollar against the U.S. dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the Canadian dollar strengthens 10% against the U.S. dollar. For a 10% weakening of the Canadian dollar against the U.S. dollar, there would be a comparable impact on the profit, and the balances below would be opposite.

	U.S. dollar	
	2021	2020
Increase / (decrease) in profit	70,274	-

16. Segment information

The Company is engaged in a single business activity and does not have multiple operating segments. The CEO is the Company's chief operating decision-maker, as defined by IFRS 8, and all significant operating decisions are taken by the CEO. In assessing performance, the CEO reviews financial information on an integrated basis for the Company as a whole, substantially in the form of, and on the same basis as, the Company's financial statements.

The Company's assets are entirely located in Canada.

17. Significant events

Reverse takeover and amalgamation

On October 22, 2020, 1Wondr Gaming Corporation ("1Wondr") entered into a definitive agreement (the "Definitive Agreement") with Transglobe Internet and Telecom Co., Ltd. ("Transglobe") to complete a business combination (the "Transaction") whereby Transglobe acquired all of the issued and outstanding shares of 1Wondr pursuant to a three-cornered amalgamation in accordance with Section 174 of the *Business Corporations Act (Ontario)*. Upon completion of the Transaction, the shareholders of 1Wondr held approximately 89% of the shares of Transglobe (the "Resulting Issuer"), and the Resulting Issuer now carries on the business of Wondr.

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17. Significant events (continued from previous page)

Reverse takeover and amalgamation (continued from previous page)

Pursuant to the terms of the Definitive Agreement, the following matters were required in order to consummate the Transaction:

- (i) Transglobe consolidated its issued and outstanding common shares (the "Consolidation") on the basis of one (1) post-Consolidation common share for every 30 outstanding common shares in the capital of Transglobe;
- (ii) Transglobe changed its name to "1Wondr Gaming Corp." (the "Name Change");
- (iii) 1Wondr completed a private placement financing (the "Concurrent Financing") of subscription receipts at a minimum price of \$0.20 per subscription receipt to raise minimum gross proceeds of \$3,000,000;
- (iv) 2778533 Ontario Inc., a newly incorporated, wholly-owned subsidiary of Transglobe formed solely for the purpose of facilitating the Transaction, was amalgamated with 1Wondr, pursuant to which, among other things, all outstanding common shares of Wondr (the "Wondr Shares") and all securities convertible into Wondr Shares were exchanged for replacement securities of the Resulting Issuer, one-for-one on a post-Consolidation basis, exercisable in accordance with their terms; and
- (v) the board of directors and management of the Resulting Issuer were replaced with nominees of 1Wondr.

On May 3, 2021, the Transaction was completed, the Resulting Issuer listed on the Canadian Securities Exchange ("CSE") and changed its name to Wondr Gaming Corp. Pursuant to the terms of the Definitive Agreement, Transglobe issued from treasury to the Wondr shareholders an aggregate of 134,735,966 post-Consolidation common shares, representing all of the issued and outstanding 1Wondr Gaming Corporation common shares prior to completion of the Transaction, which included 44,091,500 common shares in connection with the automatic exchange of the subscription receipts pursuant to the Concurrent Financing and the terms of the subscription receipts (Note 9). In the aggregate, Transglobe issued: (i) 134,735,966 post-Consolidation common shares to the former holders of 1Wondr Gaming Corporation shares in exchange for such 1Wondr Gaming Corporation shares; (ii) 22,045,750 common share purchase warrants on the same terms as the warrants in exchange for such Warrants; and (iii) 3,305,820 finders' warrants in exchange for the finder warrants issued to eligible finders in connection with the Concurrent Financing.

Without significant operating activities, Transglobe did not meet the accounting definition of a business pursuant to IFRS 3 *Business Combinations*, and the Transaction was accounted for as an acquisition of the net assets of Transglobe by 1Wondr in exchange for shares in the Resulting Issuer under IFRS 2 *Share-based Payments*. The excess of the fair value of the consideration provided over the net assets received was recognized as an expense in the condensed consolidated interim statements of loss and comprehensive loss, included in the line item 'listing expense'. The non-cash listing cost of the Transaction was determined as follows:

	\$
Consideration transferred	
Fair value of common shares (16,612,079 shares at \$0.19)	3,156,295
<hr/>	
Net assets / (liabilities) acquired	
Harmonized sales tax receivable	4,604
Accounts payable and accrued liabilities	(27,885)
Total net liabilities acquired	(23,281)
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Listing expense	3,179,576
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17. Significant events *(continued from previous page)*

The Transaction constituted a reverse takeover of Transglobe by 1Wondr (being the legal subsidiary) as the accounting acquirer. The historical operations, assets and liabilities of 1Wondr are included as the comparative figures as at December 31, 2020, and for the three and nine months ended September 30, 2020, which is deemed to be the continuing entity for financial reporting purposes.

18. Contingent liabilities

Statement of claim – March 17, 2021

On March 17, 2021, a statement of claim was filed by FanDemand Inc. against the Company and two directors/officers involving the alleged breach of contract, breach of fiduciary duty, knowing assistance of breach of fiduciary duty, breach of the duty of honest performance, unjust enrichment, breach of trust, appropriation of corporate opportunities and unlawful means. The claim seeks damages in the sum of \$320 million. In connection with the claim, on April 28, 2021, a motion for an interim injunction preventing the Company from conducting its business was made and subsequently a judgment in favour of the Company was granted. Management believes that the claim is baseless and without merit.

On October 7, 2021 the Company filed a Statement of Defence and Counterclaim in the Ontario Superior Court of Justice. The Company is seeking damages for abuse of process, dismissal of the action for abuse of process and reimbursement of costs.

On November 16, 2021, the Company received notice that it was awarded \$59,206 in cost reimbursement related to this matter.

As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this claim or to estimate the loss, if any, which may result. Accordingly, the outcome of the claim is not yet determinable, and the extent to which an outflow of funds may be required to settle this possible obligation cannot be reliably determined.

Statement of claim – July 29, 2021

On July 29, 2021, the Company received a statement of claim filed by GroupBy Inc. alleging breach of contract and unjust enrichment and seeking USD \$4,136,807 plus interest and costs. The Company is contesting the claim.

On September 7, 2021, the Company filed a Statement of Defence and Counterclaim in the Ontario Superior Court of Justice against GroupBy Inc. The Company claims, among other things, GroupBy Inc.'s failure to perform the services and misrepresentation and seeks dismissal of the action. Furthermore, the Company is counterclaiming seeking damages of \$400,000 plus costs for breach of contract and negligent misrepresentation.

On October 27, 2021, the Company filed a Third Party Counterclaim in the Ontario Superior Court of Justice against an individual who is a former director of the Company and the CEO of GroupBy Inc. claiming breach of fiduciary duties and duties of good faith and is seeking US\$4.1 million in damages plus costs.

As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this claim or to estimate the loss, if any, which may result. Accordingly, the outcome of the claim is not yet determinable, and the extent to which an outflow of funds may be required to settle this possible obligation cannot be reliably determined.

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19. Events after the reporting period

On October 15, 2021, the Company announced that its common shares commenced trading on the Frankfurt Stock Exchange under the symbol '64Q'.

On October 22, 2021, the Company announced that it had entered into a binding agreement to acquire all of the issued and outstanding common shares of JoyBox Media Inc., a media network and marketing agency, in exchange for \$1,200,000 worth of common shares of the Company at a deemed price of \$0.24 and cash payments \$300,000, subject to a staggered payment schedule based on certain revenue targets being achieved. The transaction is expected to close during the fourth quarter of 2021.