

# **Gamelancer Media Corp. (formerly, Gamelancer Gaming Corp., Wondr Gaming Corp. and Transglobe Internet and Telecom Co. Ltd.)**

Management Discussion and Analysis

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

Financial information expressed in Canadian dollars unless otherwise noted.



The following Management's Discussion & Analysis ("**MD&A**") provides a review of activities, results of operations and the financial position of Gamelancer Media Corp. (formerly, Gamelancer Gaming Corp., Wondr Gaming Corp. and Transglobe Internet and Telecom Co. Ltd.) (the "**Company**" or "**Gamelancer**") for the three and nine months ended September 30, 2023 and 2022.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto as at and for the years ended December 31, 2022 and 2021 as well as the Condensed Consolidated Interim Financial Statements as at September 30, 2023 and for the three and nine months then ended (collectively, the "financial statements"). All amounts disclosed in this MD&A are expressed in Canadian dollars, unless otherwise noted.

### **Management's Responsibility**

The Company's management is responsible for the preparation and presentation of the financial statements and this MD&A. The financial statements have been prepared in accordance with International Financial Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board and as included in Part 1 of the CPA Canada Handbook – Accounting and the interpretations of the International Financial Reporting Interpretations Committee. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators. This MD&A has been prepared as of **November 14, 2023**.

### **Forward-Looking Statements**

This MD&A may contain forward-looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results. Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events such as the launch of the Company's loyalty platform. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the statements are made, which are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions; the outbreak of an epidemic or a pandemic, including the recent outbreak of the novel coronavirus (COVID-19), or other health crisis and the related global health emergency affecting workforce health and wellbeing; governmental regulation; unanticipated operating events; competition; the availability of capital on acceptable terms; stock market volatility; volatility in market price and the other factors described herein under "Risks and Uncertainties". Readers are cautioned that this list of risk factors should not be considered as exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to

actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

## **Description of Business**

Gamelancer Media Corp. was co-founded by Jonathan Dwyer and Michael Cotton, the current CEO and CBO of the Company, respectively. The Company is headquartered in Ontario, Canada having a registered office of 120 Carlton Street, Suite 405, Toronto, Ontario, M5A 4K2.

Gamelancer Media Corp. is a media & entertainment company producing short-form video content for brands, with broadcast on its owned and operated TikTok, Snapchat, and Instagram channels. Gamelancer Media has a strategic partnership with both TikTok North America and Snap Inc. The media company currently works with companies such as Samsung, Belkin, Celsius, and several other notable brands. The Company produces and distributes content across its 66 owned-and-operated channels to over 45 million followers and subscribers, generating over 2 billion monthly video views. The Gamelancer network grows by over 1.5 million new followers monthly. A majority of Gamelancer's audience are located in the USA, Canada, the UK, and Australia.

With advanced user data analytics, Gamelancer provides its audience with content relevant to the Gen Z and Millennial respective communities. Gamelancer owns the largest gaming media inventory on TikTok. Gamelancer also monetizes across its Snapchat Discover channels in partnership with Snapchat.

Gamelancer recently announced a hallmark partnership agreement with TikTok North America, becoming the 68th Global Joint Business Partner of TikTok globally, strengthening its capabilities as a full-service media partner to brands and creators. Boasting a large gaming community on TikTok with over 32 million followers across its 12 TikTok accounts, Gamelancer offers expertise in building loyal and engaging online communities. As a modern media enterprise, the Company provides a unique opportunity for brands to create authentic connections with Gamelancer's extensive GenZ and younger Millennial audiences through ad space on its network of 66 owned-and-operated channels and full production capabilities. Given the vast number of total followers and subscribers across its social media platforms to date, brands have a unique advantage in making authentic connections with their desired demographic through custom branded short-form content that resonates with these audiences. According to Omnicore Agency, TikTok embodies 1.8 billion monthly active users (“MAUs”), had 672 million downloads in 2022, generated over \$6 billion in consumer spending in Q4.22, has 94.1 million MAUs in the USA, and produced US\$11.64 billion in 2022 revenue, an increase of 200% year over year.

The Company also owns an NFT platform (non-fungible token) but announced during the year ended December 31, 2022 that it was exiting the NFT business and no longer pursuing initiatives in this space.

With the acquisitions of JoyBox Media Inc. (rebranded post-acquisition as *Gamelancer Studios*) and Gamelancer Inc. in the first and second quarters of 2022, respectively, the Company has solidified its creative and distribution offerings. Gamelancer Studios is a production studio that creates original programming, including scripting, storyboarding, and shooting original content for brand partners. Gamelancer Inc. focuses on user-generated content to promote partner's products and services through its network.

The Company formerly traded on the Canadian Securities Exchange (“CSE”) under the symbols GMNG and GMNG.WT; on the OTCQB Venture market in the United States effective January 26, 2022 under the symbol WDRGF; and on the Frankfurt Exchange under the symbol 64Q. Effective during the third quarter

of 2022, the Company changed its name to Gamelancer Media Corp. to reflect the Company's media focus.

Effective July 19 , 2023, the Company began trading on the TMX under the symbol GMNG.

### **Industry Outlook** (source: Haywood Capital – April 24, 2023)

#### *Global Digital Advertising*

Ad spending in the digital advertising market is projected to reach US\$680 billion in 2023 (+10.6% year over year). Ad spending on social media is expected to reach US\$207.1 billion in 2023 (+9.3% year over year). Digital advertising on mobile is projected to continue eating into desktop ad spending share as the proliferation of devices and total cost of ownership and connectivity continues to decrease globally.

#### *Social Media Advertising*

Social media advertising is a whole different beast from traditional social media. According to HootSuite, more than 4.7 billion people globally use social media and in 2022, the number of social media users grew by 4.2%. Statista projects social media ad spending to hit US\$207.1 billion in 2023 with HootSuite expecting social video advertising to reach US\$79.3 billion in 2024 – social media accounted for 33% of all digital advertising spend in 2022. By the end of 2022, the volume of social media ad impressions was more than 30% higher than the previous year.

#### *Gaming and Streaming*

Gaming revenues are growing with the catalyst of mobile gaming being a major factor for accessibility in emerging markets. Smartphone penetration and 5G rollouts across the globe are making it easier for gamers to access content and join the gaming and esports communities with lower latency and increased speeds. The global esports audience is forecasted to reach 641 million people by 2025 made up of roughly 50% occasional viewers and 50% enthusiasts – gamers who watch professional esports content more than once a month. The North American audience is growing steadily driven by exposure to the industry and the interest of younger generations with esports audiences consisting largely of hard-to-reach demographics under the age of 35. Traditional marketing formats are proving to be less effective in these demographics and brands are shifting their strategies to target the esports audience to promote their products.

#### *Influencer Marketing*

Influencer marketing is becoming more frequently utilized by brands to attract a difficult to reach demographic segments of the population. Gaming is the fourth most popular vertical in influencer marketing and is continuing to grow as gaming and influencers become more ingrained in mainstream society.

#### *Global Gaming Growth*

The gaming industry has quickly eclipsed media types like movies, music and books to become the second most prominent form of entertainment globally, only behind television. The esports industry made up a small portion of the global gaming revenue in 2021 but is amongst the fastest growing segments in today's entertainment industry. In 2021, 83% of esports revenue was made up of Sponsorships (61%), Media Rights (15%), Digital (4%) and Streaming (3%). The Gaming live streaming audience reached nearly 810 million in 2021 and is expected to reach approximately 1.4 billion by

2025, indicating a compounded annual growth rate of 16.3% from 2020 to 2025.

### *Influencer Marketing*

Influencer marketing is gaining traction as a key tool for brands to attract younger audiences, a typically hard-to-reach but highly profitable demographic. According to Esports iQ Analytics, 78% of esports fans in North America are not likely to be influenced by online ads and must be targeted using creative methods like influencer marketing. While sponsorship is an attractive way to reach the broader gaming market, esports fans seem to crave a more personal approach. Influencers attract audiences on a human level allowing them to relate to a personality rather than a logo. Gaming represents the 4th most popular influencer marketing segment with roughly 11% of the market share behind Fashion & Beauty, Health & Fitness and Travel.

### **Highlights**

#### ***Trading on the Frankfurt Stock Exchange and OTCQB Venture Market***

On January 26, 2022, the Company announced that it had commenced trading on the OTCQB Ventures Market in the United States under the symbol “WDRGF”.

#### ***Private Placement of Common Shares and Warrants***

During the first quarter of 2022, the Company closed a non-brokered private placement through the issuance of 50,000,000 units of the Company (each a “Unit”) at a price of \$0.20 per Unit for aggregate gross proceeds of \$10,000,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at an exercise price of \$0.30 per common share for a period of 24 months from the closing of the offering. In connection with the closing of the private placement, the Company paid certain eligible persons a cash commission of \$382,478 and issued 1,633,229 broker warrants. Each broker warrant entitles the holder thereof to acquire one common share at an exercise price of \$0.20 per common share for a period of 24 months from the closing of the offering. All securities issued pursuant to this offering are subject to a four-month hold period from the date of the offering.

#### ***Acquisition of JoyBox Media Inc. (“JoyBox”)***

Further to its October 22, 2021 announcement, on March 1, 2022, the Company completed the acquisition of 100% of JoyBox Media Inc. (“**JoyBox**”) in exchange for \$1,200,000 worth of common shares of the Company and cash payments of \$300,000 payable as outlined herein and in accordance with the terms and conditions of an amended and restated share purchase agreement dated February 16, 2022. On closing the Company issued 3,333,332 common shares at a deemed price of \$0.15 per common share having a discounted value of \$427,000 and a closing cash payment of \$131,526. An additional \$350,000 worth of common shares is due as consideration within 60 days of JoyBox generating at least \$500,000 in revenues; and \$350,000 of common shares as consideration both issuable and payable within 60 days of JoyBox generating at least \$1,000,000 in revenues. All consideration shares issued in connection with the acquisition are subject to a four-month and one-day re-sale restriction and to a 27-month voluntary escrow between the selling shareholders of JoyBox and the Company with the first release of 25% of the escrowed shares to be released 18 months from the date of the transaction closing. In addition to the cash payment of \$131,526 paid on closing, the Company will pay \$84,237 within 60 days following the quarterly financial period in which JoyBox generated at least \$500,000 in

revenue and \$84,237 payable within 60 days following the quarterly financial period in which JoyBox generates at least \$1,000,000 in revenue.

The consideration transferred in exchange for the equity interests in JoyBox includes:

Cash	\$ 131,526
3,333,332 common shares	427,000
Contingent consideration arrangement	675,000
TOTAL	\$1,233,526

The consideration transferred was attributed to goodwill in the amount of \$715,226, Intangible asset – trade name in the amount of \$380,000 and intangible asset – customer relationships in the amount of \$330,000. Additionally, there was a deferred tax liability of \$191,700 on acquisition representing the difference in accounting basis versus tax basis of the intangible assets acquired, calculated at the applicable tax rate. Goodwill arose in the acquisition of JoyBox 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.

JoyBox is a media network and marketing agency that focuses on the intersection of culture and technology. JoyBox provides best-in-class services working with celebrities, brands and creators to create meaningful communities across digital through paid media, influencer campaigns, and viral content.

#### ***Acquisition of Gamelancer, Inc.***

On April 14, 2022, the Company acquired 100% of the issued and outstanding common shares of Gamelancer, Inc. As consideration, the Company paid US\$7,000,000 to the shareholders of Gamelancer, Inc. and issued 212,338,900 common shares of the Company. All common shares issued in connection with the transaction are subject to voluntary lock-ups of up to 36 months and a statutory four-month and one day hold, with 10% of the common shares released on closing of the transaction and 15% released every six months thereafter for the next 36 months. Additional cash consideration of US\$2,500,000 is due six months from the closing date of April 14, 2022 (October 14, 2022 – this amount was paid on November 7, 2022) and US\$2,500,000 is due twelve months from the closing date (April 14, 2023 – this amount is not yet paid with the agreement of the former shareholders of Gamelancer, Inc.). The Company also agreed to pay a further US\$125,000 in cash contingent upon the satisfaction of certain revenue milestones being met in one of the Company's other wholly-owned subsidiaries.

Pursuant to the Stock Purchase Agreement, in the event the Company completed a New Securities Financing prior to the payment in full of the deferred cash amount, the purchase will be increased by USD \$2,000,000. The shareholders agreed to accept the penalty payment in the form of USD\$1,000,000 cash and USD \$1,000,000 in common shares of the Company at a price per payment share equal to the greater of (i) CDN\$0.10 or (ii) the market price of the common shares on the Canadian Securities

Exchange (CSE) on the day immediately preceding the day this Agreement is executed by all the Shareholders. As of September 30, 2023, the cash payment has been paid and the remaining common shares issued at a share price of CDN\$0.10.

The consideration transferred in exchange for the interests in Gamelancer, Inc. includes:

Cash	\$ 8,840,621 (US\$7,000,000)
212,338,900 common shares	21,589,293
Contingent consideration	246,980
Deferred cash consideration	6,132,906 (US\$5,000,000)
Working capital adjustment	83,166
<b>TOTAL</b>	<b>\$36,892,966</b>

The purchase price was allocated on as follows:

Cash and cash equivalents	\$ 694
Receivables	504,049
Inventory	82,039
Technology assets	656,070
Intangible asset – trade name	17,011,350
Intangible asset – customer relationships	756,060
Goodwill arising on acquisition	23,087,258
Accounts payable and accrued liabilities	(233,815)
Due to related parties	(271,880)
Deferred tax liability	(4,698,859)

Goodwill arose in the acquisition of Gamelancer, Inc. 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.

The deferred tax liability represents the difference in the book value for accounting purposes of the Trade Name and Customer Relationship intangible assets and the nil tax basis, calculated at the applicable tax rate. This liability will decrease over time as the Company amortizes the intangible assets for accounting purposes.

Gamelancer, Inc. is a gaming-focused entertainment company with over 22 owned and operated channels across TikTok, Instagram, and Snapchat generating programmatic advertising revenues.

### ***Debenture Units***

On October 13, 2022, the Company announced its intent to complete a non-brokered private placement of up to \$15,000,000 aggregate principal amount of secured debenture units (each a "Debenture Unit") at an issue price of \$1,000 per Debenture Unit (the "Offering"). The first tranche of this Offering closed on November 3, 2022 with 4,111 Debenture Units being issued for proceeds of \$4,111,000. Of the 4,111 Debenture Units, 1,363 Debenture Units were issued to an insider of the Company. The second tranche closed on November 24, 2022 with 439 Debenture Units being issued for proceeds of \$439,000. In total, 455,000 Warrants were also issued as part of the closing of these two tranches as well as 742,259 broker warrants.

Each Debenture Unit is comprised of \$1,000 principal amount of 12% secured debentures of the Company and 100 common share purchase warrants (each a "Warrant") of the Company. Each Warrant is exercisable into one common share of the Company (each a "Warrant Share") at an exercise price of \$0.07 per Warrant Share for a period of 36 months from the closing of the Offering.

The Debentures shall mature on the date that is 60 months from the closing of the Offering (the "Maturity Date"). The Debentures shall bear interest at a rate of 12% per annum from the closing of the Offering, payable on the last business day of each calendar quarter, with the first 18 months of accrued interest payable on the Maturity Date.

The Company appointed an agent (the "Security Agent") to act as transfer agent and a bare trustee to hold a first ranking security interest on behalf of the Debenture holders and entered into a general security agreement with the Security Agent which included standard default conditions customary for a transaction of this nature. Further, the Debentures and Warrants were issued pursuant to the terms of a debenture and warrant indenture entered into between the Company and the Security Agent.

The Debentures are subject to redemption, in whole or in part, at the option of the Company at any time after the first anniversary of the closing of the Offering upon giving the holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the Debentures plus all accrued and unpaid interest up to and including the redemption date.

All securities issued pursuant to the Offering are subject to a four month hold period from the date of issue. The net proceeds of the Offering were used to make certain purchase price payments in connection with the previous acquisition of Gamelancer, Inc. as well as for general working capital purposes.

### ***Trading on the TMX***

On July 19, 2023, the Company began trading on the TMX under the symbol GMNG.

### ***Private Placement of Common Shares and Warrants – July 2023***

During the second quarter of 2023, the Company closed two brokered private placement offerings, issuing 100,038,500 units of the Company for aggregate gross proceeds of \$10,003,500, resulting in an issue price of \$0.10 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one share at an exercise price of \$0.15 per share for a period for 36 months following the closing date of the offerings. In connection with the closing of

the private placement, the Company incurred cash transaction costs of \$524,239 and issued 2,008,195 broker warrants to agents as compensation for the private placement.

### ***Various Strategic Partnerships and Agreements***

On May 9, 2022, the Company announced a media take-off agreement with Playmaker to sell across their Tik Tok, Instagram and Snapchat channels, expanding the Gamelancer media inventory to 1.175 billion monthly views.

On June 6, 2022, the Company announced a partnership with Gambit Rewards Inc. The partnership introduces Gambit's unique free-to-play sports betting and iGaming platform to the Company's audience of social gamers.

On June 28, 2022, the Company announced that its common shares were now eligible for book-entry and depository services through Depository Trust Company ("DTC") in the United States.

On June 20, 2022, the Company announced that it had renewed its longstanding relationship with GFuel through the end of 2022.

On July 6, 2022, the Company announced that it had secured a contract with online casino Stake.com to broadcast content featuring Gamelancer and Stake influencers across @Gaming, @Gamer, @Gamelancer and @Egirl channels on TikTok. The campaign will also broadcast content across Gamelancer partner, Playmaker's @Sports, @Playmaker and @PlaymakerBetting channels on Instagram.

On July 12, 2022, the Company announced that it had teamed up with one of Canada's largest banks to curate and broadcast a short-form video financial literacy campaign across its TikTok channels. Produced by Gamelancer Studios, the financial literacy campaign will feature short-form video content curated to help equip the GenZ gaming audience with the right information to make informed decisions when opening their first chequing accounts, choosing a credit card and other personal financial choices. The campaign will be geolocated to Canada when broadcast, and content was filmed with GenZ gamers and influencers from the Vancouver area.

On July 20, 2022, the Company announced the appointment of Storm Boswick to the board of directors of the Company. Mr. Boswick is currently Founder and MD of TRE Advisors. Throughout his career, Mr. Boswick has played key roles in the investment community and related industries. Mr. Boswick was part of Goldman Sachs research department, a Partner and PM at J&W Seligman, a PM at Sigma Capital (SAC), a Founder / PM at Brompton Cross and Partner / Sr. MD at Brock Capital.

On July 26, 2022, the Company announced that it had entered into a multi-quarter engagement with one of North America's largest consumer electronics and networking companies. The campaign was produced by Gamelancer studios in Vancouver and has been broadcast across the Gamelancer TikTok network since June of this year. Featuring North America's beat-box champions, Canadian comedian Akeem, and local influencers and artists, the campaign featured headphones, ear buds and smart speakers, which the viewing audience can purchase in-video while watching content on one of Gamelancer's 14 TikTok channels.

On August 3, 2022, the Company announced that it had entered into an agreement with Sony Music Entertainment division, Artista Records featuring Gamelancer curated content integrated with Arista

recording artist Disco Lines, to be hosted across the Gamelancer TikTok & Instagram networks respectively.

On August 10, 2022, the Company announced that its owned and operated network had reached over 30,000,000 followers. Owning the largest multi-channel gaming network on TikTok, Gamelancer owns marquee channels on TikTok, Instagram and Snapchat including @Gaming, @Gamer, @Gamelancer, @EGirl among others, totaling 29 channels across the aggregate network.

On August 24, 2022, the Company announced it had partnered with lifestyle energy drink producer CELSIUS<sup>®</sup> to curate a campaign promoting CELSIUS<sup>®</sup> products across the Gamelancer TikTok & Instagram network. Featuring Gamelancer influencers, content for the 6-figure campaign will be produced by Gamelancer and broadcast across its @Gaming, @Gamer, @Egirl, and @Gamelancer channels. Content will also be distributed across Playmaker's Instagram network. Playmaker is a strategic partner of Gamelancer, and this campaign is the fourth co-broadcast campaign Gamelancer has launched with Playmaker this year.

On September 15, 2022, the Company announced that it had been selected as one of a small group of global TikTok partners to launch TikTok Games. TikTok initially launched a pilot testing program for HTML5 mini-games earlier in the summer with select partners.

On September 20, 2022, the Company announced that it would cease operating in the NFT (non-fungible token) market with a view to focusing on its other lines of business, namely its direct media sales through its owned and operated network of digital channels, curating short-form video content for brands and media agencies. Given this exiting of the NFT business, the Issuer wrote-down its assets related to this line of business.

On September 22, 2022, the Company announced that its common shares, previously trading on the OTCQB under the symbol WDRGF, are to commence trading on the OTCQB under the symbol GAMGF with effect on September 22, 2022. The Issuer's common shares will continue to trade under the symbol GMNG on the Canadian Securities Exchange.

On September 27, 2022, the Company announced that it had filed an alteration notice to change the name of the Company to "Gamelancer Media Corp.". The common shares were expected to commence trading under the new name "Gamelancer Media Corp." on September 29, 2022 under the symbol GMNG. The Company's new CUSIP number is 36468M100 and its new ISIN is CA36468M1005. The name change does not affect the Issuer's share structure or the rights of the Issuer's shareholders, and no further action was required by existing shareholders.

On November 9, 2022, the Company announced that it had signed its third agreement with an American-owned international sports channel. The Company was retained to produce short form video content, which it will then broadcast across the Gamelancer TikTok and Instagram network.

On December 21, 2022, the Company announced that it had signed a production partnership with top Canadian female YouTube gamer, Azyland.

On February 21, 2023, the Company announced that it had finalized its partnership with TikTok North America.

On February 22, 2023, the Company announced that it had secured an agreement to broaden the scope of its current media partnership with Snap Inc.

On April 20, 2023, the Company announced a partnership with Dubit Sign media, which is a global studio that builds games, experiences and events for brands.

On May 3, 2023, the Company announced a six-figure advertising deal with Australian Schedule-1 Bank.

On May 4, 2023, the Company announced a partnership with Top-5 Global Electronics Manufacturer, specifically a six-figure campaign.

On May 23, 2023, the Company announced a Creative + Distribution partnership with Tel Aviv Gaming App Ovio, designed to generate downloads.

On June 20, 2023, the Company announced a campaign with Samsung Canada.

### ***Business Objective and Milestones***

The Company continues to expand its content production and distribution across its owned and operated TikTok, Snapchat and Instagram channels. The Company began to generate revenues in the fourth quarter of 2021 and has continued to do so at an increasing pace throughout 2022 and into 2023. With the acquisition of JoyBox Media Inc. in the first quarter of 2022 and Gamelancer, Inc. in the second quarter of 2022, the Company's offerings as it relates to being a creative video and distribution partner has found significant success. Schedule A banks such as RBC, multi-national conglomerates such as Samsung, and linear television broadcasters such as ESPN have utilized Gamelancer's creative and distribution services. Gamelancer is focused on achieving the CAD\$8,600,000 revenue target the company provided to the market, and therein achieving its targets both on TikTok and Snapchat.

### ***Other Matters***

On January 17, 2023, the Company announced that it had granted an aggregate of 9,550,000 options to purchase common shares of the Company exercisable at a price of \$0.155 per common share for a period of three years to officers, directors and employees of the Company.

In January 2023, an officer and shareholder of the Company provided the Company with a non-interest bearing loan of US\$135,000.

On January 9, 2023, the Company announced the appointment of Rob Segal as Independent Director and Pooja Sharma as Chief Financial Officer.

On April 6, 2023, announced that it has continued from the Province of British Columbia under The Business Corporations Act (British Columbia) into Province of Ontario under the Business Corporations Act Ontario as of April 5, 2023.

In April 2023, an officer and a shareholder of the Company provided the Company with a non-interest bearing loan of US\$500,000.

In May 2023, the Company agreed to settle the lawsuit with D&H Group LLP for \$15,000. Refer to the *Contingencies* section herein for more information.

On May 8, 2023 the Company announced a \$10M brokered private placement of units led by the Chretien-Desmarais Family Office.

On May 18, 2023, the Company appointed Gopal Patel as Vice President of Operations.

On June 14, 2023 the Company appointed JF Cote as lead director to Board of Directors.

On June 15, 2023 Paul Coffey resigned as a director of the Company.

On July 5, 2023, the Company announced the appointment of Max Desmarais as President.

On July 6, 2023, the Company made the final purchase price payment of an aggregate \$4,840,282.44 USD to the former Gamelancer Shareholders, of which also included issuance of common shares. The Company also made the final contingent consideration payment to Joybox Shareholders, of which also included the issuance of common shares.

On July 18, 2023, the Company announced the appointment of JF Cote as Lead Director of the Board.

On July 19, 2023, the Company announced its debut on the Toronto Stock Exchange.

On July 24, 2023, the Company announced a partnership with 10PM curfew.

On September 5, 2023, the Company announced its formation of US advisory board and its plans to expand into the US.

### ***Transactions Subsequent to September 30, 2023***

On October 2, 2023, the Company announced a rebrand to Vertical studios as well as leadership changes. These leadership changes includes Razvan Romanescu and Darren Lopes to continue their roles as members of the Board of Directors while resigned from their current positions as Chief Strategy Officer and Chief Product Officer, respectively. Furthermore, there was also the departure of Sam Parks as the Chief Marketing Officer.

On October 4, 2023 the Company named Rifle its Australian Agency of Record.

On October 10, 2023, the Company entered into a partnership with Mean Girl Podcast Parent Co, Just Media Group.

On October 16, 2023, the Company announced its integration of Revmo platform algorithm to enhance the company's business development strategy.

On November 1, 2023, the Company announced Tyler Wells joining as Chief Operation Officer.

## **Financial Position, Results of Operations and Cashflows**

### ***Results of Operations***

The following summarizes the results of operations of the Company for the three and six months ended September 30, 2023 and 2022:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Revenues:</b>				
Advertising revenue	1,636,075	\$ 1,330,556	\$ 3,779,114	\$ 1,920,923
<b>Cost of sales</b>	757,634	68,566	1,740,105	250,209
<b>Gross margin</b>	878,441	1,261,990	2,039,009	1,670,714
<b>Expenses:</b>				
Consultants and subcontractors	355,876	901,829	1,234,494	2,619,682
Share-based payments	-	358,841	1,419,006	1,263,786
Professional fees	269,239	262,955	874,922	1,078,470
General and administrative	410,990	410,380	1,275,793	1,099,438
Advertising and promotion	102,811	326,995	573,263	964,570
Salaries, wages and benefits	211,521	167,152	587,116	548,833
Depreciation and amortization	587,507	26,104	1,640,063	164,532
Foreign exchange (gain) loss	1,883	(77,376)	31,073	120,526
Finance costs, net	156,661	33,686	475,889	65,393
Penalty on repayment of deferred consideration	(3,966)	-	2,668,741	-
Impairment loss on intangible assets	-	987,595	-	987,593
Gain on revaluation of contingent consideration	(94,537)	-	(30,408)	-
	1,997,985	3,398,159	10,749,952	8,912,823
<b>Net loss before income taxes</b>	<b>(1,119,544)</b>	<b>(2,136,169)</b>	<b>(8,710,943)</b>	<b>(7,242,109)</b>
Income taxes - current	(54,941)	-	(138,464)	-
Income taxes - deferred	104,549	-	519,930	-
<b>Net loss</b>	<b>(1,069,936)</b>	<b>(2,136,169)</b>	<b>( 8,329,477)</b>	<b>(7,242,109)</b>
OCI – Exchange difference on translating foreign operations	821,865	2,736,909	(11,252)	2,751,255
OCI – Fair value loss on investment in a private company	-	-	-	-

Deferred tax	-	-	-	-
<b>Total comprehensive loss</b>	<b>\$(248,071)</b>	\$600,740	<b>\$(8,340,729)</b>	\$(4,490,854)

Revenues of \$1,636,075 and \$3,779,114 for the three and nine months ended September 30, 2023, respectively (2022 - \$1,330,556 and \$1,920,923, respectively) were recognized. These revenues reflect both direct advertising revenues as well as programmatic advertising revenues. Revenues are derived from both Canadian and US sources with US-source revenues comprising the majority. The Company's customers are varied and established companies. The Company has shown significant revenue growth in each of the last five quarters.

Cost of sales for the three and nine months ended September 30, 2023 of \$757,634 and \$1,740,105 respectively (2022 - \$68,566 and \$250,209 respectively). Cost of sales reflects the cost of consultants and contractors providing video content, editing and other production services directly related to the generation of revenues.

Consultants and subcontractor costs for the three and nine months ended September 30, 2023 of \$355,876 and \$1,234,494 respectively (2022 - \$901,829 and \$2,619,682 respectively) consist primarily of contractor payments to the Chief Operating Officer, Chief Revenue Officer, Chief Strategy Officer and sales personnel of the Company for executive management services provided as well as amounts due to firms providing investor relations services. As the Company has grown throughout 2022 and into 2023, the number of firms and individuals providing consulting or contractor services has also grown.

Share-based compensation for the three and nine months ended September 30, 2023 of \$nil and \$1,419,006 respectively (2022 - \$358,841 and \$1,263,786 respectively) represents the vesting of the options issued to members of management as well as certain consultants providing services to the Company.

Professional fees for the three and nine months ended September 30, 2023 of \$269,239 and \$874,922 respectively (2022 - \$262,955 and \$1,078,470 respectively) include legal fees paid for general corporate matters and financings, legal fees related to three lawsuits (see *Contingencies* section), as well as fees due to auditors and accountants for audit and tax services.

General and administrative expenses for the three and nine months ended September 30, 2023 of \$410,990 and \$1,275,793 respectively (2022 - \$410,380 and \$1,099,438 respectively) consist of insurance costs, various travel and entertainment expenses related to investor presentations and meetings as well as supplies and other miscellaneous administrative expenses.

Advertising and promotion expenses for the three and nine months ended September 30, 2023 of \$102,811 and \$573,263 respectively (2022 - \$326,995 and \$964,570 respectively) includes numerous payments to firms marketing the company and its stock as well as firms providing data to the Company on the gaming and digital media industry.

Salaries, wages and benefits for the three and nine months ended September 30, 2023 of \$211,521 and \$587,116 respectively (2022 - \$167,152 and \$548,833) are for compensation related to a member of the executive management team, the CEO, and the additions of the Gamelancer, Inc. staff starting in April 2022.

Depreciation and amortization for the three and nine months ended September 30, 2023 of \$587,507 and \$1,640,063 respectively (2022 - \$26,104 and \$164,532) reflects that of the intangible assets

acquired as part of the acquisitions of JoyBox Media Inc. and Gamelancer, Inc. in April 2022. These intangibles included both the value of the brand names acquired as well as the customer relationships acquired and are being amortized over their expected useful lives of ten years and four years, respectively.

The foreign exchange loss (gain) for the three and nine months ended September 30, 2023 of \$1,883 and \$31,073 respectively (2022 – \$(77,376) and \$120,526 respectively) represents the variances in the US/ Canadian dollar foreign exchange rate on US dollar denominated payable amounts with most significance being that of the foreign exchange variance on the deferred compensation and contingent consideration related to the Gamelancer, Inc. acquisition.

Finance costs, net, for the three and nine months ended September 30, 2023 of \$156,661 and \$475,889 respectively (2022 – \$33,686 and \$65,393 respectively) largely consist of accretion on deferred consideration and the debenture units that did not exist in the prior year.

The gain on revaluation of the contingent consideration for the three and nine months ended September 30, 2023 of \$94,537 and \$30,408 respectively (2022 - \$nil) represents the increase in the fair value of the contingent consideration liability related to the Gamelancer Inc. acquisition from December 31, 2022 to September 30, 2023. This liability will be re-measured at fair value on each reporting period end (i.e. quarterly) should it be determined to be significant.

The penalty repayment of deferred consideration for three and nine months ended September 30, 2023 of \$nil and \$2,668,741 respectively (2022 - \$nil) represents the payment made to Gamelancer Inc Shareholders as per the Stock Purchase Agreement. This amount includes a USD\$1,000,000 cash payment and USD\$1,000,000 worth of common shares of the company.

The exchange difference on translating foreign operations included within ‘other comprehensive income’ of 821,865 and (\$11,252) for the three and nine months ended September 30, 2023 respectively (2022 - \$2,736,909 and \$2,751,255), represents an unrealized foreign exchange translation loss on consolidating the net investment in the subsidiaries Gamelancer Inc. and Wondr Gaming USA Corp., with a functional currency in US dollars, into Canadian dollars at the financial reporting date of September 30, 2023.

The following table reconciles the Company’s net income to a **non-GAAP** adjusted earnings figure. This measure is intended to show a calculation of the Company’s net loss adjusted for non-cash expenses:

	<b>Nine months ended September 30, 2023</b>	<b>Nine months ended September 30, 2022</b>
	<b>\$</b>	<b>\$</b>
Net loss before income taxes	( 8,329,477)	(7,242,109)
Share-based payments	1,419,006	1,263,786
Depreciation and amortization	1,640,063	164,532
Gain on revaluation of contingent consideration	30,408	-
Accretion expense on deferred consideration and debenture units	433,888	-
Penalty on Deferred Consideration	2,668,741	-

<b>Adjusted loss</b>	<b>(2,137,371)</b>	<b>(5,813,791)</b>

Non-GAAP measurements are not reflective of guidance provided by International Financial Reporting Standards. Management presents such figures because it believes it assists the reader in evaluating the overall financial operating results of the Company. Management is required to detail, as it has done in the table above, how the non-GAAP measure, in this case 'adjusted loss' is derived from the GAAP measures in the Company's Condensed Consolidated Interim Income Statements.

### ***Financial Position and Cashflows***

The following summarizes the financial position of the Company as at September 30, 2023 and December 31, 2022:

	<b>As at September 30, 2023</b>	<b>As at December 31, 2022</b>
<b>Assets:</b>	<b>\$</b>	<b>\$</b>
Current assets	4,024,819	2,551,847
Restricted cash	-	50,000
Deposits	4,425	4,425
Property and equipment	1,803	1,726
Intangible assets	17,515,411	19,196,989
Goodwill	27,693,773	27,758,678
<b>Liabilities:</b>		
Current liabilities	3,368,091	7,953,335
Debenture units	4,423,225	3,989,337
Deferred tax liability	4,569,453	5,271,145
<b>Shareholders' equity:</b>		
Common shares	57,241,298	49,070,665
Warrant reserve	5,798,148	2,517,444
Share-based benefits reserve	3,137,310	1,718,304
Accumulated other comprehensive loss	1,535,589	1,546,841
Deficit	(30,832,883)	(22,503,406)

Current assets consist of cash of \$1,307,602 (2022 - \$556,804), receivables of \$2,347,735 (2022 - \$1,754,518), inventory comprised of game controllers of \$87,827 (2022 - \$87,983) and prepaid expenses and deposits of \$281,655 (2022 - \$145,102).

Including revenues of \$3,779,114 for the nine months ended September 30, 2023, cash flows used in operations for the nine months ended September 30, 2023 were \$3,199,002 (2022 - \$5,171,715).

Cash flows from investing activities for the nine months ended September 30, 2023 was \$5,605,927 (2022 - \$9,151,066) and relates to the repayment of contingent consideration for Gamelancer Inc.

Cash flows provided from financing activities for the nine months ended September 30, 2023 were \$9,631,167 (2022 - \$9,594,722) representing the proceeds from the private placement of common shares and warrants, net of transaction costs. The cash flow in the comparative period also consisted largely of the proceeds from the private placement of common shares and warrants, net of transaction costs.

The receivables balance of \$2,347,735 (2022 - \$1,754,518) consists largely of a HST receivable of \$606,658 (2022 - \$387,553) with \$1,740,619 (2022 - \$1,366,507) related to trade receivables. Prepaid expenses of \$281,655 (2022 - \$145,102) consist of prepaid fees related to the Company's customer relationship management platform as well as a company providing market data information. Inventory of \$87,827 (2022 - \$87,983) relates to game controllers held by Gamelancer, Inc. for a future ecommerce initiative.

Restricted cash of \$nil (2022 - \$50,000) consisted of a GIC entered into as security for corporate credit cards. An additional amount of restricted cash of \$nil (2022 - \$7,440) relate to funds held in trust with the Company's counsel for the exercise of warrants and was released to the Company during the first quarter of 2023.

Deposits of \$4,425 (2022 - \$4,425) consists of the rental deposit on the Company's office location paid to a company owned by a shareholder of the Company. Property and equipment of \$1,803 (2022 - \$1,726) relates to computer equipment.

Intangible assets of \$17,515,411 (2022 - \$19,196,989) consist of \$nil (2022 - \$nil) in the value of the NFT platform acquired with the acquisition of EGCI as well as domain names of \$147,751 (2022 - \$147,751). The balances at September 30, 2023 and December 31, 2022 reflect the write-off of the NFT platform and domain name as the Company has exited the NFT business. With the acquisition of Gamelancer, Inc. in April 2022, the intangible asset balance also includes \$730,837 (2022 - \$767,267) in technology assets, net of amortization, largely comprised of the gaming.io mobile app. The most significant items comprising intangible assets includes \$15,910,083 (2022 - \$17,335,573) assigned to the Gamelancer and JoyBox trade name as part of their acquisitions.

Goodwill of \$27,693,773 (2022 - \$27,758,678) relates to the acquisitions of JoyBox Media Inc. in March 2022 (goodwill of \$715,226), Hot Dot Media Inc. in June 2021 (goodwill of \$2,228,451), and the acquisition of Gamelancer, Inc. in April 2022 (goodwill of \$23,087,258). Goodwill also reflects an amount of \$(64,905) (2022 - \$1,727,743) representing foreign exchange rate changes on the consolidation of Gamelancer Inc. (US dollar functional currency) and Wondr Gaming USA Corp. as at September 30, 2023. The residual balance is foreign exchange fluctuations on the USD balance related to the Gamelancer, Inc. acquisition since the functional currency of Gamelancer, Inc. is USD.

Current liabilities are \$3,368,091 (2022 - \$7,953,336). Current liabilities consist of accounts payable and accrued liabilities of \$2,947,876 (2022 - \$3,267,950), income taxes payable of \$213,555 (2022 - \$75,091) deferred revenue of \$74,480 (2022 - \$nil), due to related parties of \$10,500 (2022 - \$302,079) which includes \$10,500 (2022 - \$10,500) due to a former shareholder of HDM and current shareholder of the Company. Current liabilities also include an amount of \$nil (2022 - \$3,346,209) related to the future cash consideration due as part of the acquisition of Gamelancer, Inc. (US\$2,500,000 was paid on November 7, 2022 and US\$2,500,000 was paid in June 2023). Current liabilities also include contingent consideration of \$121,680 (2022 - \$962,006) with \$675,000 due as part of the acquisition of JoyBox Media Inc. and \$246,980 due as part of the Gamelancer, Inc. acquisition, which was paid in June 2023. In addition to certain foreign exchange effects and the \$30,408 (2022 - \$nil) gain on revaluation of the contingent consideration at each period end when compared to the last.

Accounts payable and accrued liabilities is comprised of miscellaneous vendor payables, audit accrual, advisory fee payable, legal fee payables, and accruals to various consultants providing services to the Company.

The debenture units of \$4,423,225 (2022 - \$3,989,337) reflect the issuance of the 4,550 Units (\$1,000 principal) amount issued in November 2022 for proceeds of \$4,550,000. The balance is reflected at its fair value and is being accreted up to its face value over the five years until maturity.

The deferred tax liability of \$4,569,453 (2022 - \$5,271,145) reflects the difference in the carrying value of the intangible assets (Trade Name and Customer Relationships) acquired as part of the JoyBox and Gamelancer acquisitions and the \$nil tax basis calculated at the applicable tax rate. This balance does not reflect cash taxes owing at this time and will be drawn down over time as the assets are amortized for accounting purposes.

The warrant reserve in shareholders' equity of \$5,798,148 (2022 - \$2,517,444) represents the fair value of 446,674 common share purchase warrants issued in 2020 to consultants for services in connection with the private placement of common shares; the issue of 3,275,820 common share purchase warrants in connection with the private placement of the subscription receipts (i.e. Concurrent Financing); the issue of 2,320,000 warrants in connection with the Convertible Debentures, the issuance of 22,045,750 warrants in connection with the conversion of the subscription receipts and 4,000,000 warrants issued to Blue Deer Capital compensation for their advisory agreement. The balance also includes the 24,999,999 warrants issued and 1,633,229 broker warrants as part of the private placement of Units as well as the 455,000 warrants and 742,259 broker warrants issued as part of the Debenture Unit issuance during the year ended December 31, 2022. The balance also includes the issuance of 100,038,500 warrants in connection with the private placement in Q2 2023, as well as the issuance of 2,008,195 broker warrants in connection with the private placement. The balance also includes the expiration of 25,321,620 warrants.

The share-based benefits reserve of \$3,481,999 (2022 - \$1,718,304) represents the fair value of the options issued to executive officers and various consultants as at September 30, 2023.

### **Selected Quarterly Information**

<b>Quarter Ended</b>	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Revenue	\$1,636,075	\$1,420,830	\$722,209	\$1,643,288

Net loss from continuing operations	\$1,069,936	\$4,668,616	\$2,821,682	\$2,149,890
Net loss on per share basis	\$ 0.00	\$ 0.01	\$0.01	\$0.01
<b>Quarter Ended</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Revenue	\$1,330,556	\$523,865	Nil	Nil
Net loss from continuing operations	\$2,136,169	\$3,431,691	\$1,947,619	\$1,476,446
Net loss on per share basis	\$0.00	\$0.01	\$0.01	\$0.01

Tax entries for 2022 are reflected in the fourth quarter of 2022.

### Liquidity and Capital Resources

During the year ended December 31, 2022, the Company completed a non-brokered private placement of 50,000,000 Units at a price of \$0.20 per Unit for aggregate gross proceeds of \$10,000,000. After transaction costs, the net proceeds received by the Company was \$9,611,022.

As noted above under Debenture Units, in November 2022, the Company raised \$4,550,000 from the issuance of Debenture Units which it used to fund the first US\$2,500,000 deferred consideration amount related to the Gamelancer, Inc. acquisition as well as for working capital purposes. The Debenture Units are reflected in the balance sheet at their fair value and are accreted up to the face amount through their maturity date.

During Q2 2023, the Company completed a Private placement of 100,038,500 units at a price of \$0.10 per unit for aggregate gross proceeds of \$10,038,500. After transactions costs, the net proceeds received by the Company was \$9,390,480.

With the funds raised to date, the Company expects to be able to fund its internal growth strategies as well as evaluate acquisition opportunities. The Company does not currently have a bank credit facility but may consider one in the future should management feel it will assist in achieving its strategic and operational objectives. As noted above under *Acquisition of Gamelancer, Inc.*, the Company used US\$7,000,000 of the funds raised during the Q1.22 private placement to acquire Gamelancer Inc. With additional funds raised in the fourth quarter of 2022 the Company paid the first of two US\$2,500,000 due as part of the consideration for the acquisition of Gamelancer, Inc. The second payment of US\$2,500,000 was also paid in Q2 2023.. There is an additional obligation of US\$125,000 as part of the Gamelancer, Inc. transaction that has also been paid in Q2 2023. Additionally, there are contingent consideration elements related to the JoyBox transaction that may require further cash outlay should the contingent consideration milestones be met. The Company will need to meet these obligations through cash generated from the revenues of the Company and by securing additional external financing.

The Company is not economically dependent on any parties, has no off-balance sheet financing nor are there any restrictions on the use of its cash other than the GIC held as security for corporate credit cards.

At this time, although the Company is now generating revenues and showing healthy revenue growth, the Company is not anticipating an ongoing profit from operations in the immediate term, therefore it will be dependent on its ability to obtain equity or debt financing for growth. The Company may need additional capital, and may raise additional funds should the board of directors of the Company (the “**Board of Directors**”) deem it advisable.

During the nine months ended September 30, 2023 and 2022, the Company had minimal or negative operating cash flow because it had modest revenues and significant operating expenses. In addition, as a result of the Company’s business plans for the development of its products, the Company expects cash flow from operations to be negative until revenues grow to a point of offsetting its operating expenditures. While continuing to focus on continued revenue growth, the Company is also actively looking at any operating efficiencies to reduce expenditures. The Company’s cash flow from operations may be affected in the future by expenditures incurred by the Company to continue to develop its products and services. The amounts set out above for use as working capital may be used to offset this anticipated negative operating cash flow.

### **Critical Accounting Estimates**

Application of the Company’s accounting policies in compliance with International Financial Reporting Standards (“**IFRS**”) requires the Company’s management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

### **Financial Instruments**

#### Recognition and Classification

#### Financial Assets

All financial assets are initially recognized at fair value, adjusted by, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, financial assets are subsequently classified and measured at either fair value through profit or loss (“**FVTPL**”), fair value through other comprehensive income (“**FVTOCI**”) or amortized cost based on the Company’s assessment of the business model within which the financial asset is managed and the financial asset’s contractual cash flow characteristics.

The Company measures cash at FVTPL as at September 30, 2023 and December 31, 2022.

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method less impairment. Accounts receivable and short-term investments are classified as measured at amortized cost.

### Financial Liabilities

The Company classifies its financial liabilities into one of the following two categories; measured at amortized cost and measured at FVTPL. The Company has designated the derivative conversion option related to the Convertible Debentures as being measured at FVTPL.

Financial liabilities measured at amortized cost are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

Accounts payable and accrued liabilities, due to related party, lease liabilities and long-term debt are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

### Derecognition

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled, or they expire.

### Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### Fair Value and Market Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted market prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1), and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly;

Level 3: Inputs that are not based on observable market data.

### Impairment of Financial Assets

At each reporting date, the Company assess whether there is objective evidence that financial assets not carried at FVTPL are impaired. A financial asset or a group of financial assets are impaired based upon the expected credit loss ("ECL") model.

### **Financial Risk Factors**

The Company's business is subject to certain risks, including but not restricted to risks related to: market risk for securities, future financing risks; going-concern risks; global economy risks; use of proceeds risks; volatility of the Company's share price following a listing on a public exchange and the lack of trading history for the Common Shares; increased costs of being a publicly traded company; limited operating history in an evolving industry and history of losses; lack of brand development; expectations with respect to advancement in technologies; currency fluctuations; interest rates; taxes on the Company and its products; liabilities that are uninsured or uninsurable; economic conditions, dependence on management and conflicts of interest; intellectual property rights; attracting and retaining quality employees; key personnel risk; management of growth; product and services development; expansion risk; breach of confidential information; competition within the technology industry; corporate matters; issuance of debt; third party credit; short term investments; shares reserved for issuance; credit risk; liquidity risk; interest rate risk; and described from time to time in the Company's documents filed with Canadian securities regulatory authorities; and other factors beyond the Company's control.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash at banks and on hand. The cash has been invested and held with reputable financial institutions, from which management believes the risk of loss to be remote. The Company's customer base is diversified with no reliance on any one client.

### Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, or as a result of conditions specific to the Company. As at September 30, 2023, the Company had a cash balance of \$1,307,602 (2022 - \$556,804) to settle current liabilities of \$3,368,091 (2022 - \$7,953,335). As described previously,

the Company used US\$7,000,000 of this cash balance to fund the cash consideration due on closing as part of the acquisition of Gamelancer on April 14, 2022. As described above under *Liquidity and Capital Resources*, there are additional cash consideration obligations as part of both the Gamelancer and JoyBox acquisitions with a total of US\$5,000,000 related to the Gamelancer acquisition due within twelve months from the April 14, 2022 closing date. The Company paid US\$2,500,000 of the US\$5,000,000 owing on the Gamelancer Inc. acquisition on November 7, 2022. In addition, the Company paid an additional US\$3,500,000 for the remaining portion of the Gamelancer Inc. acquisition. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not generate significant revenue, managing liquidity risk is dependent upon the ability to secure additional financing, controlling expenses, and preserving cash.

With the exception of the deferred considerations and contingent consideration liabilities, most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### Market Risk

#### Interest Rate Risk

The Company's long-term debt consists of both a fixed and market driven variable interest rate. The Company has assessed the associated interest rate risk as minimal.

### **Capital Management**

The Company manages its capital with the following objectives:

- (i) To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- (ii) To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on a regular basis.

The Company considers its capital to be equity, comprising share capital and deficit, which at September 30, 2023 totaled shareholders' equity of \$36,879,462 (December 31, 2022 – shareholders' equity of \$32,349,848). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company is not constrained by externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2023.

### **Related Party Transactions**

The remuneration of key management personnel, including directors and officers, during the period was as follows:

	<b>Nine months ended September 30, 2023</b>	<b>Nine months ended September 30, 2022</b>
	<b>\$</b>	<b>\$</b>
Short-term benefits	300,674	1,282,133
Share-based compensation	-	185,568
	<b>300,674</b>	<b>1,467,701</b>

Short-term benefits for the nine months ended September 30, 2023 include salaries of \$132,501 (2022 - \$132,500) and consulting fees of \$168,173 (2022 - \$255,709). Consulting fees, either paid to the individual or to a company controlled by key management personnel, were recognized in the financial statements in the line item 'consultants and sub-contractors'.

During the three months ended March 31, 2023, an officer and a shareholder of the Company provided the Company with a non-interest bearing loan of US\$135,000.

In April 2023, this same officer and shareholder provided the Company with an additional non-interest bearing loan of US\$500,000.

During the three months ended March 31, 2023, rent payments of \$12,882, on a month-to-month office rental, were made to a company owned by a shareholder of the Company.

During the private placement, specific directors and officers participated within the private placement and therefore were granted common shares, warrants and options.

## **Contingencies**

### *Statement of Claim – March 17, 2021*

On March 17, 2021, a statement of claim was filed against the Company and two directors/officers alleging 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 is for \$320 million. No provision has been recognized in the financial statements as the Company's management believes that the claim is baseless, without merit and egregious with no probable loss. The Company cannot however reasonably predict the outcome. 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. The Company continues to seek dismissal of the claim.

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 a notice that the Company has been awarded \$59,206 in cost reimbursement related to this matter. The Company received this money in December 2021.

*Statement of Claim – July 29, 2021*

On July 29, 2021, a statement of claim was filed against the Company by GroupBy Inc., its loyalty program provider, alleging breach of contract and unjust enrichment and seeking US\$4,136,807 plus interest and costs. The Company intends to vigorously defend this statement of claim. 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.

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 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.

On July 11, 2023,, the Issuer attended a Mediation. There were no offers on the table that was settled upon at Mediation. Legal Counsel has suggested we settle at \$1.14M with payments spread out over time. There is no further update with regard to this matter.

*Statement of claim – February 28, 2023*

On February 28, 2023, the Company received a Notice of Claim where the Claimant, D&H Group LLP, is claiming non-payment of fees due and owing for the performance of an audit engagement and review engagement performed by the Claimant. The total claim is in the amount of \$17,186.34 and relates to the period prior to the reverse takeover transaction with Transglobe in early 2021. In May 2023, the Company agreed to settle this claim for \$15,000. This amount was accrued at March 31, 2023. On May 11, 2023, D&H accepted the offer, to be paid by July 1, 2023 in exchange for a signed release and withdraw of the claim. On June 16 2023, the Issuer received a Notice of Withdrawal in response to the settlement payment being made.

*Statement of claim – November 10, 2022*

On November 10, 2022, the Issuer received a statement of claim in the Ontario Superior Court of Justice between Hybrid Financial Ltd. and the Issuer. The Plaintiff claims judgement against the Issuer in the amount of \$270,000 for breach of contract; for unjust enrichment or quantum meruit in the amount of \$270,000; pre and post judgement interest at the rate prescribed by sections 128 and 129 of the Courts of Justice Act; costs of this action; and such further and other relief the Court deems just.

On May 15 2023, the Issuer and Claimant reached a settlement for \$118,000 to be paid by June 30 2023. On June 29th 2023, the Issuer paid the settlement.

## **Risks and Uncertainties**

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to develop its business including the remaining obligations related to the acquisitions of Gamelancer and JoyBox as previously described herein. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay in executing the Company's business plan. The Company will require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out development of its business or operations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

## **Dependence on Key Employees**

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Accountability and oversight of the Company rests with the Board. The Company will continue to evaluate and potentially expanded its management team to oversee the business development activities of the Company and perform all core functions.

## **Competitive Conditions**

The markets for the Company's products are competitive and rapidly changing, and a number of companies offer products similar to the Company's products and target similar customers. The Company believes its ability to compete depends upon many factors within and outside its control, including the timely development and introduction of new products and product enhancements; product functionality, performance, price and reliability; customer service and support; sales and marketing

efforts; and the introduction of new products and services by competitors.

### **Potential Dilution**

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

### **Current Global Financial Conditions and Trends**

Securities of technology companies in public markets have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of Companies in the technology sector are also significantly affected by proposed and newly enacted laws and regulations, currency exchange fluctuation and the political environment in the local, provincial and federal jurisdictions in which the Company does business. The economy remains in a period of volatility, although there have been signs of positive economic growth in North American and European markets. Continued volatility is expected in the near term.

Additionally, the impact of COVID 19 has had adverse financial impacts on the global economy and financial markets. The conflict in the Ukraine as well as the transition to higher inflationary environments have contributed to increased global economic and financial volatility.

### **Share Data**

As at September 30, 2023 there were 561,545,994 common shares outstanding; 133,877,182 warrants convertible into 130,235,758 common shares and 3,641,424 warrants; 52,672,600 options to purchase common shares outstanding.

As at the date of this report, there were 561,545,994 common shares outstanding; 133,877,182 warrants convertible into 130,235,758 common shares; and 52,672,600 options to purchase common shares outstanding.

### **Additional Information**

Additional information relating to the Company, including additional risk factors, are available in the listing statement of the Company filed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) under 'Gamelancer Media Corp.'