



**PLAYGON**

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**PLAYGON GAMES INC.**  
**Condensed Interim Consolidated Financial Statements**  
For the Three and Six Months Ended June 30, 2025 and 2024  
(Unaudited - expressed in Canadian Dollars)

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

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

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

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

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

|                                          | Note | June 30,<br>2025    | December 31,<br>2024 |
|------------------------------------------|------|---------------------|----------------------|
|                                          |      | \$                  | \$                   |
| <b>ASSETS</b>                            |      |                     |                      |
| <b>Current assets</b>                    |      |                     |                      |
| Cash                                     |      | 194,573             | 378,555              |
| Amounts receivable                       |      | 96,800              | 65,002               |
| Sales tax receivable                     |      | 130,913             | 105,002              |
| Prepays                                  |      | 145,092             | 93,646               |
|                                          |      | <u>567,378</u>      | <u>642,205</u>       |
| Other assets                             | 3    | 447,692             | 442,618              |
| Property and equipment                   | 4    | 96,202              | 130,813              |
|                                          |      | <u>1,111,272</u>    | <u>1,215,636</u>     |
| <b>LIABILITIES</b>                       |      |                     |                      |
| <b>Current liabilities</b>               |      |                     |                      |
| Accounts payable and accrued liabilities | 5,9  | 7,950,910           | 6,947,706            |
| Loans payable                            | 6    | 13,564,926          | 11,300,625           |
| Purchase obligation payable              |      | -                   | 35,846               |
| Convertible debentures                   | 7    | 15,616,000          | 15,370,379           |
|                                          |      | <u>37,131,836</u>   | <u>33,654,556</u>    |
| <b>SHAREHOLDERS' DEFICIENCY</b>          |      |                     |                      |
| Share capital                            | 8    | 59,411,331          | 57,769,001           |
| Reserves                                 | 8    | 6,160,528           | 6,160,115            |
| Accumulated other comprehensive loss     |      | 30,533              | 26,806               |
| Accumulated deficit                      |      | (101,622,956)       | (96,394,842)         |
|                                          |      | <u>(36,020,564)</u> | <u>(32,438,920)</u>  |
|                                          |      | <u>1,111,272</u>    | <u>1,215,636</u>     |

**Nature of operations and going concern** (Note 1)

**Subsequent events** (Note 14)

**Approved on behalf of the Board of Directors on August 28, 2025:**

/s/ Darcy Krogh  
Darcy Krogh  
Director

/s/ Mike Marrandino  
Mike Marrandino  
Director

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

**PLAYGON GAMES INC.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
For the Three and Six Months Ended June 30, 2025 and 2024  
(Unaudited - expressed in Canadian Dollars)**

|                                                      |         | Three months ended |                  | Six months ended |                  |
|------------------------------------------------------|---------|--------------------|------------------|------------------|------------------|
|                                                      | Note    | 2025               | June 30,<br>2024 | 2025             | June 30,<br>2024 |
|                                                      |         | \$                 | \$               | \$               | \$               |
| <b>Revenue</b>                                       | 14      | 13,241             | 184,363          | 25,759           | 414,652          |
| <b>Operating expenses</b>                            |         |                    |                  |                  |                  |
| Advertising and promotion                            |         | -                  | 13,515           | -                | 28,908           |
| Bad debts                                            |         | -                  | 73,461           | -                | 73,461           |
| Consulting fees                                      |         | 289,091            | 326,891          | 590,460          | 676,447          |
| Data access fees                                     |         | 316,421            | 426,860          | 636,615          | 806,024          |
| Depreciation and amortization                        | 4, 5, 6 | 5,533              | 709,099          | 28,816           | 1,434,081        |
| Interest and bank charges                            | 8, 9    | 816,935            | 892,959          | 1,732,744        | 1,686,097        |
| Management and director's fees                       | 11      | 171,838            | 194,565          | 342,270          | 376,116          |
| Other general and administrative expenses            |         | 5,480              | 95,724           | 30,014           | 160,839          |
| Professional fees                                    |         | 67,468             | 258,985          | 198,943          | 342,097          |
| Regulatory and shareholder services                  |         | 8,691              | 11,567           | 31,104           | 23,645           |
| Rent                                                 | 6       | 4,839              | 40,530           | 4,910            | 73,604           |
| Sales commissions                                    |         | 2,001              | 56,142           | 4,671            | 122,332          |
| Salaries and benefits                                |         | 414,711            | 2,153,303        | 930,854          | 4,020,504        |
| Share-based compensation                             | 10      | -                  | 8,916            | 413              | 24,823           |
| Travel                                               |         | 5,314              | 11,913           | 5,314            | 22,338           |
|                                                      |         | 2,108,322          | 5,274,430        | 4,537,128        | 9,871,316        |
| <b>Loss before other income (expenses)</b>           |         | (2,095,081)        | (5,090,067)      | (4,511,369)      | (9,456,664)      |
| <b>Other income (expenses)</b>                       |         |                    |                  |                  |                  |
| Interest income                                      |         | 916                | 4,334            | 2,111            | 5,778            |
| Gain on debt settlement                              |         | 194,785            | -                | (861,531)        | -                |
| Foreign exchange gain/(loss)                         |         | -                  | (39,304)         | 142,675          | (87,661)         |
|                                                      |         | 195,701            | (34,970)         | (716,745)        | (81,883)         |
| <b>Loss for the period</b>                           |         | (1,899,380)        | (5,125,037)      | (5,228,114)      | (9,538,547)      |
| Foreign currency translation adjustment              |         | 24,945             | 99,879           | 3,727            | 23,616           |
| <b>Comprehensive loss for the period</b>             |         | (1,874,435)        | (5,025,158)      | (5,224,387)      | (9,514,931)      |
| Basic and diluted loss per common share              |         | (0.00)             | (0.02)           | (0.01)           | (0.03)           |
| Weighted average number of common shares outstanding |         |                    |                  |                  |                  |
| Basic and diluted                                    |         | 404,890,273        | 302,104,807      | 391,733,076      | 290,017,267      |

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

**PLAYGON GAMES INC.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 30,**  
**(Unaudited - expressed in Canadian Dollars)**

|                                                              | <b>2025</b>        | <b>2024</b>        |
|--------------------------------------------------------------|--------------------|--------------------|
|                                                              | <b>\$</b>          | <b>\$</b>          |
| <b>Cash flows provided by (used in) operating activities</b> |                    |                    |
| Loss for the period                                          | (5,228,114)        | (9,538,547)        |
| Items not affecting cash:                                    |                    |                    |
| Interest expense                                             | 698,816            | 472,354            |
| Accretion expense                                            | 286,043            | 651,730            |
| Depreciation and amortization                                | 28,816             | 1,434,082          |
| Foreign exchange                                             | (187,891)          | -                  |
| Share-based compensation                                     | 413                | 24,823             |
| Gain on debt settlement                                      | 861,531            | -                  |
| Changes in non-cash working capital:                         |                    |                    |
| Amounts receivable                                           | (31,798)           | 157,045            |
| Sales tax receivable                                         | (25,911)           | (85,189)           |
| Prepays                                                      | (51,446)           | (116,035)          |
| Accounts payable and accrued liabilities                     | 1,085,866          | 1,076,021          |
|                                                              | <b>(2,563,675)</b> | <b>(5,923,716)</b> |
| <b>Cash flows provided by (used in) investing activity</b>   |                    |                    |
| Acquisition of property and equipment                        | -                  | (3,921)            |
|                                                              | -                  | (3,921)            |
| <b>Cash flows provided by (used in) financing activities</b> |                    |                    |
| Loan proceeds                                                | 2,411,770          | 7,098,601          |
| Repayment of lease liability                                 | -                  | (142,498)          |
| Share issuance costs                                         | -                  | (3,661)            |
|                                                              | <b>2,411,770</b>   | <b>6,952,442</b>   |
| <b>Effect of foreign exchange on cash</b>                    | <b>(32,077)</b>    | <b>58,586</b>      |
| <b>Change in cash during the period</b>                      | <b>(183,982)</b>   | <b>1,083,391</b>   |
| <b>Cash, beginning of period</b>                             | <b>378,555</b>     | <b>208,448</b>     |
| <b>Cash, end of period</b>                                   | <b>194,573</b>     | <b>1,291,839</b>   |

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

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

|                                   | Share Capital      | Share Capital     | Reserves         | Accumulated<br>Other<br>Comprehensive<br>(Loss)/income | Deficit              | Total               |
|-----------------------------------|--------------------|-------------------|------------------|--------------------------------------------------------|----------------------|---------------------|
|                                   | #                  | \$                | \$               | \$                                                     | \$                   | \$                  |
| <b>Balance, December 31, 2023</b> | <b>288,574,727</b> | <b>56,665,614</b> | <b>6,121,019</b> | <b>49,063</b>                                          | <b>(78,200,335)</b>  | <b>(15,364,639)</b> |
| Shares issued for debt            | 14,879,553         | 655,626           | -                | -                                                      | -                    | 655,626             |
| Share-based compensation          | -                  | -                 | 24,823           | -                                                      | -                    | 24,823              |
| Foreign exchange on translation   | -                  | -                 | -                | 23,616                                                 | -                    | 23,616              |
| Loss for the period               | -                  | -                 | -                | -                                                      | (9,538,547)          | (9,538,547)         |
| <b>Balance, June 30, 2024</b>     | <b>303,454,280</b> | <b>57,321,240</b> | <b>6,145,842</b> | <b>72,679</b>                                          | <b>(87,738,882)</b>  | <b>(24,199,121)</b> |
| Shares issued for debt            | 28,796,248         | 451,963           | -                | -                                                      | -                    | 451,963             |
| Share issue costs                 | -                  | (4,202)           | -                | -                                                      | -                    | (4,202)             |
| Share-based compensation          | -                  | -                 | 14,273           | -                                                      | -                    | 14,273              |
| Foreign exchange on translation   | -                  | -                 | -                | (45,873)                                               | -                    | (45,873)            |
| Loss for the period               | -                  | -                 | -                | -                                                      | (8,655,960)          | (8,655,960)         |
| <b>Balance, December 31, 2024</b> | <b>332,250,528</b> | <b>57,769,001</b> | <b>6,160,115</b> | <b>26,806</b>                                          | <b>(96,394,842)</b>  | <b>(32,438,920)</b> |
| Shares issued for debt            | 74,005,404         | 1,642,330         | -                | -                                                      | -                    | 1,642,330           |
| Share-based compensation          | -                  | -                 | 413              | -                                                      | -                    | 413                 |
| Foreign exchange on translation   | -                  | -                 | -                | 3,727                                                  | -                    | 3,727               |
| Loss for the period               | -                  | -                 | -                | -                                                      | (5,228,114)          | (5,228,114)         |
| <b>Balance, June 30, 2025</b>     | <b>406,255,932</b> | <b>59,411,331</b> | <b>6,160,528</b> | <b>30,533</b>                                          | <b>(101,622,956)</b> | <b>(36,020,564)</b> |

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

## **PLAYGON GAMES INC.**

### **Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months ended June 30, 2025, and 2024 (Unaudited - expressed in Canadian Dollars)**

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Playgon Games Inc. ("Playgon") was incorporated on December 2, 1985, under the laws of the Province of British Columbia. All references in this document to the "Company" refer to Playgon Games Inc. and its wholly owned subsidiaries. The Company is listed and traded on the TSX Venture Exchange ("TSXV") under the symbol "DEAL". The Company's principal office is located at #1100 - 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5, Canada.

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

On July 26, 2024, the Company announced that its subsidiary, Bitrate Productions, had received an order from the Nevada Gaming Control Board (the "NGCB") to halt operations at its Las Vegas Studio and the Company complied with the order. Prior to commencing operations at the Las Vegas studio, the Company initiated a legal review conducted by a specialist in Nevada gaming law. The legal opinion stated that Playgon's business model was in compliance with Nevada state laws, Playgon's business is exclusively outside the US and does not target any US operators or players. The Company engaged Nevada legal counsel to address the order. Playgon's Nevada counsel advised the Company that, in their opinion, its operations did not fall under NGCB jurisdiction. While the Company has complied with the order and halted operations at the Las Vegas Studio, the Company's e-table games, which are not hosted in Nevada, remain live and available for licensed operators to access. These e-table games are available exclusively outside the USA and do not target Nevada or any U.S. state operators or players.

This halt in operations is expected to result in material adverse effects on, among other things, the Company, its business and revenues. Management and the board are conducting a review and assessment of alternative studio locations and will update shareholders once a decision is made.

In addition, the Company's operations have been primarily funded from equity financings, loans and convertible notes, which are dependent upon many external factors and may be difficult to secure or raise when required on terms acceptable to the Company or at all. During the six months ended June 30, 2025, the Company incurred a net loss of \$5,228,114 (June 30, 2024 - \$9,538,547). As at June 30, 2025, the Company had a working capital deficit balance of \$36,564,458 (December 31, 2024 - \$33,012,351) and an accumulated deficit of \$101,622,956 (December 31, 2024 - \$96,394,842). The Company recognizes that its objectives and scope of expenditure may change with ongoing results, and, as a result, it will need to seek additional financing. While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, it could impact the Company's ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated in the condensed interim consolidated financial statements.

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

# PLAYGON GAMES INC.

## Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months ended June 30, 2025, and 2024 (Unaudited - expressed in Canadian Dollars)

### 2. BASIS OF PRESENTATION

#### Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2024.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year December 31, 2024.

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

#### Basis of consolidation

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

|                                                  | Incorporation | Percentage owned |      |
|--------------------------------------------------|---------------|------------------|------|
|                                                  |               | 2025             | 2024 |
| Playgon Interactive Inc. ("Playgon Interactive") | Canada        | 100%             | 100% |
| Companies owned by Playgon Interactive           |               |                  |      |
| Cleebo Games Inc.                                | Canada        | 100%             | 100% |
| Bitrate Productions ("Bitrate")                  | USA           | 100%             | 100% |
| Playgon Distribution Limited                     | Cyprus        | 100%             | 100% |
| Playgon Malta Holding Limited                    | Malta         | 100%             | 100% |
| Companies owned by Playgon Malta Holding Limited |               |                  |      |
| Playgon Malta Limited                            | Malta         | 100%             | 100% |

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

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

#### Critical accounting estimates and judgements

The Company uses the same critical accounting estimates and judgements as those that applied to the annual consolidated financial statements for the year ended December 31, 2024.

### 3. OTHER ASSETS

In October 2018 the Company's bank in Malta, Satabank, was directed by the Malta Financial Services Authority (MFSA) to refrain, cease and desist from taking further deposits into the accounts of its current customers. The MFSA also retained Ernst & Young LLP to take charge of the bank's assets for the purpose of safeguarding the interests of the depositors and to assume control of the bank's business. The Company has EUR €46,047 (CAD\$73,814) (December 31, 2024 - EUR €46,047 (CAD\$68,739)) in a bank account at Satabank and is in the process of transferring these funds to a new bank in Malta. As the funds are not currently available, the cash amount has been categorized as "Other assets" in the consolidated statement

## PLAYGON GAMES INC.

### Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months ended June 30, 2025, and 2024 (Unaudited - expressed in Canadian Dollars)

of financial position. Dialogue with Satabank's appointed receiver is ongoing and the Company continues to work towards the release of these funds.

On December 14, 2020, Devkey Consulting Limited ("Devkey"), a company controlled by the former CFO of Playgon, Paul Dever, initiated a civil claim against the Company in the Supreme Court of British Columbia (the "Court") for failure to pay monthly fees and invoiced expenses from July 2018 to August 2020 and an unpaid severance amount upon termination of his consulting contract. The claim was for EUR €231,569 (CAD - \$373,878) and on December 16, 2020, the Court ordered the full amount claimed be garnished from the Company and paid into court until a judgement on the claim is reached. The Company has retained legal counsel regarding this matter and strongly believes the garnishment order will be lifted. As at June 30, 2025, the Company has recorded the full amount of the garnishment as "Other Assets" on the condensed interim consolidated statement of financial position. An amount owing to Devkey of EUR €186,569 (CAD - \$289,928) is recorded in accounts payable and accrued liabilities.

#### 4. PROPERTY AND EQUIPMENT

|                             | Computers      | Computer Software | Furniture and Equipment | Other Equipment | Leasehold Improvements | Total            |
|-----------------------------|----------------|-------------------|-------------------------|-----------------|------------------------|------------------|
|                             | \$             | \$                | \$                      | \$              | \$                     | \$               |
| <b>Cost:</b>                |                |                   |                         |                 |                        |                  |
| <b>At December 31, 2023</b> | <b>145,144</b> | <b>4,494</b>      | <b>327,931</b>          | <b>467,757</b>  | <b>964,379</b>         | <b>1,909,705</b> |
| Additions                   | 1,454          | -                 | -                       | 2,500           | -                      | 3,954            |
| Net exchange differences    | 8,701          | -                 | 26,371                  | 41,257          | 84,801                 | 161,130          |
| <b>At December 31, 2024</b> | <b>155,299</b> | <b>4,494</b>      | <b>354,302</b>          | <b>511,514</b>  | <b>1,049,180</b>       | <b>2,074,789</b> |
| Additions                   | -              | -                 | -                       | 2,526           | -                      | 2,526            |
| Net exchange differences    | (5,613)        | -                 | (16,916)                | (2,526)         | -                      | (25,055)         |
| <b>At June 30, 2025</b>     | <b>149,686</b> | <b>4,494</b>      | <b>337,386</b>          | <b>511,514</b>  | <b>1,049,180</b>       | <b>2,052,260</b> |
| <b>Amortization:</b>        |                |                   |                         |                 |                        |                  |
| <b>At December 31, 2023</b> | <b>120,827</b> | <b>2,551</b>      | <b>192,177</b>          | <b>184,875</b>  | <b>944,405</b>         | <b>1,444,835</b> |
| Additions                   | 14,741         | 389               | 28,113                  | 295,477         | 20,687                 | 359,407          |
| Net exchange differences    | 7,729          | -                 | 16,755                  | 31,162          | 84,088                 | 139,734          |
| <b>At December 31, 2024</b> | <b>143,297</b> | <b>2,940</b>      | <b>237,045</b>          | <b>511,514</b>  | <b>1,049,180</b>       | <b>1,943,976</b> |
| Additions                   | 7,685          | 1,554             | 19,577                  | -               | -                      | 28,816           |
| Net exchange differences    | (5,269)        | -                 | (11,465)                | -               | -                      | (16,734)         |
| <b>At June 30, 2025</b>     | <b>145,713</b> | <b>4,494</b>      | <b>245,157</b>          | <b>511,514</b>  | <b>1,049,180</b>       | <b>1,956,058</b> |
| <b>Net book value:</b>      |                |                   |                         |                 |                        |                  |
| <b>At December 31, 2024</b> | <b>12,002</b>  | <b>1,554</b>      | <b>117,257</b>          | <b>-</b>        | <b>-</b>               | <b>130,813</b>   |
| <b>At June 30, 2025</b>     | <b>3,973</b>   | <b>-</b>          | <b>92,229</b>           | <b>-</b>        | <b>-</b>               | <b>96,202</b>    |

**PLAYGON GAMES INC.****Notes to Condensed Interim Consolidated Financial Statements  
For the Three and Six Months ended June 30, 2025, and 2024  
(Unaudited - expressed in Canadian Dollars)****5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                                      | June 30,<br>2025 | December 31,<br>2024 |
|--------------------------------------|------------------|----------------------|
|                                      | \$               | \$                   |
| Accounts payable                     | 4,863,149        | 4,516,306            |
| Accrued liabilities                  | 630,598          | 627,967              |
| Payroll taxes payable                | 141,757          | 136,225              |
| Accrued interest payable (Note 6, 7) | 2,315,406        | 1,667,208            |
|                                      | <b>7,950,910</b> | <b>6,947,706</b>     |

**6. LOANS PAYABLE**

|                                   | Promissory<br>Notes | Secured<br>Loans | Loans<br>Payable | CEBA          | Total             |
|-----------------------------------|---------------------|------------------|------------------|---------------|-------------------|
|                                   | \$                  | \$               | \$               | \$            | \$                |
| <b>Balance, December 31, 2023</b> | <b>1,170,000</b>    | <b>-</b>         | <b>515,033</b>   | <b>60,000</b> | <b>1,745,033</b>  |
| Additions                         | 7,948,601           | 1,518,307        | -                | -             | 9,466,908         |
| Accretion                         | -                   | 19,675           | -                | -             | 19,675            |
| Foreign exchange adjustment       | -                   | 35,474           | 33,535           | -             | 69,009            |
| <b>Balance, December 31, 2024</b> | <b>9,118,601</b>    | <b>1,573,456</b> | <b>548,568</b>   | <b>60,000</b> | <b>11,300,625</b> |
| Additions                         | -                   | 2,411,770        | -                | -             | 2,411,770         |
| Accretion                         | -                   | 40,423           | -                | -             | 40,423            |
| Foreign exchange adjustment       | -                   | (165,343)        | (22,549)         | -             | (187,892)         |
| <b>Balance, June 30, 2025</b>     | <b>9,118,601</b>    | <b>3,860,306</b> | <b>526,019</b>   | <b>60,000</b> | <b>13,564,926</b> |

**Interest Payable**

|                                   | Promissory<br>Notes | Secured<br>Loans | Loans<br>Payable | CEBA         | Total            |
|-----------------------------------|---------------------|------------------|------------------|--------------|------------------|
|                                   | \$                  | \$               | \$               | \$           | \$               |
| <b>Balance, December 31, 2023</b> | <b>157,651</b>      | <b>-</b>         | <b>91,011</b>    | <b>-</b>     | <b>248,662</b>   |
| Additions                         | 710,505             | 16,120           | 26,507           | 1,967        | 755,099          |
| Foreign exchange adjustment       | -                   | -                | 6,922            | -            | 6,922            |
| <b>Balance, December 31, 2024</b> | <b>868,156</b>      | <b>16,120</b>    | <b>124,440</b>   | <b>1,967</b> | <b>1,010,683</b> |
| Additions                         | 511,385             | 132,209          | 13,392           | 1,025        | 658,011          |
| Foreign exchange adjustment       | -                   | (4,349)          | (5,463)          | -            | (9,812)          |
| <b>Balance, June 30, 2025</b>     | <b>1,379,541</b>    | <b>143,980</b>   | <b>132,369</b>   | <b>2,992</b> | <b>1,658,882</b> |

**Promissory Notes**

During the year ended December 31, 2023, the Company received \$5,966,000 in promissory notes which are due on demand and accrue interest at 8% and 10% per annum. Of the \$5,966,000 in promissory notes received, \$4,746,000 were from related parties.

During the year ended December 31, 2023, the Company repaid \$1,932,000 of the promissory notes through the issuance of shares and repaid \$8,096,000 of the promissory notes in cash.

## **PLAYGON GAMES INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**For the Three and Six Months ended June 30, 2025, and 2024**

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During the year ended December 31, 2024, the Company received \$7,948,601 in promissory notes from related parties, which are due on demand and accrue interest at 10% per annum.

As at June 30, 2025, the Company owes \$9,118,601 (December 31, 2024 - \$9,118,601) in short-term promissory notes. The promissory notes are unsecured and as at June 30, 2025, the amount outstanding is due on demand and incurs interest of 10% to 12% per annum. During the six months ended June 30, 2025, the Company recorded interest expense of \$511,386 (June 30, 2024 - \$377,982) on the promissory notes. As at June 30, 2025, interest of \$1,379,541 (December 31, 2024 - \$868,156) remains outstanding and is included in accounts payable and accrued liabilities.

#### **Secured Loans**

During the year ended December 31, 2024, the Company entered into a secured promissory note (the "Secured Note") with Pure Live Interactive Inc. (the "Noteholder"), a related party of Playgon, pursuant to which the Noteholder has agreed, for a period of 6 months to make available to Playgon, in the Noteholder's sole discretion, one or more advances of immediately available funds over the Term, which advances would carry an annual interest rate equal to 10% per annum accruing as of the date of the relevant advance until the Note is repaid. The maximum facility available is \$5,000,000. All advances are guaranteed by a guarantee granted by Playgon Interactive, Playgon Malta Limited and Playgon Malta Holdings Limited, in favour of the Noteholder and secured by a grant of security interest in all of Playgon's and Playgon Interactive's (including its subsidiaries) present and after acquired personal property, a pledge of the shares held by Playgon in Playgon Malta Limited and Holdings. The aggregate unpaid principal amount of the Loan, all accrued and unpaid interest and all other amounts payable under the Note shall be due and payable as at the expiry of the Term. Playgon may, at its discretion, prepay the Loan, in whole or in part at any time and from time to time by paying the principal amount to be prepaid, together with accrued interest thereon to date of prepayment. Playgon is also subject to various covenants and obligations under the Note customary for transactions of this nature. The Noteholder is a company owned by Ms. Kathleen Crook, a current "control person" of Playgon. The sole director and officer of the Noteholder is Mr. James Penturn, who was the chairman of the Company, resigned on October 30, 2024.

During the six months ended June 30, 2025, the Company received USD\$1,714,500 (CAD\$2,411,770) in promissory notes from related parties, which are due on demand and accrue interest at 10% per annum. As at June 30, 2025, \$1,139,694 of the facility was available.

As at June 30, 2025, the Company owes \$3,860,306 (December 31, 2024 - \$1,573,456) in secured loans. During the six months ended June 30, 2025, the Company recorded interest expense of \$132,209 (June 30, 2024 - \$nil) on the secured loans. As at June 30, 2025, interest of \$143,980 (December 31, 2024 - \$16,120) remains outstanding and is included in accounts payable and accrued liabilities.

#### **Loans Payable**

As at June 30, 2025, the Company had \$133,660 and US\$288,351 (CAD \$392,359) owing to various third-party lenders. The loans are unsecured and bear interest at 5% per annum. The loans became due on demand upon the Company completing a financing greater than \$5,000,000. Playgon Interactive is the obligor under the loans and as of June 30, 2025, they remain owing and unpaid. During the three and six months ended June 30, 2025, the Company recorded interest expense of \$6,751 and \$6,641 (June 30, 2024 - \$6,585 and \$13,099) on the loans payable. As at June 30, 2025, interest of \$132,369 (December 31, 2024 - \$124,440) remains outstanding and is included in accounts payable and accrued liabilities.

On April 10, 2024, a third-party lender initiated a claim against Playgon Interactive for USD\$25,974 (CAD \$35,342) and \$133,660 of principal outstanding and USD \$5,404 (CAD \$7,335) and \$27,811 of interest outstanding at the date of the claim. The Company has filed a response to the application.

#### **Canada Emergency Business Account**

As at June 30, 2025, the Company owed the Government of Canada \$60,000 (December 31, 2024 - \$60,000) in relation to two loans received under the Canada Emergency Business Account ("CEBA")

## PLAYGON GAMES INC.

### Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months ended June 30, 2025, and 2024 (Unaudited - expressed in Canadian Dollars)

program. As the Company did not repay any amount of the CEBA program loans by January 18, 2024, the expiry date of the loan was extended for a two-year term and accrues interest at 5% per annum. During the three and six months ended June 30, 2025, the Company recorded interest expense of \$510 and \$515 (June 30, 2024 - \$515 and \$926) on the CEBA loans. As at June 30, 2025, interest of \$2,992 (December 31, 2024 - \$1,967) remains outstanding and is included in accounts payable and accrued liabilities.

#### 7. CONVERTIBLE DEBENTURES

|                                   | Principal         | Interest       | Total             |
|-----------------------------------|-------------------|----------------|-------------------|
|                                   |                   |                | \$                |
| <b>Balance, December 31, 2023</b> | <b>14,037,802</b> | <b>539,388</b> | <b>14,577,190</b> |
| Accretion expense                 | 1,332,577         | -              | 1,332,577         |
| Interest expense                  | -                 | 1,557,224      | 1,557,224         |
| Interest settled by shares        | -                 | (1,440,087)    | (1,440,087)       |
| <b>Balance, December 31, 2024</b> | <b>15,370,379</b> | <b>656,525</b> | <b>16,026,904</b> |
| Accretion expense                 | 245,621           | -              | 245,621           |
| Interest expense                  | -                 | 780,800        | 780,800           |
| Interest settled by shares        | -                 | (780,800)      | (780,800)         |
| <b>Balance, June 30, 2025</b>     | <b>15,616,000</b> | <b>656,525</b> | <b>16,272,525</b> |

On January 19, 2023, and March 24, 2023, the Company raised gross proceeds of \$2,095,000 through the issuance of 2,095 convertible note units at a price of \$1,000 per unit. Each unit consists of \$1,000 in principal amount of an unsecured convertible note of the Company. The convertible note units were to mature on January 19, 2025, and March 24, 2025, respectively, and bear interest at a simple rate of 10% per annum. Interest is payable semi-annually on June 30 and December 31. The entire principal amount of the convertible note may be converted at the election of the holder into common shares of the Company at a conversion price of \$0.10 per share at any time prior to the maturity date. The accrued interest is payable in cash or, at the option of the Company, may also be converted into common shares at a conversion price equal to the 25-day volume weighted average price ("VWAP") of the Company's common shares on the TSXV immediately preceding the date the interest is due.

In connection with the offering, the Company paid cash finders' fees of \$30,000 and incurred \$22,599 in other transaction costs.

The fair value of the liability component of the convertible notes on inception was estimated at \$1,847,252 based on an estimated 18% market discount rate less \$46,375, the pro-rata portion of the \$52,599 transaction costs. The remaining value of \$247,748 and \$6,224 of transaction costs was allocated to the equity component.

On May 3, 2023, the Company raised gross proceeds of \$2,550,000 through the issuance of unsecured convertible debentures through a brokered private placement. The debentures were to mature on May 3, 2025, and bear interest at 10% per annum. Interest is payable semi-annually on June 30 and December 31. The entire principal of the convertible note may be converted at the election of the holder into common shares of the Company at a conversion price of \$0.10 per share at any time prior to the maturity date., subject to standard adjustments and a forced conversion right granted to the Company. The accrued interest is payable in cash or, at the option of the Company may also be converted into common shares at a conversion price equal to the 25-day VWAP of the Company's common shares on the TSXV immediately preceding the date the interest is due.

## **PLAYGON GAMES INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**For the Three and Six Months ended June 30, 2025, and 2024**

**(Unaudited - expressed in Canadian Dollars)**

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In connection with the offering, the Company paid cash finders' fees of \$153,000, incurred \$103,305 in cash transaction costs and issued 1,530,000 agent warrants at a value of \$76,888 with each agent warrant being exercisable for a 24-month period at an exercise price of \$0.10.

The fair value of the liability component of the convertible debentures on inception was estimated at \$2,248,938 based on an estimated 18% market discount rate less \$293,855, the pro-rata portion of the \$333,193 transaction costs. The remaining value of \$301,061 and \$39,338 of transaction costs was allocated to the equity component.

On May 3, 2023, the Company raised gross proceeds of \$6,000,000 through the issuance of unsecured convertible debentures to a related party ("Anchor Financing"). The debentures were to mature on May 3, 2025, and bear interest at 10% per annum. Interest is payable semi-annually on June 30 and December 31. The entire principal of the convertible note may be converted at the election of the holder into common shares of the Company at a conversion price of \$0.10 per share at any time prior to the maturity date, subject to standard adjustments and a forced conversion right granted to the Company. The accrued interest is payable in cash or, at the option of the Company may also be converted into common shares at a conversion price equal to the 25-day VWAP of the Company's common shares on the TSXV immediately preceding the date the interest is due.

In connection with the offering, the Company incurred \$30,000 in cash transaction costs.

The fair value of the liability component of the convertible debentures on inception was estimated at \$5,291,622 based on an estimated 18% market discount rate less \$26,458, the pro-rata portion of the \$30,000 transaction costs. The remaining value of \$708,378 and \$3,542 of transaction costs was allocated to the equity component.

On December 29, 2023, the Company raised gross proceeds of \$4,971,000 through the issuance of unsecured convertible debentures through a non-brokered private placement. The debentures were to mature on December 29, 2024, and bear interest at 10% per annum. Interest is payable quarterly on March 31, June 30, September 30 and December 31. The entire principal of the convertible note may be converted at the election of the holder into common shares of the Company at a conversion price of \$0.05 per share at any time prior to the maturity date., subject to standard adjustments and a forced conversion right granted to the Company. The accrued interest is payable in cash or, at the option of the Company may also be converted into common shares at a conversion price equal to the 25-day volume weighted average price of the Company's common shares on the TSX.V immediately preceding the date the interest is due.

In connection with the offering, the Company incurred \$64,005 in cash transaction costs.

The fair value of the liability component of the convertible debentures on inception was estimated at \$4,520,961 based on an estimated 21.75% market discount rate less \$58,211, the pro-rata portion of the \$64,005 transaction costs. The remaining value of \$450,039 and \$5,795 of transaction costs was allocated to the equity component.

During the year ended December 31, 2023, a deferred income tax recovery of \$446,200 was recorded against the equity component of the convertible debentures.

During the year ended December 31, 2023, the Company paid \$223,870 of interest through the issuance of common shares. During the year ended December 31, 2024, the Company paid \$1,440,087 of interest through the issuance of common shares.

During the three and six months ended June 30, 2025, \$62,981 and \$245,621 (June 30, 2024 - \$332,271 and \$651,730) of accretion and \$\$390,400 and \$780,800 (June 30, 2024 - \$390,398 and \$776,422) of interest expense was recorded on the convertible debentures. Accretion expense is recorded in interest and bank charges on the condensed interim consolidated statements of loss and comprehensive loss.

## PLAYGON GAMES INC.

### Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months ended June 30, 2025, and 2024 (Unaudited - expressed in Canadian Dollars)

As at June 30, 2025, \$656,525 (December 31, 2024 - \$656,525) of accrued interest is recorded in accounts payable and accrued liabilities (Note 7).

During the six months ended June 30, 2025, the maturity date of all of the convertible debentures was extended to November 3, 2025.

#### 8. SHARE CAPITAL AND RESERVES

##### Authorized share capital

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

##### Issued share capital

During the six months ended June 30, 2025:

- The Company issued 74,005,404 common shares to settle \$780,800 of interest owed on the convertible debentures. The Company recorded a loss on debt settlement of \$861,531 based on the share price on the date of issuance.

During the year ended December 31, 2024:

- The Company issued 37,462,051 common shares to settle \$1,440,087 of interest owed on the convertible debentures. The Company recorded a gain on debt settlement of \$332,498 based on the share price on the date of issuance.

##### Share options

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. The vesting provisions are determined by the Board of Directors and, unless otherwise stated, fully vest when granted.

During the three and six months ended June 30, 2025, the Company recorded \$nil and \$413 in share-based compensation (June 30, 2024 - \$8,916 and \$24,823).

Share option transactions are summarized as follows:

|                                   | Number of<br>Share Options | Weighted<br>Average<br>Exercise Price<br>\$ |
|-----------------------------------|----------------------------|---------------------------------------------|
| <b>Balance, December 31, 2023</b> | <b>13,350,000</b>          | 0.28                                        |
| Forfeited                         | (100,000)                  | 0.48                                        |
| <b>Balance, December 31, 2024</b> | <b>13,250,000</b>          | 0.28                                        |
| Expired                           | (8,450,000)                | 0.28                                        |
| <b>Balance, June 30, 2025</b>     | <b>4,800,000</b>           | 0.27                                        |
| Unvested                          | (483,331)                  | 0.28                                        |
| <b>Exercisable, June 30, 2025</b> | <b>4,316,669</b>           | 0.27                                        |

**PLAYGON GAMES INC.****Notes to Condensed Interim Consolidated Financial Statements  
For the Three and Six Months ended June 30, 2025, and 2024  
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A summary of the share options outstanding and exercisable at June 30, 2025 is as follows:

| <b>Number of Share<br/>Options<br/>Outstanding</b> | <b>Number of Share<br/>Options<br/>Exercisable</b> | <b>Exercise<br/>Price</b> | <b>Expiry Date</b> |
|----------------------------------------------------|----------------------------------------------------|---------------------------|--------------------|
|                                                    |                                                    | \$                        |                    |
| 100,000                                            | 100,000                                            | 0.39                      | August 12, 2025    |
| 500,000                                            | 500,000                                            | 0.37                      | September 15, 2025 |
| 500,000                                            | 500,000                                            | 0.37                      | January 1, 2026    |
| 1,000,000                                          | 666,667                                            | 0.37                      | January 1, 2027    |
| 100,000                                            | 100,000                                            | 0.40                      | December 1, 2025   |
| 50,000                                             | 50,000                                             | 0.47                      | February 10, 2026  |
| 50,000                                             | 50,000                                             | 0.38                      | June 30, 2026      |
| 100,000                                            | 100,000                                            | 0.28                      | August 25, 2026    |
| 100,000                                            | 100,000                                            | 0.30                      | September 1, 2026  |
| 50,000                                             | 33,334                                             | 0.32                      | January 6, 2027    |
| 1,550,000                                          | 1,550,000                                          | 0.21                      | February 24, 2027  |
| 50,000                                             | 33,334                                             | 0.07                      | May 2, 2027        |
| 100,000                                            | 33,334                                             | 0.07                      | May 9, 2027        |
| 500,000                                            | 500,000                                            | 0.10                      | February 27, 2028  |
| 50,000                                             | -                                                  | 0.06                      | August 10, 2028    |
| <b>4,800,000</b>                                   | <b>4,316,669</b>                                   |                           |                    |

The weighted average life of share options outstanding at June 30, 2025, was 1.34 years.

**Warrants**

Warrant transactions are summarized as follows:

|                                                     | <b>Number of<br/>Warrants</b> | <b>Weighted<br/>Average<br/>Exercise Price</b> |
|-----------------------------------------------------|-------------------------------|------------------------------------------------|
|                                                     |                               | \$                                             |
| <b>Balance, December 31, 2023</b>                   | <b>17,924,174</b>             | 0.50                                           |
| Issued                                              | 1,530,000                     | 0.10                                           |
| Expired                                             | (19,454,174)                  | 0.50                                           |
| <b>Balance, December 31, 2024 and June 30, 2025</b> | <b>-</b>                      | <b>-</b>                                       |

## PLAYGON GAMES INC.

### Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months ended June 30, 2025, and 2024 (Unaudited - expressed in Canadian Dollars)

#### 9. RELATED PARTY TRANSACTIONS

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

Summary of key management personnel compensation:

|                               | For the three months ended<br>June 30, |                | For the six months ended<br>June 30, |                |
|-------------------------------|----------------------------------------|----------------|--------------------------------------|----------------|
|                               | 2025                                   | 2024           | 2025                                 | 2024           |
|                               | \$                                     | \$             | \$                                   | \$             |
| Management and directors fees | 204,897                                | 194,565        | 407,267                              | 376,058        |
| Salaries and benefits         | 95,000                                 | 95,000         | 190,000                              | 190,000        |
| Professional fees             | 37,500                                 | 37,500         | 75,000                               | 75,000         |
| Share-based compensation      | -                                      | 6,045          | 66                                   | 16,304         |
|                               | <b>337,397</b>                         | <b>333,110</b> | <b>672,333</b>                       | <b>657,362</b> |

Amounts receivable at June 30, 2025, includes \$7,482 (December 31, 2024 - \$7,482) receivable from a company related by way of common directors.

Accounts payable and accrued liabilities at June 30, 2025, includes \$2,545,034 (December 31, 2024 - \$2,360,419) owing to directors, officers, or to companies significantly controlled by common directors for unpaid fees and expense reimbursements.

During the six months ended June 30, 2025, the Company received \$2,411,770 (June 30, 2024 - \$7,098,601) in secured loans from a related party and recorded interest expense of \$132,209 (June 30, 2024 - \$nil) during six months ended June 30, 2025. As at June 30, 2025, the Company owed interest of \$143,980 (2024 - \$16,120) pursuant to the secured loans to related parties.

As at June 30, 2025, \$9,118,601 (December 31, 2024 - \$7,948,601) in promissory notes was due to related parties and during the three and six months ended June 30, 2025 the Company recorded interest expense of \$50,170 and \$132,209 (June 30, 2024 - \$120,569 and \$154,977). As at June 30, 2025, the Company owed interest of \$996,886 (December 31, 2024 - \$563,915) on promissory notes due to related parties, included in accounts payable and accrued liabilities.

On May 3, 2023, the Company raised gross proceeds of \$6,000,000 through the issuance of unsecured convertible debentures to a related party (Note 7). On December 29, 2023, the Company raised gross proceeds of \$4,746,000 through the issuance of unsecured convertible debentures to related parties (Note 7).

During the three and six months ended June 30, 2025, \$93,554 (June 30, 2024 - \$218,792 and \$427,078) of accretion and \$268,650 (June 30, 2024 - \$268,650 and \$534,834) of interest expense was recorded on the convertible debentures due to related parties.

As at June 30, 2025, the principal amount of \$10,970,999 of convertible debentures (December 31, 2024 - \$10,746,000) is due to related parties. As at June 30, 2025, the Company owed interest of \$424,275 (December 31, 2024 - \$424,275) on convertible debentures due to related parties, included in accounts payable and accrued liabilities.

## PLAYGON GAMES INC.

### Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months ended June 30, 2025, and 2024 (Unaudited - expressed in Canadian Dollars)

#### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### Categories of financial assets and financial liabilities

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

| Financial Instrument                     | Category       | June 30,<br>2025 | December 31,<br>2024 |
|------------------------------------------|----------------|------------------|----------------------|
|                                          |                | \$               | \$                   |
| Cash                                     | Amortized cost | 194,573          | 378,555              |
| Amounts receivable                       | Amortized cost | 96,800           | 65,002               |
| Other assets                             | Amortized cost | 447,692          | 442,618              |
| Accounts payable and accrued liabilities | Amortized cost | (7,950,910)      | (6,947,706)          |
| Loans payable                            | Amortized cost | (13,564,926)     | (11,300,625)         |
| Purchase obligation payable              | Amortized cost | -                | (35,845)             |
| Convertible debentures                   | Amortized cost | (15,616,000)     | (15,370,379)         |

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

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices at Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

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

##### Risk exposure

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

##### a) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are carried out in Canada, the United States, Cyprus and Malta. As at June 30, 2025, the Company had assets totaling US\$82,289 and liabilities totalling US\$443,845. Additionally, the Company had assets totalling EUR\$46,829 and liabilities totalling EUR\$324,319. These factors expose the Company to foreign currency exchange rate risk, which could have an adverse effect on the profitability of the Company. A 10% change in the exchange rate with the USD would change other comprehensive income/loss by approximately CAD\$39,000 while a 10% change in the exchange rate with the Euro would change other comprehensive income/loss by approximately CAD\$27,000. At this time, the Company currently does

## **PLAYGON GAMES INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**For the Three and Six Months ended June 30, 2025, and 2024**

**(Unaudited - expressed in Canadian Dollars)**

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not have plans to enter into foreign-currency future contracts to mitigate this risk, however it may do so in the future.

b) Credit risk

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

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. As at June 30, 2025, the Company had a cash balance of \$194,573 to settle current liabilities of \$37,131,836.

d) Market risk

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

e) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The loans included in loans payable and convertible debentures bear interest at rates ranging from 5% to 12% per annum with maturity dates occurring within the next twelve months. The Company does maintain bank accounts which earn interest at variable rates, but it does not believe it is currently subject to any significant interest rate risk.

f) Regulatory risk

The Company is exposed to risk due to the regulatory uncertainty of the online gaming industry. The Company is unable to predict whether regulations will be introduced in the future and if so, whether they could negatively impact the operations of the Company. On July 26, 2024, the Company received an order from the Nevada Gaming Control Board ("NGCB") to halt operations at its Las Vegas Studio.

#### **Capital Management**

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

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

## **PLAYGON GAMES INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**For the Three and Six Months ended June 30, 2025, and 2024**

**(Unaudited - expressed in Canadian Dollars)**

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#### **11. REVENUE**

During the three and six months ended June 30, 2025, the Company generated \$13,241 and \$25,759 (June 30, 2024 - \$184,363 and \$414,652) in licensing and use revenue from its Live Dealer Product. Revenues were generated from e-table games. On July 26, 2024, the Company announced that its subsidiary, Bitrate Productions, had received an order from the NGCB to halt operations at its Las Vegas Studio and the Company complied with the order.

#### **12. SEGMENT INFORMATION**

The Company has one operating segment being the development and licensing of digital content for the iGaming market. The Company's assets and liabilities are primarily located in North America and revenue is generated through the Company's European subsidiaries.

#### **13. CLAIM**

On June 14, 2024, a former employee of the Company's wholly owned subsidiary, Bitrate Productions, filed a claim for wrongful termination against the Company. The matter is subject to arbitration and the end of 2025.

#### **14. SUBSEQUENT EVENTS**

On July 28, 2025, the Company issued 65,652,500 common shares to settle interest payable of \$656,525.