



PLAYGON GAMES INC.
Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)

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

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

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

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

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

	Note	September 30, 2022	December 31, 2022
		\$	\$
ASSETS			
Current assets			
Cash		18,234	206,781
Amounts receivable		265,732	260,115
Sales tax receivable		77,298	164,361
Prepays		277,298	250,800
		638,562	882,057
Other assets			
Property and equipment	4	439,744	440,454
Intangible assets	5	545,044	657,737
Right-of-use asset	6	4,200,132	6,041,870
		18,524	191,247
		5,842,006	8,213,365
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7, 11	4,462,913	3,669,286
Loans payable	8	5,116,510	5,807,202
Purchase obligation payable		34,348	34,718
Current portion of lease liability	6	20,833	203,348
		9,634,604	9,714,554
Convertible debenture subscriptions received	9	-	920,000
Convertible debentures	9	9,722,710	-
		19,357,314	10,634,554
SHAREHOLDERS' DEFICIENCY			
Share capital	10	54,757,344	54,533,474
Reserves	10	5,654,953	4,665,687
Accumulated other comprehensive loss		65,121	68,853
Accumulated deficit		(73,992,726)	(61,689,203)
		(13,515,308)	(2,421,189)
		5,842,006	8,213,365

Nature and continuance of operations (Note 1)**Subsequent events** (Note 15)**Approved on behalf of the Board of Directors on November 29, 2023:**/s/ Darcy KroghDarcy Krogh
Director/s/ Mike MarrandinoMike Marrandino
Director

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

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	2023	2022	2023	2022
		\$	\$	\$	\$
Revenue	14	436,926	316,222	1,138,323	673,980
Operating expenses					
Advertising and promotion		23,106	18,404	74,175	153,916
Consulting fees		325,524	373,939	1,045,723	1,166,118
Data access fees		229,443	203,106	727,342	682,146
Depreciation and amortization	4, 5, 6	740,717	836,714	2,250,319	2,496,297
Interest and bank charges	8, 9, 11	479,065	71,860	1,087,227	133,301
Management and director's fees	11	195,347	183,967	603,170	597,374
Other general and administrative expenses		95,060	206,690	348,305	671,729
Professional fees		72,247	57,846	323,875	245,494
Regulatory and shareholder services		5,958	26,581	20,332	50,119
Rent	6	42,690	21,320	119,463	85,049
Sales commissions		92,181	90,029	236,037	130,973
Salaries and benefits		1,976,014	2,240,926	6,328,903	6,069,451
Share-based compensation	10	41,549	99,652	144,582	516,841
Travel		25,769	18,151	71,546	70,860
		4,344,670	4,449,185	13,380,999	13,069,668
Loss before other income (expenses)		(3,907,744)	(4,132,963)	(12,242,676)	(12,395,688)
Other income (expenses)					
Interest income		2,392	461	12,891	14,696
Foreign exchange gain (loss)		(34,740)	(66,970)	(73,738)	(120,388)
		(32,348)	(66,509)	(60,847)	(105,692)
Loss for the period		(3,940,092)	(4,199,472)	(12,303,523)	(12,501,380)
Foreign currency translation adjustment		5,959	(2,398)	(3,732)	39,462
Comprehensive loss for the period		(3,934,133)	(4,201,870)	(12,307,255)	(12,461,918)
Basic and diluted loss per common share		(0.02)	(0.02)	(0.05)	(0.05)
Weighted average number of common shares outstanding					
Basic and diluted		256,112,447	253,331,449	254,268,635	253,331,449

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

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

	Nine months ended	
	September 30,	
	2023	2022
	\$	\$
Cash flows used in operating activities		
Loss for the period	(12,303,523)	(12,501,380)
Items not affecting cash:		
Accrued interest expense	778,930	105,844
Accretion expense	261,298	-
Depreciation and amortization	2,250,318	2,496,297
Share-based compensation	144,582	516,841
Unrealized foreign exchange	-	(3,987)
Changes in non-cash working capital:		
Amounts receivable	(5,617)	(91,740)
Sales tax receivable	87,063	(54,679)
Prepays	(25,788)	14,815
Accounts payable and accrued liabilities	435,386	1,063,677
	(8,377,351)	(8,454,312)
Cash flows provided by investing activity		
Acquisition of property and equipment	(125,883)	(29,402)
	(125,883)	(29,402)
Cash flows provided by financing activities		
Loan proceeds	4,685,000	2,893,000
Loan repayments	(5,375,000)	-
Convertible debenture proceeds	9,725,000	-
Convertible debenture issuance costs	(338,904)	-
Interest paid on loans payable	(190,401)	-
Repayment of lease liability	(187,723)	(314,465)
	8,317,972	2,578,535
Effect of foreign exchange on cash	(3,285)	9,560
Change in cash during the period	(188,547)	(5,895,619)
Cash, beginning of period	206,781	5,930,003
Cash, end of period	18,234	34,384

Supplemental disclosure with respect to cash flows (Note 12)

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

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

	Share Capital	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
	#	\$	\$	\$	\$	\$
Balance, December 31, 2021	253,331,449	54,533,474	4,051,237	67,655	(44,865,856)	13,786,510
Share-based compensation	-	-	516,841	-	-	516,841
Foreign exchange on translation	-	-	-	39,462	-	39,462
Loss for the period	-	-	-	-	(12,501,380)	(12,501,380)
Balance, September 30, 2022	253,331,449	54,533,474	4,568,078	107,117	(57,367,236)	1,841,433
Share-based compensation	-	-	97,609	-	-	97,609
Foreign exchange on translation	-	-	-	(38,264)	-	(38,264)
Loss for the period	-	-	-	-	(4,321,967)	(4,321,967)
Balance, December 31, 2022	253,331,449	54,533,474	4,665,687	68,853	(61,689,203)	(2,421,189)
Shares issued for debt	3,198,148	223,870	-	-	-	223,870
Equity component of convertible debenture, net of issue costs	-	-	767,796	-	-	767,796
Convertible debenture – agent warrants	-	-	76,888	-	-	76,888
Share-based compensation	-	-	144,582	-	-	144,582
Foreign exchange on translation	-	-	-	(3,732)	-	(3,732)
Loss for the period	-	-	-	-	(12,303,523)	(12,303,523)
Balance, September 30, 2023	256,529,597	54,757,344	5,654,953	65,121	(73,992,726)	(13,515,308)

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

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited - expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Playgon Games Inc. ("Playgon") was incorporated on December 2, 1985, under the laws of the Province of British Columbia. All references in this document to the "Company" refer to Playgon Games Inc. and its wholly owned subsidiaries. The Company is listed and traded on the TSX Venture Exchange ("TSXV") under the symbol "DEAL". The Company's principal office is located at #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, E-Table games ("Live Dealer Product") and Daily Fantasy Sports ("DFS") which, through a seamless integration at the operator level, allows customer access without having to share or compromise any sensitive customer data.

The Company's operations have been primarily funded from equity financings and loans, which are dependent upon many external factors and may be difficult to secure or raise when required on terms acceptable to the Company or at all. During the nine months ended September 30, 2023, the Company incurred a net loss of \$12,303,523 (September 30, 2022 - \$12,501,380). As at September 30, 2023, the Company had a working capital deficit balance of \$8,996,042 (December 31, 2022 - \$8,832,497) and an accumulated deficit of \$73,992,726 (December 31, 2022 - \$61,689,203). The Company recognizes that its objectives and scope of expenditures 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 cast significant doubt about the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, it could impact the Company's ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated in the consolidated financial statements.

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

2. BASIS OF PRESENTATION

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year December 31, 2022.

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

The condensed interim financial statements were approved by the board and authorized for issue on November 29, 2023.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited - expressed in Canadian Dollars)

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	
		2023	2022
Playgon Interactive Inc.	Canada	100%	100%
Companies owned by Playgon Interactive			
Cleebo Games Inc.	Canada	100%	100%
Bitrate Productions (“Bitrate”)	USA	100%	100%
Playgon Distribution Limited	Cyprus	100%	100%
Playgon Malta Holding Limited	Malta	100%	100%
Companies owned by Playgon Malta Holding Limited			
Playgon Malta Limited	Malta	100%	100%

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

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

Critical accounting estimates and judgements

The Company uses the same critical accounting estimates and judgements as those that applied to the annual consolidated financial statements for the year ended December 31, 2022.

3. OTHER ASSETS

In October 2018 the Company’s bank in Malta, Satabank, was directed by the Malta Financial Services Authority (MFSA) to refrain, cease and desist from taking further deposits into the accounts of its current customers. The MFSA also retained Ernst & Young LLP, to take charge of the bank’s assets for the purpose of safeguarding the interests of depositors and to assume control of the bank’s business. The Company has 46,047 euro (CAD\$65,866) (December 31, 2022 - 46,047 euro (CAD\$63,789)) in a bank account at Satabank and is in the process of transferring these funds to a new bank in Malta. As the funds are not currently available, the cash amount has been categorized as “Other assets” in the consolidated statement of financial position. Dialogue with Satabank’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 €231,569 (CAD - \$373,878) and on December 16, 2020, the Court ordered the full amount claimed be garnished from the Company and paid into court until a judgement on the claim is reached. The Company has retained legal counsel regarding this matter and strongly believes the garnishment order will be lifted. As at September 30, 2023, the Company has recorded the full amount of the garnishment as “Other Assets” on the condensed interim consolidated statement of financial position.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)

4. PROPERTY AND EQUIPMENT

	Computers	Computer Software	Furniture and Equipment	Other Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
Cost:						
At December 31, 2021	119,954	4,494	315,505	321,691	924,421	1,686,065
Additions	19,482	-	-	10,149	-	29,631
Net exchange differences	6,145	-	19,637	22,389	63,145	111,316
At December 31, 2022	145,581	4,494	335,142	354,229	987,566	1,827,012
Additions	1,910	-	-	123,973	-	125,883
Net exchange differences	(166)	-	(545)	(47)	(1,750)	(2,508)
At September 30, 2023	147,325	4,494	334,597	478,155	985,816	1,950,387
Amortization:						
At December 31, 2021	43,391	1,457	111,428	79,083	390,139	625,498
Additions	47,593	607	41,792	50,421	343,352	483,765
Net exchange differences	3,330	-	8,500	7,467	40,715	60,012
At December 31, 2022	94,314	2,064	161,720	136,971	774,206	1,169,275
Additions	21,156	363	25,790	38,005	151,682	236,996
Net exchange differences	(52)	-	(153)	(62)	(661)	(928)
At September 30, 2023	115,418	2,427	187,357	174,914	925,227	1,405,343
Net book value:						
At December 31, 2022	51,267	2,430	173,422	217,258	213,360	657,737
At September 30, 2023	31,907	2,067	147,240	303,241	60,589	545,044

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)

5. INTANGIBLE ASSETS

	Gaming Platform
	\$
Cost:	
At December 31, 2021	12,278,261
Internally developed additions	-
At December 31, 2022 and September 30, 2023	12,278,261
Amortization:	
At December 31, 2021	3,780,739
Additions	2,455,652
At December 31, 2022	6,236,391
Additions	1,841,738
At September 30, 2023	8,078,129
Net book value:	
At December 31, 2022	6,041,870
At September 30, 2023	4,200,132

Gaming Platform

Upon completion of the Playgon Interactive Inc. acquisition the Company allocated \$11,671,258 of acquisition costs to intangible assets related to Playgon Interactive's Gaming Platform. Of the \$11,671,258 of intangible assets acquired, \$399,923 was recorded as an asset by Playgon Interactive at the time of acquisition. The multi-tenant B2B gateway allows operators the ability to offer their customers innovative iGaming software solutions including Live Dealer Casino and E-table games.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)

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

	Office Lease
	\$
Cost:	
At December 31, 2021	714,078
Derecognition	(283,607)
Net exchange difference	29,404
At December 31, 2022	459,875
Net exchange differences	(815)
At September 30, 2023	459,060
Depreciation:	
At December 31, 2021	140,408
Additions	400,312
Derecognition	(283,607)
Net exchange differences	11,515
At December 31, 2022	268,628
Additions	171,581
Net exchange differences	327
At September 30, 2023	440,536
Net book value:	
At December 31, 2022	191,247
At September 30, 2023	18,524

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

Lease liability

On June 1, 2021, the Company entered into an office lease agreement with a 19-month term and monthly payments of \$15,805. The office lease ended on December 31, 2022.

On November 1, 2021, the Company entered into an office lease agreement with a 24-month term and monthly payments of US\$14,917.

At the date of recognition, the lease liabilities were measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 7% and 8%, respectively. The continuity of the lease liabilities is presented in the table below:

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)**

	September 30, 2023	December 31, 2022
	\$	\$
Balance, beginning of period	203,348	579,430
Additions	-	-
Lease payments	(187,723)	(424,078)
Interest expense	6,418	29,554
Net exchange difference	(1,209)	18,442
	20,834	203,348
Less: current portion of lease liability	(20,834)	(203,348)
Non-current portion of lease liability	-	-

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

October 1 to October 31, 2023	\$20,956
-------------------------------	----------

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2023	December 31, 2022
	\$	\$
Accounts payable	3,272,751	3,016,399
Accrued liabilities	409,824	249,075
Payroll taxes payable	142,731	124,445
Accrued interest payable (Note 8, 9)	637,607	279,367
	4,462,913	3,669,286

8. LOANS PAYABLE

	Promissory Notes	Loans Payable	CEBA	Total
	\$	\$	\$	\$
Balance, December 31, 2021	200,000	499,231	60,000	759,231
Additions	5,023,000	-	-	5,023,000
Foreign exchange adjustment	-	24,971	-	24,971
Balance, December 31, 2022	5,223,000	524,202	60,000	5,807,202
Additions	4,685,000	-	-	4,685,000
Repayments	(5,375,000)	-	-	(5,375,000)
Foreign exchange adjustment	-	(692)	-	(692)
Balance, September 30, 2023	4,533,000	523,510	60,000	5,116,510

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited - expressed in Canadian Dollars)

Interest Payable

	Promissory Notes	Loans Payable	Total
	\$	\$	\$
Balance, December 31, 2021	54,579	38,297	92,876
Additions	158,365	25,455	183,820
Foreign exchange adjustment	-	2,671	2,671
Balance, December 31, 2022	212,944	66,423	279,367
Additions	260,841	19,507	280,348
Repayments	(190,401)	-	(190,401)
Foreign exchange adjustment	-	(19)	(19)
Balance, September 30, 2023	283,384	85,911	369,295

Promissory Notes

During the nine months ended September 30, 2023, the Company received \$4,685,000 in promissory notes which are due on demand and accrue interest at 8% to 10% per annum. Of the \$4,685,000 in promissory notes received, \$3,465,000 were from related parties. During the nine months ended September 30, 2023, the Company repaid \$5,375,000 of the outstanding promissory notes, and accrued interest of \$190,401.

As at September 30, 2023, the Company owes \$4,533,000 (December 31, 2022 - \$5,223,00) in short-term promissory notes, of which \$2,060,000 are due to related parties. The promissory notes are unsecured and as at September 30, 2023, the amount outstanding is due on demand and incurs interest of 8% to 12% per annum. During the three and nine months ended September 30, 2023, the Company recorded interest expense of \$48,606 and \$260,841 (September 30, 2022 - \$8,688 and \$16,297) on the promissory notes. As at September 30, 2023, interest of \$283,384 (December 31, 2022 - \$212,944) remains outstanding and is included in accounts payable and accrued liabilities.

Loans Payable

As at September 30, 2023, the Company has \$133,660 and US\$288,351 (CAD \$390,542) unpaid and outstanding to various third-party lenders. The loans are unsecured and bear interest at 5% per annum. On November 17, 2021, the Company closed a private placement of units of the Company ("Units") for aggregate gross proceeds to the Company of \$10,491,334. A condition of the loans is that they became due and payable upon the Company completing a financing greater than \$5,000,000. Playgon Interactive is the obligor under the loans and as of today they remain owing and unpaid. During the three and nine months ended September 30, 2023, the Company recorded \$6,558 and \$19,507 (September 30, 2022 - \$6,256 and \$12,405) in interest expense on the loans payable. As at September 30, 2023, interest of \$85,911 (December 31, 2022 - \$66,423) remains outstanding and is included in accounts payable and accrued liabilities.

Canada Emergency Business Account

As at September 30, 2023, the Company owes the Government of Canada \$60,000 (December 31, 2022 - \$60,000) in relation to two loans received under the Canada Emergency Business Account ("CEBA") program. The CEBA loans are interest free and mature December 31, 2023. Should the Company repay the balance of the loans before the maturity date, up to \$20,000 of the loan will be forgiven.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited - expressed in Canadian Dollars)

9. CONVERTIBLE DEBENTURES

	Principal	Interest	Total
			\$
Balance, December 31, 2021 and 2022			-
Additions	9,845,995	-	9,845,995
Transaction costs	(384,583)	-	(384,583)
Accretion expense	261,298	-	261,298
Interest expense	-	492,182	492,182
Interest payment	-	(223,870)	(223,870)
Balance, September 30, 2023	9,722,710	268,312	9,991,022

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 will 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 WVAP of the Company's common shares on the TSXV immediately preceding the date the interest is due. As at December 31, 2022, \$920,000 of the gross proceeds was included in convertible debenture subscriptions received.

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 \$1,937,531 based on an estimated 15% market discount rate less \$48,642, the pro-rata portion of the \$52,599 transaction costs. The remaining value of \$157,469 and \$3,957 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 will 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 WVAP 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 \$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 \$2,358,665 based on an estimated 15% market discount rate less \$308,192, the pro-rata portion of the \$333,193 transaction costs. The remaining value of \$191,335 and \$25,001 of transaction costs was allocated to the equity component.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited - expressed in Canadian Dollars)

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 will 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 \$5,549,799 based on an estimated 15% market discount rate less \$27,749, the pro-rata portion of the \$30,000 transaction costs. The remaining value of \$450,201 and \$2,251 of transaction costs was allocated to the equity component.

During the three and nine months ended September 30, 2023, \$143,808 and \$261,298 (September 30, 2022 - \$nil and \$nil) of accretion and \$268,313 and \$492,182 (September 30, 2022 - \$nil and \$nil) 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.

During the nine months ended September 30, 2023, the Company paid \$223,870 (September 30, 2022 - \$nil) of interest through the issuance of common shares. As at September 30, 2023, \$268,312 (December 31, 2022 - \$nil) of accrued interest is recorded in accounts payable and accrued liabilities.

10. SHARE CAPITAL AND RESERVES

Authorized share capital

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

Issued share capital

During the nine months ended September 30, 2023:

- the Company issued 3,198,148 common shares to settle \$223,870 of interest owed on the convertible debentures.

During the year ended December 31, 2022, the Company did not issue any shares.

Share options

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

During the nine months ended September 30, 2023, the Company granted 500,000 share options to a consultant of the Company with a total fair value of \$27,074. Of the options granted, 125,000 vested immediately and 125,000 vest every four months. During the three and nine months ended September 30,

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)**

2023, the Company recorded \$41,549 and \$144,582 in share-based compensation (September 30, 2022 - \$99,652 and \$516,841).

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

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

	September 30, 2023	December 31, 2022
Risk-free interest rate	4.27%	2.30%
Dividend yield	Nil	Nil
Expected life	5 years	4.36 years
Volatility	100.14%	86.85%
Weighted average fair value per options	0.05	0.10

Share option transactions are summarized as follows:

	Number of Share Options	Weighted Average Exercise Price
		\$
Balance, December 31, 2021	13,875,000	0.32
Granted	2,350,000	0.18
Expired	(2,391,668)	0.41
Forfeited	(33,332)	0.31
Balance, December 31, 2022	13,800,000	0.28
Granted	500,000	0.10
Expired	(200,000)	0.15
Forfeited	(650,000)	0.19
Balance, September 30, 2023	13,450,000	0.28
Unvested	(1,983,333)	0.27
Exercisable, September 30, 2023	11,466,667	0.28

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)**

A summary of the share options outstanding and exercisable at September 30, 2023 is as follows:

Number of Share Options Outstanding	Number of Share Options Exercisable	Exercise Price	Expiry Date
		\$	
8,450,000	8,450,000	0.28	June 30, 2025
100,000	100,000	0.39	August 12, 2025
500,000	500,000	0.37	September 15, 2025
500,000	333,334	0.37	January 1, 2026
1,000,000	333,334	0.37	January 1, 2027
100,000	66,666	0.40	December 1, 2025
50,000	33,333	0.47	February 10, 2026
50,000	33,333	0.58	March 1, 2026
100,000	66,666	0.38	June 30, 2026
150,000	100,000	0.28	August 25, 2026
100,000	66,667	0.30	September 1, 2026
50,000	16,666	0.32	January 6, 2027
1,550,000	1,033,334	0.21	February 24, 2027
50,000	16,667	0.15	March 9, 2027
50,000	16,667	0.07	May 2, 2027
100,000	33,333	0.07	May 9, 2027
50,000	16,667	0.09	August 22, 2027
500,000	250,000	0.10	February 27, 2028
13,450,000	11,466,667		

The weighted average life of share options outstanding at September 30, 2023 was 2.26 years.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited - expressed in Canadian Dollars)

Warrants

During the nine months ended September 30, 2023, the Company issued the following warrants:

- In connection with the May 3, 2023 private placement of convertible debentures, the Company issued 1,530,000 agent warrants with an exercise price of \$0.10 per warrant as finders' fees with a total value of \$76,888.

During the year ended December 31, 2022, the Company did not issue any warrants.

Warrant transactions are summarized as follows:

	Number of Share Options	Weighted Average Exercise Price
		\$
Balance, December 31, 2021 and December 31, 2022	17,924,174	0.50
Issued	1,530,000	0.10
Expired	(438,618)	0.30
Balance, September 30, 2023	19,015,556	0.47

A summary of the warrants outstanding at September 30, 2023 is as follows:

Number of Warrants Outstanding	Exercise Price	Expiry Date
	\$	
17,485,556	0.50	November 12, 2023
1,530,000	0.10	May 3, 2025
19,015,556		

The weighted average life of warrants outstanding at September 30, 2023 was 0.24 years.

Subsequent to September 30, 2023, 17,485,556 warrants expired unexercised.

11. RELATED PARTY TRANSACTIONS

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

Amounts receivable at September 30, 2023 includes \$7,482 (December 31, 2022 - \$7,482) receivable from a company related by way of common directors.

Accounts payable and accrued liabilities at September 30, 2023 includes \$1,456,580 (December 31, 2022 - \$916,985) owing to directors, officers, or to companies significantly controlled by common directors for unpaid fees and expense reimbursements.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited - expressed in Canadian Dollars)

During the nine months ended September 30, 2023, the Company received \$3,465,000 in loans from related parties. During the nine months ended September 30, 2023, the Company repaid \$5,125,000 in loans from related parties. During the three and nine months ended September 30, 2023, \$19,757 and \$154,682 (September 30, 2022 - \$27,600 and \$27,666) in interest expense was recorded on loans payable due to related parties.

As at September 30, 2023, \$2,060,000 (December 31, 2022 – \$3,648,000) in loans payable was due to related parties. As at September 30, 2023, the Company owed interest of \$63,010 (December 31, 2022 - \$93,280) on loans payable 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 9). During the three and nine months ended September 30, 2023, \$58,985 and \$96,171 (September, 2022 - \$nil and \$nil) of accretion and \$151,233 and \$246,575 (September 30, 2022 - \$nil and \$nil) of interest expense was recorded on the convertible debentures.

As at September 30, 2023, the principal amount of \$6,000,000 of convertible debentures (December 31, 2022 – \$nil) is due to related parties. As at September 30, 2023, the Company owed interest of \$151,233 (December 31, 2022 - \$nil) on convertible debentures due to related parties, included in accounts payable and accrued liabilities.

Summary of key management personnel compensation:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Management and directors fees	195,304	183,173	603,000	597,374
Salaries and benefits	95,000	95,000	285,000	285,000
Professional fees	37,500	29,448	112,500	101,250
Share-based compensation	28,293	63,024	97,651	376,181
	356,097	370,645	1,098,151	1,359,805

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	For the nine months ended September 30,	
	2023	2022
	\$	\$
Supplemental cash-flow disclosure		
Interest paid	196,819	24,629
Taxes paid	-	-
Supplemental non-cash disclosures		
Warrants issued for convertible debenture issuance costs	76,888	-

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited - expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and financial liabilities

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

Financial Instrument	Category	September 30, 2023	December 31, 2022
		\$	\$
Cash	FVTPL	18,234	206,781
Amounts receivable	Amortized costs	265,732	260,115
Other assets	Amortized costs	439,744	440,454
Accounts payable and accrued liabilities	Amortized costs	(4,462,913)	(3,669,286)
Loans payable	Amortized costs	(5,116,510)	(5,807,202)
Purchase obligation payable	Amortized costs	(34,348)	(34,718)
Lease liability	Amortized costs	(20,833)	(203,348)
Convertible debenture subscriptions received	Amortized costs	-	(920,000)
Convertible debentures	Amortized costs	(9,722,710)	-

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

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

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market-place.

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

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

Risk exposure

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

a) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company’s operations are carried out in Canada, the United States, and Malta. As at September 30, 2023, the Company had assets totaling US\$19,530 and liabilities totalling US\$827,051. Additionally, the Company had assets totalling EUR\$227,436 and liabilities totalling EUR\$487,108. These factors expose the Company to foreign currency exchange rate

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited - expressed in Canadian Dollars)

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\$109,000 while a 10% change in the exchange rate with the EURO would change other comprehensive income/loss by approximately CAD\$37,000. At this time, the Company currently does not have plans to enter into foreign currency future contracts to mitigate this risk, however it may do so in the future.

b) Credit risk

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

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. As at September 30, 2023, the Company had a cash balance of \$18,234 to settle current liabilities of \$9,634,604.

d) Market risk

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

e) Interest rate risk

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

f) Regulatory risk

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

Capital Management

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

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited - expressed in Canadian Dollars)

characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or engage in debt financing.

14. REVENUE

During the three and nine months ended September 30, 2023, the Company generated \$436,926 and \$1,138,323 (September 30, 2022 - \$316,222 and \$673,980) in licensing and use revenue from its Live Dealer Product. Revenue for the three and nine months ended September 30, 2023, was generated through the Company's Cyprus and Malta subsidiaries.

15. SUBSEQUENT EVENT

Subsequent to September 30, 2023:

- The Company received \$1,281,000 in promissory notes that are due on demand and accrue interest at 10% per annum.
- The Company issued 32,045,130 common shares pursuant to the settlement of accounts payable and promissory notes and related interest.