



PLAYGON GAMES INC.
Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2024 and 2023
(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	March 31, 2024	December 31, 2023
		\$	\$
ASSETS			
Current assets			
Cash		186,403	208,448
Amounts receivable		477,475	327,013
Sales tax receivable		144,850	111,066
Prepays		177,758	150,442
		986,486	796,969
Other assets	3	441,071	441,227
Property and equipment	4	432,238	464,870
Intangible assets	5	2,972,305	3,586,219
Right-of-use asset	6	157,443	219,152
		4,989,543	5,508,437
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,8,9,11	5,072,392	4,834,170
Loans payable	8	4,674,067	1,745,033
Purchase obligation payable		35,039	35,121
Current portion of convertible debentures	9	6,561,104	4,465,527
Current portion of lease liability	6	160,700	220,950
		16,503,302	11,300,801
Convertible debenture	9	7,796,157	9,572,275
		24,299,459	20,873,076
SHAREHOLDERS' DEFICIENCY			
Share capital	10	57,194,203	56,665,614
Reserves	10	6,136,926	6,121,019
Accumulated other comprehensive loss		(27,200)	49,063
Accumulated deficit		(82,613,845)	(78,200,335)
		(19,309,916)	(15,364,639)
		4,989,543	5,508,437

Nature and going concern (Note 1)**Subsequent events (Note 15)****Approved on behalf of the Board of Directors on May 28, 2024:**/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
(Unaudited - expressed in Canadian Dollars)**

		Three months ended March 31,	
	Note	2024	2023
		\$	\$
Revenue	14	230,289	288,009
Operating expenses			
Advertising and promotion		15,393	15,611
Consulting fees		349,556	354,343
Data access fees		379,164	248,824
Depreciation and amortization	4, 5, 6	724,982	785,725
Interest and bank charges	6, 8, 9, 10, 11	793,138	203,028
Management and director fees	11	181,551	202,416
Other general and administrative expenses		65,115	179,973
Professional fees	11	83,112	54,763
Regulatory and shareholder services		12,078	9,300
Rent		33,074	31,614
Sales commissions		66,190	63,330
Salaries and benefits		1,867,201	2,035,380
Share-based compensation	11	15,907	53,975
Travel		10,425	18,263
		4,596,886	4,256,545
Loss before other income (expenses)		(4,366,597)	(3,968,536)
Other income (expenses)			
Interest income		1,444	1,133
Foreign exchange loss		(48,357)	(26,778)
		(46,913)	(25,645)
Loss for the period		(4,413,510)	(3,994,181)
Foreign currency translation adjustment		(76,263)	(9,100)
Comprehensive loss for the period		(4,489,773)	(4,003,281)
Basic and diluted loss per common share		(0.01)	(0.02)
Weighted average number of common shares outstanding			
Basic and diluted		298,166,925	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)**

	Three months ended	
	March 31,	
	2024	2023
	\$	\$
Cash flows used in operating activities		
Loss for the period	(4,413,510)	(3,994,181)
Items not affecting cash:		
Interest expense	468,858	133,425
Accretion expense	319,459	18,580
Depreciation and amortization	724,982	785,725
Share-based compensation	15,907	53,975
Changes in non-cash working capital:		
Amounts receivable	(150,462)	(48,791)
Sales tax receivable	(33,784)	(18,576)
Prepays	(27,160)	(41,757)
Accounts payable and accrued liabilities	306,703	507,044
	(2,789,007)	(2,604,556)
Cash flows provided by financing activities		
Loan proceeds	2,919,000	1,400,000
Convertible note proceeds	-	1,145,000
Repayment of lease liability	(70,735)	(62,895)
Share issuance costs	(3,661)	-
	2,844,604	2,482,105
Effect of foreign exchange on cash	(77,642)	(7,533)
Change in cash during the period	(22,045)	(129,984)
Cash, beginning of period	208,448	206,781
Cash, end of period	186,403	76,797

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, 2022	253,331,449	54,533,474	4,665,687	68,853	(61,689,203)	(2,421,189)
Equity component of convertible debenture, net of issue costs and tax	-	-	153,512	-	-	153,512
Share-based compensation	-	-	53,975	-	-	53,975
Foreign exchange on translation	-	-	-	(9,100)	-	(9,100)
Loss for the period	-	-	-	-	(3,994,181)	(3,994,181)
Balance, March 31, 2023	253,331,449	54,533,474	4,873,174	59,753	(65,683,384)	(6,216,983)
Shares issued for debt, net of issue costs	35,243,278	2,132,140	-	-	-	2,132,140
Equity component of convertible debenture, net of issue costs and tax	-	-	1,052,616	-	-	1,052,616
Convertible debenture – agent warrants	-	-	76,888	-	-	76,888
Share-based compensation	-	-	118,341	-	-	118,341
Foreign exchange on translation	-	-	-	(10,690)	-	(10,690)
Loss for the period	-	-	-	-	(12,516,951)	(12,516,951)
Balance, December 31, 2023	288,574,727	56,665,614	6,121,019	49,063	(78,200,335)	(15,364,639)
Shares issued for debt, net of issue costs	10,645,000	528,589	-	-	-	528,589
Share-based compensation	-	-	15,907	-	-	15,907
Foreign exchange on translation	-	-	-	(76,263)	-	(76,263)
Loss for the period	-	-	-	-	(4,413,510)	(4,413,510)
Balance, March 31, 2024	299,219,727	57,194,203	6,136,926	(27,200)	(82,613,845)	(19,309,916)

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 Months Ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars)

1. NATURE 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, 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, 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 three months ended March 31, 2024, the Company incurred a net loss of \$4,413,510 (2023 - \$3,994,181). As at March 31, 2024, the Company had a working capital deficit balance of \$15,516,816 (December 31, 2023 - \$10,503,832) and an accumulated deficit of \$82,613,845 (December 31, 2023 - \$78,200,335). 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 condensed interim consolidated financial statements.

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

2. BASIS OF PRESENTATION

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with 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, 2023.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year December 31, 2023.

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

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023

(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	
		2024	2023
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 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, 2023.

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\$67,193) (December 31, 2023 - EUR €46,047 (CAD\$67,349)) 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 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 March 31, 2024, the Company has recorded the full amount of the garnishment as "Other Assets" on the consolidated statement of financial position.

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2024 and 2023****(Unaudited - expressed in Canadian Dollars)****4. PROPERTY AND EQUIPMENT**

	Computers	Computer Software	Furniture and Equipment	Other Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
Cost:						
At December 31, 2022	145,581	4,494	335,142	354,229	987,566	1,827,012
Additions	1,916	-	-	124,341	-	126,257
Net exchange differences	(2,353)	-	(7,211)	(10,813)	(23,187)	(43,564)
At December 31, 2023	145,144	4,494	327,931	467,757	964,379	1,909,705
Net exchange differences	2,582	-	7,891	12,307	25,375	48,155
At March 31, 2024	147,726	4,494	335,822	480,064	989,754	1,957,860
Amortization:						
At December 31, 2022	94,314	2,064	161,720	136,971	774,206	1,169,275
Additions	28,422	487	34,572	52,167	192,237	307,885
Net exchange differences	(1,909)	-	(4,115)	(4,263)	(22,038)	(32,325)
At December 31, 2023	120,827	2,551	192,177	184,875	944,405	1,444,835
Additions	3,378	97	6,892	14,385	19,269	44,021
Net exchange differences	2,173	-	4,664	4,956	24,973	36,766
At March 31, 2024	126,378	2,648	203,733	204,216	988,647	1,525,622
Net book value:						
At December 31, 2023	24,317	1,943	135,754	282,882	19,974	464,870
At March 31, 2024	21,348	1,846	132,089	275,848	1,107	432,238

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2024 and 2023****(Unaudited - expressed in Canadian Dollars)****5. INTANGIBLE ASSETS**

	Gaming Platform
	\$
Cost:	
At December 31, 2022	12,278,261
Internally developed additions	-
At December 31, 2023 and March 31, 2024	12,278,261
Amortization:	
At December 31, 2022	6,236,391
Amortization for the year	2,455,652
At December 31, 2023	8,692,043
Amortization for the period	613,913
At March 31, 2024	9,305,956
Net book value:	
At December 31, 2023	3,586,218
At March 31, 2024	2,972,305

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 Gaming Platform is being amortized using the straight-line method over 5 years. As at March 31, 2024 the remaining amortization period is 1.25 years. 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 Months Ended March 31, 2024 and 2023****(Unaudited - expressed in Canadian Dollars)****6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES****Right-of-use asset**

	Office Lease
	\$
Cost:	
At December 31, 2022	459,875
Additions	268,371
Net exchange difference	(16,186)
At December 31, 2023	712,060
Net exchange difference	6,920
At March 31, 2024	718,980
Depreciation:	
At December 31, 2022	268,628
Additions	235,312
Net exchange differences	(11,032)
At December 31, 2023	492,908
Additions	67,048
Net exchange differences	1,581
At March 31, 2024	561,537
Net book value:	
At December 31, 2023	219,152
At March 31, 2024	157,443

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 a new office lease agreement with a 24-month term and monthly payments of US\$14,917. On November 1, 2023, the office lease agreement was extended for a 12-month term with monthly payments of US\$17,481.

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 Months Ended March 31, 2024 and 2023****(Unaudited - expressed in Canadian Dollars)**

	March 31, 2024	December 31, 2023
	\$	\$
Balance, beginning of period	220,950	203,348
Additions	-	268,371
Lease payments	(70,735)	(256,389)
Interest expense	5,089	10,853
Net exchange difference	5,396	(5,233)
	160,700	220,950
Less: current portion of lease liability	(160,700)	220,950
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:

April 1, 2024 to December 31, 2024	\$166,101
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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2024	December 31, 2023
	\$	\$
Accounts payable	3,887,946	3,525,978
Accrued liabilities	348,003	387,290
Payroll taxes payable	114,464	132,852
Accrued interest payable (Note 8)	719,979	788,050
	5,072,392	4,834,170

8. LOANS PAYABLE

	Promissory Notes	Loans Payable	CEBA	Total
	\$	\$	\$	\$
Balance, December 31, 2022	5,223,000	524,202	60,000	5,807,202
Additions	5,966,000	-	-	5,966,000
Repayment - shares	(1,923,000)	-	-	(1,923,000)
Repayment - cash	(8,096,000)	-	-	(8,096,000)
Foreign exchange adjustment	-	(9,169)	-	(9,169)
Balance, December 31, 2023	1,170,000	515,033	60,000	1,745,033
Additions	2,919,000	-	-	2,919,000
Foreign exchange adjustment	-	10,034	-	10,034
Balance, March 31, 2024	4,089,000	525,067	60,000	4,674,067

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2024 and 2023****(Unaudited - expressed in Canadian Dollars)****Interest Payable**

	Promissory Notes	Loans Payable	CEBA	Total
	\$	\$	\$	\$
Balance, December 31, 2022	212,944	66,423	-	279,367
Additions	335,494	26,140	-	361,634
Repayment - shares	(132,212)	-	-	(132,212)
Repayment - cash	(258,575)	-	-	(258,575)
Foreign exchange adjustment	-	(1,552)	-	(1,552)
Balance, December 31, 2023	157,651	91,011	-	248,662
Additions	69,426	6,514	411	76,351
Foreign exchange adjustment	-	1,804	-	1,804
Balance, March 31, 2024	227,077	99,329	411	326,817

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.

During the three months ended March 31, 2024, the Company received \$2,919,000 in promissory notes, all of from related parties, which are due on demand and accrue interest at 10% per annum.

As at March 31, 2024, the Company owes \$4,089,000 (December 31, 2023 - \$1,170,000) in short-term promissory notes. The promissory notes are unsecured and as at March 31, 2024, the amount outstanding is due on demand and incurs interest of 10% to 12% per annum. During the three months ended March 31, 2024, the Company recorded interest expense of \$69,426 (2023 - \$123,789) on the promissory notes. As at March 31, 2024, interest of \$227,077 (December 31, 2023 - \$157,651) remains outstanding and is included in accounts payable and accrued liabilities.

Loans Payable

As at March 31, 2024, the Company had \$133,660 and US\$288,351 (CAD \$391,407) 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 today they remain owing and unpaid. During the three months ended March 31, 2024, the Company recorded interest expense of \$6,514 (2023 - \$6,454) on the loans payable. As at March 31, 2024, interest of \$99,329 (December 31, 2023 - \$91,011) remains outstanding and is included in accounts payable and accrued liabilities.

Subsequent to March 31, 2024, a third-party lender initiated a claim against Playgon Interactive for USD\$25,974 (CAD \$35,257) 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 claim and is awaiting a reply from the courts.

Canada Emergency Business Account

As at March 31, 2024, the Company owed the Government of Canada \$60,000 (December 31, 2023 - \$60,000) in relation to two loans received under the Canada Emergency Business Account ("CEBA") program. As the Company did not repay any amount of the CEBA program loans by January 18, 2024, the

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2024 and 2023****(Unaudited - expressed in Canadian Dollars)**

expiry date of the loan was extended for a two-year term and accrues interest at 5% per annum. During the three months ended March 31, 2024, the Company recorded interest expense of \$411 (2023 - \$nil) on the CEBA loans. As at March 31, 2024, interest of \$411 (December 31, 2023 - \$nil) remains outstanding and is included in accounts payable and accrued liabilities.

9. CONVERTIBLE DEBENTURES

	Principal	Interest	Total
			\$
Balance, December 31, 2022	-	-	-
Additions	13,908,773	-	13,908,773
Transaction costs	(424,899)	-	(424,899)
Accretion expense	553,928	-	553,928
Interest expense	-	763,258	763,258
Interest payment	-	(223,870)	(223,870)
Balance, December 31, 2023	14,037,802	539,388	14,577,190
Accretion expense	319,459	-	319,459
Interest expense	-	386,024	386,024
Interest payment	-	(532,250)	(532,250)
Balance, March 31, 2024	14,357,261	393,162	14,750,423

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 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 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.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars)

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 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 \$5,291,622 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 will 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 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 \$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 three months ended March 31, 2024, \$319,459 (2023 - \$18,580) of accretion and \$386,024 (2023 - \$6,511) 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 Months Ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars)

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 three months ended March 31, 2024, the Company paid \$532,250 of interest through the issuance of common shares.

As at March 31, 2024, \$393,162 (December 31, 2023 - \$539,388) 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 three months ended March 31, 2024:

- the Company issued 32,045,130 common shares to settle \$532,250 of interest owed on the convertible debentures.

During the year ended December 31, 2023:

- the Company issued 3,198,148 common shares to settle \$223,870 of interest owed on the convertible debentures.
- the Company issued 32,045,130 common shares to settle \$1,923,000 of promissory notes, \$132,212 of interest, and \$187,947 of trade payables. The fair value of the common shares was \$1,922,708 and the Company recognized a gain on debt settlement of \$320,451.

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 year ended December 31, 2023, the Company granted 550,000 share options to a consultant, and an employee of the Company with a total fair value of \$29,271. Of the options granted, 141,667 vested immediately and 408,333 vest over the next three years.

During the three months ended March 31, 2024, the Company recorded \$15,907 in share-based compensation (2023 - \$53,975).

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:

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars)

	March 31, 2024	December 31, 2023
Risk-free interest rate	-	4.24%
Dividend yield	-	Nil
Expected life	-	4.36 years
Volatility	-	99.53%
Weighted average fair value per options	-	0.05

Share option transactions are summarized as follows:

	Number of Share Options	Weighted Average Exercise Price
		\$
Balance, December 31, 2022	13,800,000	0.28
Granted	550,000	0.10
Expired	(200,000)	0.15
Forfeited	(800,000)	0.19
Balance, December 31, 2023 and March 31, 2024	13,350,000	0.28
Unvested	(583,330)	0.29
Exercisable, March 31, 2024	12,766,670	0.28

A summary of the share options outstanding and exercisable at March 31, 2024 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	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	0.58	March 1, 2026
100,000	66,667	0.38	June 30, 2026
100,000	66,667	0.28	August 25, 2026
100,000	66,667	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
13,350,000	12,766,670		

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2024 and 2023****(Unaudited - expressed in Canadian Dollars)**

The weighted average life of share options outstanding at March 31, 2024 was 1.75 years.

Warrants

During the three months ended March 31, 2024, the Company did not issue any warrants.

During the year ended December 31, 2023, the Company issued the following warrants:

- In connection with the May 3, 2023 private placement, 1,530,000 agent warrants with an exercise price of \$0.10 per warrant were issued as finders' fees with a total value of \$76,888. The fair value of the agent warrants was estimated using the Black-Scholes option pricing model with the following assumptions: stock price - \$0.08; risk-free interest rate – 3.56%; dividend yield – Nil; expected life – 2.0 years; and expected volatility – 133.50%.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, December 31, 2022	17,924,174	0.50
Issued	1,530,000	0.10
Expired	(17,924,174)	0.50
Balance, December 31, 2023 and March 31, 2024	1,530,000	0.10

A summary of the warrants outstanding at March 31, 2024 is as follows:

Number of Warrants Outstanding	Exercise Price	Expiry Date
	\$	
1,530,000	0.10	May 3, 2025
1,530,000		

The weighted average life of warrants outstanding at March 31, 2024 was 1.09 years.

11. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and certain of the members of the Board of Director. Additionally, individuals who have significant influence to 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.

Amounts receivable at March 31, 2024 includes \$7,482 (December 31, 2023 - \$7,482) receivable from a company related by way of common directors.

Accounts payable and accrued liabilities at March 31, 2024 includes \$1,715,524 (December 31, 2023 - \$1,485,696) 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 Months Ended March 31, 2024 and 2023****(Unaudited - expressed in Canadian Dollars)**

During the year ended December 31, 2023, the Company received \$4,746,000 in promissory notes from related parties. During the year ended December 31, 2023, the Company repaid \$8,454,000 in loans from related parties.

During the three months ended March 31, 2024, the Company received \$2,919,000 in promissory notes from a related party and \$34,408 (2023 - \$80,059) in interest expense was recorded on promissory notes due to related parties. As at March 31, 2024, \$2,919,000 (December 31, 2023 - \$nil) in loans payable was due to related parties and the Company owed interest of \$34,408 (December 31, 2023 - \$nil) 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 9). On December 29, 2023, the Company raised gross proceeds of \$4,746,000 through the issuance of unsecured convertible debentures to related parties (Note 9).

During the three months ended March 31, 2024, \$208,286 (2023 - \$nil) of accretion and \$266,184 (2023 - \$nil) of interest expense was recorded on the convertible debentures due to related parties.

As at March 31, 2024, the principal amount of \$10,746,000 of convertible debentures (December 31, 2023 - \$10,746,000) is due to related parties. As at March 31, 2024, the Company owed interest of \$271,287 (December 31, 2023 - \$305,228) 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	
	2024	March 31, 2023
	\$	\$
Management and directors fees	181,493	202,416
Salaries and benefits	95,000	95,000
Professional fees	37,500	37,500
Share-based compensation	10,259	38,689
	324,252	373,605

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	For the three months ended	
	2024	March 31, 2023
	\$	\$
Supplemental cash-flow disclosure		
Interest paid	537,339	3,207
Taxes paid	-	-
Supplemental non-cash disclosures		
Shares issued for convertible debenture interest	532,250	-

PLAYGON GAMES INC.**Notes to Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2024 and 2023****(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 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	March 31, 2024	December 31, 2023
		\$	\$
Cash	Amortized cost	186,403	208,448
Amounts receivable	Amortized cost	477,475	327,017
Other assets	Amortized cost	441,071	441,227
Accounts payable and accrued liabilities	Amortized cost	(5,072,392)	(4,834,170)
Loans payable	Amortized cost	(4,674,067)	(1,745,033)
Purchase obligation payable	Amortized cost	(35,039)	(35,121)
Lease liability	Amortized cost	(160,700)	(220,950)
Convertible debentures	Amortized cost	(14,357,261)	(14,037,802)

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, lease liability 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. The Company's lease liability is measured as the present value of the discounted future cash flows.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars)

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 March 31, 2024, the Company had assets totaling US\$31,118 and liabilities totalling US\$897,478. Additionally, the Company had assets totalling EUR\$367,095 and liabilities totaling EUR\$481,599. 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\$117,600 while a 10% change in the exchange rate with the Euro would change other comprehensive income/loss by approximately CAD\$16,708. 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 March 31, 2024, the Company had a cash balance of \$186,403 to settle current liabilities of \$16,503,302.

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.

PLAYGON GAMES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023

(Unaudited - expressed in Canadian Dollars)

f) **Regulatory risk**

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

Capital Management

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

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

14. REVENUE

During the three months ended March 31, 2024, the Company generated \$230,289 (2023 - \$288,009) in licensing and use revenue from its Live Dealer Product. Revenue for the three months ended March 31, 2024 and 2023, was generated through the Company's Cyprus and Malta subsidiaries.

15. SUBSEQUENT EVENTS

Subsequent to March 31, 2024:

- The Company received \$2,176,296 in loans payable from a related party. The loans are due on demand and accrue interest at 10% per annum, compounded monthly.
- The Company issued 4,234,553 common shares to settle interest payable of \$127,037 pursuant to the convertible debentures.