

REAL LUCK GROUP LTD.
FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Real Luck Group Ltd. (formerly Elephant Hill Capital Inc.) (“**Real Luck**” or the “**Corporation**”)
122, 234 - 5149 Country Hill Blvd. NW
Calgary, Alberta T3A 5K8

Item 2. Date of Material Change

December 11, 2020

Item 3. News Release

A news release was disseminated via Newsfile and filed on SEDAR on December 14, 2020.

Item 4. Summary of Material Change

On December 14, 2020 the Corporation announced it had completed its previously announced Qualifying Transaction (as defined by Policy 2.4 of the TSX Venture Exchange (the “**Exchange**”)) on December 11, 2020 involving a three cornered scheme of merger (the “**Merger**”) pursuant to Isle of Man corporate law whereby Esports Limited (“**Esports**”), a private Isle of Man incorporated company doing business as “Luckbox”, merged with an Isle of Man incorporated subsidiary of the Corporation (the “**Qualifying Transaction**”).

Prior to closing of the Qualifying Transaction, the Corporation completed a share consolidation, as previously approved by its shareholders and directors, on a 4.2:1 basis and effected the name change to “Real Luck Group Ltd.”.

Pursuant to a merger agreement (the “**Definitive Agreement**”) dated November 2, 2020 with Esports and the closing of the Merger, the Corporation acquired all of the issued and outstanding shares of Esports (the “**Esports Shares**”). The Qualifying Transaction was completed by way of a three-cornered merger under the laws of the Isle of Man and resulted in Esports becoming a wholly owned subsidiary of the Corporation. The Qualifying Transaction does not constitute a Non-Arm’s Length Qualifying Transaction and was not subject to shareholder approval under the policies of the Exchange.

In connection with the Qualifying Transaction, Esports completed a brokered private placement of 10,728,272 subscription receipts and a concurrent non-brokered private placement of 190,476 subscription receipts for aggregate gross proceeds of \$4,555,874. The holders of subscription receipts ultimately received shares and share purchase warrants of the Corporation in connection with the Qualifying Transaction. In addition, Esports raised \$1,500,000 through the sale of

convertible notes that were ultimately converted into shares and share purchase warrants of the Corporation in connection with the Qualifying Transaction.

As a result of the Qualifying Transaction, the board of directors of the Corporation is comprised of the following individuals: Quentin Martin, Michael Stevens, Drew Green, Maruf Raza and Lloyd Melnick. In addition, the following have been appointed as the principal management of the Corporation: Quentin Martin as Chief Executive Officer, Ran Kaspi as Chief Financial Officer and Michael Stevens as Corporate Secretary.

Full Description of Material Change

On December 14, 2020 the Corporation announced that it had completed its previously announced Qualifying Transaction on December 11, 2020, as defined by Policy 2.4 of the Exchange with Esports.

As set out in the Final Bulletin of the Exchange, trading in the common shares of the Corporation was expected to commence on the Exchange at the opening of markets on or about Wednesday, December 16, 2020, under the Corporation's new name "Real Luck Group Ltd." and with the stock symbol "LUCK".

The Corporation is a Tier 2 Industrial/Technology Issuer on the Exchange. As a result of the Qualifying Transaction, the Corporation will carry on the business of Esports, as an esports betting company which provides a fully licensed betting platform dedicated to serving the global esports community where fans and customers are able to bet, watch, and chat in a safe environment.

Consolidation, Name Change, Trading

Prior to closing of the Qualifying Transaction, the Corporation completed a share consolidation, as previously approved by its shareholders and directors, on a 4.2:1 basis and effected the name change to "Real Luck Group Ltd.".

Qualifying Transaction

Pursuant to the Definitive Agreement dated November 2, 2020 with Esports, the Corporation acquired all of the Esports Shares. The Qualifying Transaction was completed by way of a three-cornered merger under the laws of the Isle of Man and resulted in Esports becoming a wholly owned subsidiary of the Corporation. The Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction and was not subject to shareholder approval under the policies of the Exchange.

As a result of the Qualifying Transaction, an aggregate of 50,287,475 common shares are currently issued and outstanding for the Corporation, and the following convertible securities: (a) 5,799,166 common shares are reserved for issuance pursuant to the exercise of outstanding stock options of the Corporation; and (b) 11,004,601 common shares are reserved for issuance pursuant to the exercise of share purchase warrants, broker warrants and compensation options for a period of 24 months from the completion of the Qualifying Transaction, with exercise prices ranging from \$0.42 to \$0.63 per share.

As disclosed in the Corporation's Filing Statement, a number of common shares are subject to escrow under the rules of the Exchange as well as private contractual escrow. The following is a

summary of the common shares subject to escrow as a result of the Qualifying Transaction as well as the relevant terms:

Number of Shares	Escrow Terms
476,190	Original CPC Escrow - 10% is released upon Bulletin Date; and 15% is releasable on each 6 months thereafter for a period of 36 months.
18,294,812	(a) Exchange Value Escrow – All of the shares are subject to the Exchange Value Escrow whereby 10% is released upon Bulletin Date; and 15% is releasable on each 6 months thereafter for a period of 36 months. (b) Private Escrow – 11,571,973 shares out of this total are subject to a private escrow wherein 25% is releasable 15 months from Closing Date, 25% is releasable 18 months from Closing, 20% is releasable 24 months from Closing Date. 15% is releasable 30 months from Closing Date and final 15% is releasable 36 months from Closing Date. (c) Private Escrow – 7,200,000 shares out of this total are subject to a private escrow wherein 25% is releasable 24 months from Closing Date, 25% is releasable 28 months from Closing, 25% is releasable 32 months from Closing Date and the final 25% is releasable 36 months from Closing Date.
10,714,246	Private Escrow - 1/3 releasable 9 months from Closing Date, 1/3 releasable 12 months from Closing Date, 1/3 releasable 15 months from Closing Date.
3,000,000	Private Escrow - 25% is releasable 6 months from Closing Date, 25% is releasable 12 months from Closing, 25% is releasable 18 months from Closing Date and the final 25% is releasable 24 months from Closing Date.
1,801,394	Private Escrow - 25% is releasable 15 months from Closing Date, 25% is releasable 18 months from Closing, 25% is releasable 21 months from Closing Date and the final 25% is releasable 24 months from Closing Date.
Total	
34,286,642	

Directors and Management

As a result of the Qualifying Transaction, the board of directors of the Corporation is comprised of the following individuals: Quentin Martin, Michael Stevens, Drew Green, Maruf Raza and Lloyd Melnick. In addition, the following have been appointed as the principal management of the Corporation: Quentin Martin as Chief Executive Officer, Ran Kaspi as Chief Financial Officer and Michael Stevens as Corporate Secretary.

Full details of the Qualifying Transaction and certain other matters are set out in the filing statement dated November 27, 2020. A copy of the Filing Statement can be found under our SEDAR profile on SEDAR at www.sedar.com.

Investor Relations Arrangements

The Corporation intends to continue with two investor relations arrangements which Esports had entered into, namely, an investor relations agreement with Sophic Capital Inc. (“**Sophic**”) and a service agreement with Native Ads Inc. (“**Native**”). Pursuant to the terms of the agreement with Sophic, Sophic will provide services such as developing an investor communications plan, developing and maintaining the investor presentation, contacting sell-side analysts and firms to

increase awareness and discuss coverage, organizing investor roadshows/virtual when required, assisting with press releases to ensure they speak effectively to the capital markets, assisting with the development of conference call script where required, conference call rehearsal and question and answer preparation and any other investor relations activities required. Sophic's principal place of business is Toronto, Ontario. Sophic's principals, collectively, have fifty years of experience with investor relations working with growth technology companies across all stages of development. Sophic will not have direct or indirect ownership or control or direction or a combination of direct and indirect beneficial ownership of and control or direction over the securities of the Corporation other than as disclosed herein. Sophic receives a fee of \$8,000 per month for ongoing investor relations services. In addition, Sophic was granted 300,000 options to acquire Luckbox Shares at a price of \$0.42 for a period of 3 years, that vest in four equal tranches every quarter over 12 months commencing on the date of the Qualifying Transaction. The term of the agreement continues until the provision of its services have been completed unless extended upon mutual agreement by the parties in writing. The agreement may be terminated by either party upon providing 30 days prior written notice.

Pursuant to the terms of the agreement with Native, Native will perform strategic digital media services, marketing and data analytics services such as: (i) content development; (ii) web development; (iii) media buying and distribution; and (iv) campaign reporting and optimization. In return for the provision of their services, Native will receive a fee, including advertising costs, for the six-month period starting December 1, 2020 of \$250,000. Native will not have direct or indirect ownership or control or direction or a combination of direct and indirect beneficial ownership of and control or direction over the securities of the Corporation.

For additional information concerning the Qualifying Transaction and the foregoing matters in connection therewith, please refer to the Corporation's press releases dated May 13, 2020, June 10, 2020, June 23, 2020, November 4, 2020, December 1, 2020 and December 14, 2020 and the Filing Statement, all of which are available under the Corporation's SEDAR profile at www.sedar.com.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Qualifying Transaction, any information released or received with respect to the Qualifying Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of the Corporation should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the Qualifying Transaction and has neither approved nor disapproved the contents of this report.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this report.

Cautionary Note Regarding Forward-Looking Statements: This report includes certain statements and information that may constitute forward-looking information within the meaning of applicable Canadian securities laws. All statements in this report, other than statements of historical facts, including statements regarding private escrow arrangements, future estimates, plans, objectives, timing, assumptions or expectations of future performance, including future developments and the business and operations of the Corporation after the Qualifying Transaction, are forward-looking statements and contain forward-looking information. Forward-looking statements are based on certain material assumptions and analysis made by the Corporation and the opinions and estimates of management as of the date of this report. These forward-looking statements are

subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by such forward-looking statements or forward-looking information. Important factors that may cause actual results to vary, include, without limitation, future developments and the business and operations of the Corporation after the Qualifying Transaction will not be as anticipated by management. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. The Corporation does not undertake to update any forward-looking statement, forward-looking information or financial outlook that are incorporated by reference herein, except in accordance with applicable securities laws.

Item 5. Reliance on 7.1(2) of National Instrument 51-102

Not applicable.

Item 6. Omitted Information

Not applicable.

Item 7. Executive Officer

Name of Executive Officer:	Quentin Martin Chief Executive Officer
Telephone number:	(+44) 7498 181 863

Item 8. Date of Report

December 21, 2020

FILING STATEMENT

DATED NOVEMBER 27, 2020

FOR

ELEPHANT HILL CAPITAL INC.

and

ESPORTS LIMITED

Regarding the Elephant Hill Capital Inc.'s proposed acquisition of all of the issued and outstanding common shares of Esports Limited pursuant to the TSX Venture Exchange's Policy 2.4 – *Capital Pool Companies*.

*Neither the TSX Venture Exchange Inc. (the "**Exchange**") nor any securities regulatory authority has in any way passed upon the merits of the Proposed Qualifying Transaction described in this Filing Statement.*

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GLOSSARY OF TERMS

In this Filing Statement, the following terms shall have the meaning ascribed thereto as set out below:

“Affiliate” means a company that is affiliated with another company as follows:

- (a) a company is an “Affiliate” of another company if:
 - (i) one of them is the subsidiary of the other; or
 - (ii) each of them is controlled by the same Person.
- (b) company is “controlled” by a Person if:
 - (i) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person; and
 - (ii) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.
- (c) a Person beneficially owns securities that are beneficially owned by:
 - (i) a company controlled by that Person; or
 - (ii) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

“Associate” when used to indicate a relationship with an individual or company, means:

- (a) an issuer of which the individual or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the individual or company;
- (c) any trust or estate in which an individual or company has a substantial beneficial interest or in respect of which an individual or company serves as trustee or in a similar capacity;
- (d) in the case of an individual, a relative of that individual, including:
 - (i) that individual’s spouse or child; or
 - (ii) any relative of the individual or of his spouse who has the same residence as that individual,

but

- (e) where the Exchange determines that two individuals shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

“Business Combination” means the scheme of merger transaction whereby Luckbox will merge with Elephant Hill Sub in accordance with the laws of the Isle of Man.

“Business Combination Agreement” means an arm’s length amalgamation agreement dated on or about November 2, 2020 between the Company, Luckbox and Elephant Hill Sub, pursuant to which the Company has agreed to issue Company Shares to the holders of all of the issued and outstanding Luckbox Shares upon completion of the Business Combination.

“Business Day” means a day other than a Saturday, Sunday or civic holiday in the City of Calgary, Alberta.

“Closing” means the closing of the transactions contemplated pursuant to the Business Combination Agreement.

“Commissions” means the British Columbia Securities Commission, the Alberta Securities Commission and the Financial and Consumer Affairs Authority of Saskatchewan.

“Company” means Elephant Hill Capital Inc., a company incorporated under the laws of the Province of Alberta.

“Company Options” means incentive stock options granted pursuant to the Company’s Option Plan, each of which entitles the holder thereof to acquire one Company Share.

“Company Shares” means the fully paid and non-assessable Class “A” Common shares in the capital of the Company.

“Completion of the Proposed Qualifying Transaction” means the date that the Final Exchange Bulletin is issued by the Exchange.

“Consolidation” means the consolidation of the Company Shares on the basis of one new Company Share for every 4.2 Company Shares issued and outstanding.

“Control Person” means any Person that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not affect materially the control of the issuer.

“CPC” means a corporation:

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the Commissions in compliance with the CPC Policy; and
- (b) in regard to which the Completion of the Proposed Qualifying Transaction has not yet occurred.

“CPC Escrow Agreement” means an escrow agreement dated effective February 1, 2017, among the Company, the Trustee and the founding shareholders of the Company, in the form of Exchange Form 2F – *CPC Escrow Agreement*.

“CPC Policy” means Policy 2.4 of the Exchange Corporate Finance Manual entitled “*Capital Pool Companies*”.

“Disinterested Shareholder Approval” has the meaning ascribed thereto under “*Information Concerning the Resulting Issuer – Stock Option Plan*”.

“EH Meeting” means the annual special meeting of shareholders of the Company to be called to deal with the business to be conducted at its annual general meeting as well as to consider and, if thought fit, authorize, approve the Consolidation and Name Change and related matters, and includes any adjournments thereof;

“Elephant Hill Sub” means EH IOM SubCo Limited, a corporation existing under the laws of the Isle of Man.

“Eligible Charitable Organization” means:

- (a) any “Charitable Organization” or “Public Foundation” which is a “Registered Charity”, but is not a “Private Foundation” (as such terms are defined in the *Income Tax Act* (Canada)), or
- (b) a “Registered National Arts Service Organization” (as such term is defined in the *Income Tax Act* (Canada)).

“Exchange” means the TSX Venture Exchange.

“Exchange Requirements” means and includes the articles, by-laws, policies, circulars, rules, guidelines, orders, notices, rulings, forms, decisions and regulations of the Exchange as from time to time enacted, any instructions, decisions and directions of the Exchange (including those of any committee of the Exchange as appointed from time to time), and all applicable provisions of the securities laws of any other jurisdiction.

“Filing Statement” means this filing statement of the Company dated November 27, 2020, filed with the Exchange pursuant to the Exchange Requirements.

“Final Exchange Bulletin” means the Exchange bulletin that is issued following Closing and the submission of all required documentation and that evidences the final Exchange acceptance of the Proposed Qualifying Transaction.

“Governmental Authority” means any multinational, federal, provincial, territorial, state, regional, municipal, local or other government or governmental body and any division, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body (including the Exchange or any other stock exchange) exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel or arbitrator acting under the authority of any of the foregoing.

“IFRS” means the International Financial Reporting Standards as adopted by the International Accounting Standards Board.

“Initial Public Offering” or **“IPO”** means the offering of a maximum 5,000,000 Company Shares pursuant to the final prospectus of the Company dated April 23, 2018.

“Insider” if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of the company that is an Insider or subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

“Luckbox” means Esports Limited, a private corporation existing under the laws of the Isle of Man.

“Luckbox Shares” means the fully paid and non-assessable Ordinary shares with a par value of £0.01 each in the capital of Luckbox.

“Member” means a Person who has executed the Members’ Agreement, as amended from time to time, and is accepted as and becomes a member of the Exchange under the Exchange Requirements.

“Named Executive Officers” means the Chief Executive Officer, Chief Financial Officer, and other executive officers of Luckbox or the Resulting Issuer, as applicable, and its subsidiaries listed in the Summary Compensation Table herein. See *“Information Concerning Luckbox – Executive Compensation”*.

“Non-Arm’s Length Party” means in relation to a company, a promoter, officer, director, other Insider or Control Person of that company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person.

“Non-Arm’s Length Qualifying Transaction” means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

“Option Plan” means the incentive stock option plan adopted by the Company, which provides that the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange Requirements, grant to directors, officers, employees, and technical consultants to the Company, non-transferable options to purchase Company Shares, provided that the number of Company Shares reserved for issuance, together with any options issued to Eligible Charitable Organizations, will not exceed 10% of the issued and outstanding Company Shares.

“Person” means a company, partnership, or an individual.

“Principal” means a Person who, upon Completion of a Qualifying Transaction, will be:

- (a) a promoter of the Resulting Issuer;
- (b) a director or senior officer of the Resulting Issuer or of a material operating subsidiary of the Resulting Issuer;
- (c) a Person or company that beneficially owns, directly or indirectly, has control or direction over, or has a combination of direct or indirect beneficial ownership of and control or direction over, securities of the Resulting Issuer carrying more than 20% of the voting rights attached to all of the outstanding voting securities of the Resulting Issuer;
- (d) a Person or company that beneficially owns, directly or indirectly, has control or direction over, or has a combination of direct or indirect beneficial ownership of and control or direction over, securities of the Resulting Issuer carrying more than 10% of the voting rights attached to all of the outstanding voting securities of the Resulting Issuer, and:
 - (i) has appointed or elected, or has the right to appoint or elect, a director or senior officer of the Resulting Issuer; or
 - (ii) one or more directors or senior officers of the Resulting Issuer is also a director or officer of, or beneficially owns, directly or indirectly or has control or direction over, or has a combination of direct or indirect beneficial ownership of and control or direction over, securities of that Person or company carrying more than 10% of the voting rights attached to all of the outstanding voting securities of that Person or company; or
- (e) a company 20% or more of the voting rights attached to all of the outstanding voting securities of which are beneficially owned, directly or indirectly, by any one of the Persons or companies referred to in clauses (a) through (d), or over which one or more of the Persons or companies referred to in clauses (a) through (d) has or have control or direction (or a combination of beneficial ownership and control or direction); or
- (f) an Associate of a Person or company referred to in clauses (a) through (e).

“Proposed Qualifying Transaction” or **“Transaction”** means the proposed acquisition by the Company of all of the issued and outstanding securities of Luckbox upon the terms and subject to the conditions set forth in the Amalgamation Agreement and as described herein, including the Consolidation, completion of the RTO Offering, which is intended to constitute the Company’s Qualifying Transaction.

“Qualifying Transaction” means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.

“Regulatory Approvals” means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any governmental entity, or the expiry, waiver or termination of any waiting period imposed by Law or a governmental entity, in each case in connection with the Qualifying Transaction.

“Resulting Issuer” refers to the Company after completion of the Consolidation and the Business Combination and all matters contemplated herein, including but not limited to the issuance of the Final Exchange Bulletin.

“Resulting Issuer Options” means the Company Options and additional employee stock options granted by the Resulting Issuer, after giving effect to the Closing.

“Resulting Issuer Shares” means the Company Shares, after giving effect to the Closing and the implementation of the Name Change.

“RTO Offering” means the brokered private placement of 9,866,187 subscription receipts at \$0.42 per subscription receipt and the concurrent non-brokered private placement of 981,133 subscription receipts at \$0.42 per subscription receipt, each of which closed in two tranches (with the second tranche closing on June 19, 2020) for the sale by Luckbox of an aggregate of 10,847,320 subscription receipts for aggregate gross proceeds to Luckbox of \$4,555,874.

“Significant Assets” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the initial listing requirements of the Exchange.

“Trustee” means TSX Trust Company.

“Value Security Escrow Agreement” means an agreement to be entered into concurrent with the Completion of the Proposed Qualifying Transaction between the Resulting Issuer and certain Insiders of the Resulting Issuer, which shall be in the form of Exchange Form 5D – *Escrow Agreement (Value Security Escrow)*.

ELEPHANT HILL CAPITAL INC.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to the Company, Luckbox and the Resulting Issuer (assuming Completion of the Proposed Qualifying Transaction), and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.

Proposed Qualifying Transaction

On November 2, 2020, the Company entered into the Business Combination Agreement with the Luckbox and Elephant Hill Sub pursuant to which the parties agreed to complete the Proposed Qualifying Transaction on the terms set out therein. Pursuant to the Business Combination Agreement, upon Closing, Luckbox and Elephant Hill Sub will complete an scheme of merger under the corporate laws of the Isle of Man, and the securityholders of Luckbox will each receive securities of the Company.

In this regard, upon Closing, the Resulting Issuer will issue to the holders of Luckbox Shares one Resulting Issuer Share at a deemed price of \$0.42 per Resulting Issuer Share for each one issued and outstanding Luckbox Share held by the shareholders. In addition, the other outstanding securities of Luckbox including various options and warrants will be exchanged for an equivalent security of the Resulting Issuer. See *“Information Concerning Luckbox – General Development of the Business of Luckbox – Soft launch, COVID-19, Further Funding and RTO Offering”*.

There are currently 34,202,061 Luckbox Shares issued and outstanding, warrants to acquire 3,795,227 Luckbox Shares issued and outstanding, convertible notes outstanding which, when converted, will result in 3,571,428 Luckbox Shares issued and outstanding and warrants to acquire 1,785,714 Luckbox Shares, and subscription receipts which, when converted into units comprised of one Luckbox Share and one-half of one Luckbox share purchase warrant, will result in 10,847,320 Luckbox Shares issued and outstanding and outstanding warrants to acquire 5,423,660 Luckbox Shares. See *“Information Concerning Luckbox – General Description of the Business of Luckbox – Soft launch, COVID-19, Further Funding and RTO Offering”* and *“Information Concerning the Resulting Issuer - Pro Forma Consolidated Capitalization – Fully Diluted Share Capital”* for more detail on the capitalization of Luckbox.

There are currently a total of 7,000,000 Company Shares and 700,000 Company Options issued and outstanding. The aggregate consideration to be paid by the Company pursuant to the Business Combination will, subject to the approval of the Exchange, consist of the issuance of 48,620,809 Resulting Issuer Shares at a deemed price of \$0.42 per Resulting Issuer Share for a deemed aggregate value of \$20,420,739. Upon Closing there are expected to be issued and outstanding 50,287,475 Resulting Issuer Shares, 11,004,601 Resulting Issuer Shares will be reserved for issuance pursuant warrants to purchase Resulting Issuer Shares (and underlying unit warrants to purchase Resulting Issuer Shares), 10,057,495 Resulting Issuer Shares will be reserved for options (which will include Resulting Issuer Shares reserved for the 832,500 Luckbox Employee Stock Options, the 166,666 Company Options and 4,500,000 employee stock options to be granted to certain directors, officers and employees of the Resulting Issuer and its subsidiaries at Closing) available for issuance under the stock option plan to be adopted by the Resulting Issuer and a further 300,000 Resulting Issuer Shares will be reserved for options provided to service providers to the Resulting Issuer as a component of their service fees as set forth in the table below. Note that as a condition to listing, the Exchange has required that the Resulting Issuer obtain Disinterested Shareholder Approval for: (i) the Fixed Option Plan (with the specified 10,057,495 fixed number disclosed in the shareholder meeting circular); and (ii) the specific grants of options under the Fixed Option Plan. Accordingly, until such time as Disinterested Shareholder Approval is obtained by the Resulting Issuer, any options granted under the Fixed Option Plan may not be vested or exercised by the holders thereof (see *“Information Concerning the Resulting Issuer – Stock Option Plan”*):

Resulting Issuer Shares Issuable upon exercise of Resulting Issuer Options	166,666
Resulting Issuer Shares issuable upon exercise of Luckbox Subscriber Warrants, which were exchanged for Resulting Issuer Warrants	1,729,744
Resulting Issuer Shares issuable upon exercise of Pre-RTO Broker Warrants, which were exchanged for Resulting Issuer Warrants	221,000
Resulting Issuer Shares issuable upon exercise of warrants issuable upon the exercise of the Pre-RTO Broker Warrants, which are exchangeable for Resulting Issuer Warrants	110,500
Resulting Issuer Shares issuable upon exercise of RTO Broker Warrants, which were exchanged for Resulting Issuer Warrants	865,354
Resulting Issuer Shares issuable upon exercise of warrants issuable upon the exercise of the RTO Broker Warrants, which are exchangeable for Resulting Issuer Warrants	432,677
Resulting Issuer Shares issuable upon exercise of Luckbox Compensation Subscriber Warrant, which were exchanged for Resulting Issuer Warrants	3,810
Resulting Issuer Shares issuable upon exercise of the Underlying Unit Warrants issued in connection with the conversion of the Subscription Receipts, which were exchanged Resulting Issuer Warrants	5,423,660
Resulting Issuer Shares issuable upon exercise of Luckbox Subscriber Warrants issued in connection with the conversion of the Expoworld Note, which were exchanged for Resulting Issuer Warrants	595,238
Resulting Issuer Shares issuable upon exercise of Luckbox Advisory Warrants, which were exchanged for Resulting Issuer Warrants	288,095
Resulting Issuer Shares issuable upon exercise of warrants issuable upon exercise of Luckbox Advisory Warrants, which are exchangeable for Resulting Issuer Warrants	144,047
Resulting Issuer Shares issuable upon exercise of Luckbox Subscriber Warrants issued in connection with the conversion of the Second Expoworld Note, which were exchanged for Resulting Issuer Warrants	1,190,476
Resulting Issuer Shares remaining available for issuance under the Resulting Issuer option plan	4,558,329
Resulting Issuer Shares issuable upon the exercise of the Service Provider Options	300,000
Resulting Issuer Shares issuable upon the exercise of the Luckbox Employee Stock Options	832,500
Resulting Issuer shares issuable upon the exercise of employee stock options to be granted at Closing	4,500,000
TOTAL:	21,362,096

See “*General Development of the Business of Luckbox – History - Soft launch, COVID-19, Further Funding and RTO Offering*” below for the definitions of Luckbox Subscriber Warrants, Pre-RTO Broker Warrants, RTO Broker Warrants, Compensation Subscriber Warrants, Subscription Receipts, Underlying Unit Warrants, Expoworld Note, Second Expoworld Note, and Luckbox Advisory Warrants and see “*Information Concerning Luckbox - Selected Combined Financial Information and Management’s Discussion and Analysis - Description of the Securities*” below for the definitions of the Service Provider Options and the Luckbox Employee Stock Options. The figures in the table above are calculated after giving effect to the Consolidation. See “*Summary of Filing Statement - Consolidation*”.

Consolidation

Pursuant to the Business Combination Agreement, prior to the Business Combination, the Company will effect the Consolidation of the Company Shares pursuant to which one Resulting Issuer Share will be issued for every 4.2

Company Shares issued and outstanding. It is proposed that the Consolidation will be effected immediately prior to the completion of the Business Combination.

There are currently a total of 7,000,000 Company Shares and 700,000 Company Options issued and outstanding in the capital of the Company. Upon completion of the Consolidation, but prior to completion of the Business Combination, it is expected that the Company will have an aggregate of 1,666,666 post-Consolidation Company Shares and 166,666 Company Options issued and outstanding.

Name Change

In connection with the Proposed Qualifying Transaction, it is proposed that the notice of articles and articles of the Resulting Issuer be amended to change the name of the Resulting Issuer to “Esports Holdings Ltd.” (the “**Name Change**”), or such other name as the Company and Luckbox mutually agree to. The Name Change will require the approval of the shareholders of the Company. It is proposed that the Name Change will be effected immediately after the completion of the Business Combination.

Information on Luckbox

Luckbox was incorporated under the laws of the Isle of Man on April 25, 2019. Luckbox is an esports betting company with a fully licensed betting platform dedicated to serving the global esports community where fans and customers are able to bet, watch, and chat in a safe environment. Luckbox serves the single largest revenue category in esports today and derives its revenue from one of the most promising verticals in the esports industry.

Luckbox has completed several rounds of financing, having raised gross proceeds to date of approximately \$18.8 million. See “*Information Concerning Luckbox – General Description of the Business of Luckbox – Soft launch, COVID-19, Further Funding and RTO Offering*”.

Luckbox RTO Offering

Pursuant to the Business Combination Agreement, it was a condition to the Closing that Luckbox complete a brokered and non-brokered private placement of subscription receipts. Luckbox did pay cash commission and corporate finance fees in connection with this financing. See “*Information Concerning Luckbox – General Description of the Business of Luckbox – Soft launch, COVID-19, Further Funding and RTO Offering*” and “*Information Concerning the Resulting Issuer - Pro Forma Consolidated Capitalization – Fully Diluted Share Capital*” for more detail on the financing and share capitalization of Luckbox.

Not a Non-Arm’s Length Qualifying Transaction

The Proposed Qualifying Transaction is not a Non-Arm’s Length Qualifying Transaction.

Interests of Insiders, Promoters or Control Persons of the Company

Except as otherwise stated herein, none of the Insiders, promoters or Control Persons of the Company or any of their respective Associates and Affiliates (before and after giving effect to the Proposed Qualifying Transaction) have any interest in the Proposed Qualifying Transaction.

Estimated Available Funds and Proposed Principal Uses Thereof

The Resulting Issuer would have, as at June 30, 2020, *pro forma* consolidated working capital of approximately \$6,096,544 (after deducting estimated costs and expenses of the Proposed Qualifying Transaction in the amount of \$250,000). As at October 31, 2020, the Resulting Issuer had estimated working capital of \$5,882,736. See “*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*”.

The following table sets forth the estimated available funds (based upon total current assets less total current liabilities) plus the amounts and sources of other funds available to the Company and Luckbox prior to, or concurrently with, the Completion of the Proposed Qualifying Transaction, after giving effect to the Proposed Qualifying Transaction.

	Company as at June 30, 2020	Luckbox as at June 30, 2020	Pro Forma Resulting Issuer as at June 30, 2020	Pro Forma Resulting Issuer as at October 31, 2020
Available Funds	\$309,957	\$(2,216,040)	\$6,096,544 ⁽²⁾⁽³⁾	\$5,822,736 ⁽²⁾⁽³⁾

Notes:

- (1) Derived from the pro forma financial statements.
- (2) After deducting estimated costs and expenses of the Proposed Qualifying Transaction in the amount of \$250,000.
- (3) Includes proceeds raised in private placements since Luckbox's incorporation of approximately \$18.8 million.

The following table sets out the estimated available funds after giving effect to the Proposed Qualifying Transaction and the proposed principal uses for those funds:

Description of Expenditure	Amount
To scale Luckbox's marketing capabilities to hit 12-month marketing KPIs ⁽¹⁾	\$1,150,000
General and administrative costs	\$3,315,300
To organically grow the Platform through:	
a. launching traditional sports betting capabilities;	
b. launching an online casino; and	
c. continuous product and operational improvements. ⁽¹⁾	\$1,250,000
Unallocated Working Capital	\$107,436
Total	\$5,822,736.00

Notes:

- (1) See "Information Concerning the Resulting Issuer, – Milestones" for further details.

Notwithstanding the proposed uses of available funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to affect the planned activities of the Resulting Issuer. For these reasons, management considers it to be in the best interests of the Company and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. Further, the above uses of available funds should be considered estimates.

Pro Forma Consolidated Financial Information

The following table sets forth the *pro forma* share capital of the Resulting Issuer as at June 30, 2020, on a consolidated basis, based on the *pro forma* consolidated financial statements contained in this Filing Statement after giving effect to the Completion of the Proposed Qualifying Transaction.

Designation	Amount authorized or to be authorized	Amount outstanding as at June 30, 2020, after giving effect to the Proposed Qualifying Transaction
Current assets	Not Applicable	\$7,033,000
Total assets	Not Applicable	\$7,308,000
Current liabilities	Not Applicable	\$687,000
Long-term debt	Not Applicable	\$67,000
Equity	Not Applicable	\$6,554,000

For further details, see the *Pro Forma* Financial Statements of the Resulting Issuer that are attached as Appendix “C” to this Filing Statement.

Company’s Listing on the Exchange

The Company Shares were listed on the Exchange on June 15, 2018, and commenced trading on the Exchange on June 20, 2018, under the trading symbol “EH.P” and the Resulting Issuer Shares will continue to be listed on the Exchange subsequent to the Completion of the Proposed Qualifying Transaction. Luckbox is not a reporting issuer and no public market exists for the Luckbox Shares.

Market Price of Company Shares

The last closing price of the Company Shares on the Exchange prior to the halt in trading on January 10, 2020 and preceding the announcement of the Proposed Qualifying Transaction was \$0.10. It is expected that such trading suspension will remain in place until Completion of the Proposed Qualifying Transaction.

Sponsorship and Agent Relationship

No sponsor has been retained in connection with the Proposed Qualifying Transaction as the Exchange has granted the Company a waiver from sponsorship requirements. See “*General Matters – Sponsorship and Agent Relationship*”.

Interests of Experts

As at the date hereof, partners and associates of Manning Elliott LLP, Chartered Professional Accountants, the current auditor of the Company and Baker Tilly Isle of Man LLC, the current auditor of Luckbox, who are directly involved in services provided to Luckbox or the Company own, respectively, directly or indirectly, in the aggregate, none of the securities of either the Company or Luckbox. No partner or associate of Manning Elliott LLP or Baker Tilly Isle of Man LLC is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

At the date hereof, lawyers with TingleMerrett LLP, counsel to the Company, own, directly or indirectly, in the aggregate, less than 1% of the Company Shares. At the date hereof, lawyers with Fasken Martineau DuMoulin LLP, counsel to Luckbox, own, directly or indirectly, in the aggregate less than 1% of the Company Shares. No lawyer with TingleMerrett LLP or Fasken Martineau DuMoulin LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

Conditional Listing Approval

The Company has made an application to the Exchange for conditional acceptance of the Proposed Qualifying Transaction. As at the date hereof, the Company had not received conditional acceptance for the Proposed Qualifying Transaction.

Conflicts of Interest

Certain of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon Completion of the Proposed Qualifying Transaction are also directors, officers and/or promoters of other reporting and non-reporting issuers. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer, notwithstanding that they will be bound by the provisions of the *Business Corporations Act* (Alberta) to act at all times in good faith in the interests of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise. To the best of their respective knowledge, neither the Company nor Luckbox is aware of the existence of any conflicts of interest between the Company or Luckbox and any of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon Completion of the Proposed Qualifying Transaction, as of the date of this Filing Statement.

Risk Factors

An investment in the Resulting Issuer is speculative due to the proposed nature of the Resulting Issuer's business and the early stage of Luckbox's business development. An investment in the Resulting Issuer will be subject to certain material risks and investors should not invest in securities of the Resulting Issuer unless they can afford to lose their entire investment.

In addition to the factors disclosed elsewhere in this Filing Statement, investors should consider the following risk factors in assessing the investment merits of such securities:

- (a) Luckbox has a limited operating history, there is uncertainty with respect to Luckbox's future revenues and Luckbox currently operates in changing economic conditions that are impacted by global economic risks and the effects of COVID-19, all of which make it difficult to make an evaluation of its business and prospects;
- (b) there are risks associated with the completion of the Proposed Qualifying Transaction and related matters;
- (c) there are operational risks associated with the Luckbox business which include cybersecurity risks, competition in the esports betting industry and industry competition generally, the ability of Luckbox to accurately or correctly make financial projections or forecasts, the reliance of Luckbox on third parties, the ability for Luckbox to manage its growth, the reliance of Luckbox on key management team members, the ability for Luckbox to acquire sufficient and cost-effective business insurance, the ability of Luckbox to successfully grow and development its brand and the risks associated with cryptocurrency transactions in the Luckbox's operations;
- (d) there are risks to the regulation of Luckbox's business which include the fact that the esports betting industry is heavily regulated and involves a complex and constantly evolving regulatory environment, and Luckbox could be subject to regulatory investigations or proceedings as a result, while being subjected to social responsibility concerns;
- (e) there are risks related to the esports betting industry in general which are applicable to Luckbox's business and include the fact that the success of a particular esports betting product cannot be guaranteed, Luckbox's ability to attract or retain customers is cannot be guaranteed, the fact that Luckbox is reliant on third-party networks to engage in its business, litigation risks associated with Luckbox's business, the sufficiency of Luckbox's intellectual property cannot be guaranteed, the risks associated with intellectual property infringement and invalidity claims and the risks present should Luckbox be unable to adapt to changing technology and industry standards;
- (f) there are risks associated with Luckbox being a foreign incorporated entity such as that Luckbox derives most of its revenue from foreign jurisdictions and, as a result, the business and operations of Luckbox may be impacted by fluctuations in foreign currency, also any judgments rendered against Luckbox may not be enforceable in any one jurisdiction;
- (g) the ability of management to execute its business plan, including its esports betting-focused strategy; and
- (h) the other factors discussed under "*Information Concerning the Resulting Issuer – Risk Factors*".

For a complete discussion of the risks associated with the Resulting Issuer and the Completion of the Proposed Qualifying Transaction, see "*Information Concerning the Resulting Issuer – Risk Factors*".

Forward Looking Statements

The information provided in this Listing Statement, including information incorporated by reference, may contain “forward-looking statements” about the Company and Luckbox. In addition, the Company and Luckbox may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company or Luckbox that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company or Luckbox that address activities, events or developments that the Company or Luckbox expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward looking statements, including, but not limited to, risks and uncertainties related to:

- the intention to complete the Business Combination and the Proposed Qualifying Transaction;
- the description of the Resulting Issuer that assumes completion of the Business Combination and the Proposed Qualifying Transaction;
- the intention to grow the business and operations of the Resulting Issuer;
- the ability of the Resulting Issuer to satisfy conditions under the Business Combination Agreement and to satisfy the requirements of the Exchange with respect to the Business Combination and the Proposed Qualifying Transaction
- the regulation of the online gaming industry worldwide;
- the Resulting Issuer’s ability to obtain equipment, services and supplies in a timely manner;
- the availability of financing opportunities, risks associated with economic conditions, regulatory risks, dependence on management and conflicts of interest; and
- other risks described in this Filing Statement and described from time to time in documents filed by the Company or Luckbox with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including: (i) expectations and assumptions concerning timing of receipt of required shareholder and regulatory approvals, including with respect to the receipt of required licences and third party consents, if any; and (ii) expectations and assumptions concerning the success of the operations of the Company and Luckbox.

With respect to the forward-looking statements contained herein, although the Company and Luckbox believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required

licences; risks relating to regulations applicable to esports betting industry and the business of Luckbox; risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential conflicts of interest; and potential transaction and legal risks, as more particularly described under the heading “*Information Concerning the Resulting Issuer - Risk Factors*” in this Filing Statement.

Consequently, all forward-looking statements made in this Filing Statement and other documents of the Company or Luckbox, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company and Luckbox. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company, Luckbox and/or Persons acting on their behalf may issue. Neither the Company nor Luckbox undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

Market and Industry Data

This Filing Statement includes market and industry data that has been obtained from third party sources, including industry publications. The Company and Luckbox believe that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, neither the Company nor Luckbox has independently verified any of the data from third party sources referred to in this Filing Statement or ascertained the underlying economic assumptions relied upon by such sources.

INFORMATION CONCERNING THE COMPANY

1. Corporate Structure

1.1 Name and Incorporation

The full corporate name of the Company is Elephant Hill Capital Corp. The Company was incorporated under the laws of Alberta pursuant to the *Business Corporations Act* (Alberta) on January 15, 2018. The principal office is located at 122, 234 – 5149 Country Hills Blvd., Calgary, Alberta, T3A 5K8 and the registered office of the Company is located at 1250, 639 – 5th Ave. SW, Calgary, Alberta, T2P 0M9.

1.2 Intercorporate Relationships

The Company has one wholly-owned subsidiary, Elephant Hill Sub, which has been incorporated for the purpose of completing the Business Combination.

2. General Development of the Business

2.1 History

The Company is a capital pool company created pursuant to the CPC Policy which completed its Initial Public Offering on June 15, 2018. The Company sold 5,000,000 Company Shares at a price of \$0.10 per share pursuant to its IPO prospectus, raising gross proceeds of \$500,000. The Company Shares became listed on the Exchange on June 15, 2018, and commenced trading on the Exchange on June 20, 2018. The outstanding Company Shares are listed on the Exchange under the Trading Symbol “EH.P”.

The Company had identified and evaluated a number of different businesses opportunities with a view to completing a Qualifying Transaction, but none had come to fruition.

On May 11, 2020, the Company announced that it had entered into a letter of intent that provided for a business combination with Luckbox, an esports betting company with a fully licensed betting platform dedicated to serving the global esports community where fans and customers are able to bet, watch, and chat in a safe environment. Luckbox serves the single largest revenue category in esports today and derives its revenue from one of the most promising verticals in the esports industry.

The transaction is an arm’s length transaction and will constitute the Company’s Qualifying Transaction.

The principal business of the Company is to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction, and, once identified and evaluated, to negotiate an acquisition or participation in such assets or businesses. Until the Completion of the Proposed Qualifying Transaction, the Company will not carry on business other than the identification and evaluation of assets or businesses in connection with a potential Qualifying Transaction.

3. Selected Financial Information and Management's Discussion and Analysis

3.1 Information from Inception

Since incorporation, the Company has incurred costs in carrying out its Initial Public Offering, in seeking, evaluating and negotiating potential Qualifying Transactions, and in meeting the disclosure obligations imposed upon it as a reporting issuer listed for trading on the Exchange. The following table sets forth selected historical financial information for the Company for the year ended December 31, 2019 and for the three and six month period ended June 30, 2020, respectively. Such information is derived from the audited financial statements of the Company as at December 31, 2019, and the unaudited financial statements of the Company for the three and six month period ended June 30, 2020, respectively, each of which is attached hereto in Appendix “A”. Such information should be read in conjunction with such financial statements.

Income Statement Data	Year Ended December 31, 2019 (audited)	Period Ended June 30, 2020 (unaudited)
Total Expenses	\$51,107	\$106,595
Net income (loss)	(\$51,107)	(\$106,595)
Balance Sheet Data	As at December 31, 2019 (audited)	As at June, 2020 (unaudited)
Cash and cash equivalents	\$378,271	\$309,957
Accounts Receivable	\$3,042	\$nil
Total Assets	\$381,313	\$309,957
Accounts Payable and Accrued Liabilities	\$15,832	\$51,071
Deficit	(\$182,090)	(\$288,685)

3.2 Management's Discussion and Analysis

This management's discussion and analysis is dated November 27, 2020 and is in respect of the three and six months ended June 30, 2020. The discussion in this management's discussion and analysis focuses on this period. Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates.

DESCRIPTION OF THE COMPANY'S BUSINESS AND OVERALL PERFORMANCE

The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on January 15, 2018. The Company is a CPC as defined pursuant to the CPC Policy. On June 15, 2018, the Company announced the completion of its Initial Public Offering of 5,000,000 Company Shares at a price of \$0.10 per Company Share and filed for listing as a CPC on the Exchange. The Company Shares were listed on the Exchange on June 15, 2018, and commenced trading on June 20, 2018, under the trading symbol "EH.P".

The Company issued seed stock of 2,000,000 common shares at a price of \$0.05 per share on January 15, 2018 to founders of the Company.

On May 13, 2020, the Company announced that it entered into a letter of intent, dated May 11, 2020, that provides for a business combination with Luckbox, an esports betting company with a fully licensed betting platform dedicated to serving the global esports community where fans and customers are able to bet, watch, and chat in a safe environment. Luckbox serves the single largest revenue category in esports today and derives its revenue from one of the most promising verticals in the esports industry. The Proposed Qualifying Transaction is an arm's-length transaction and will constitute the Company's "Qualifying Transaction", as such term is defined in the CPC Policy. The Resulting Issuer will be the parent entity of Luckbox upon Completion of the Proposed Qualifying Transaction. Completion of the Proposed Qualifying Transaction is subject to a number of conditions and there can be no assurance that it will be completed as proposed or at all.

On October 23, 2020, the Company formed a wholly-owned subsidiary, Elephant Hill Sub, under the laws of the Isle of Man.

On November 3, 2020, the Company announced that it entered into the Business Combination Agreement, dated November 2, 2020. Pursuant to the Business Combination Agreement, the parties will affect a scheme of merger in accordance with the laws of the Isle of Man, and each shareholder of Luckbox will each receive one Company Share

for each Luckbox Share held. In addition, the other outstanding securities of Luckbox including various options and warrants will be exchanged for an equivalent security of the Company. See “*Information Concerning Luckbox – General Development of the Business of Luckbox – Soft launch, COVID-19, Further Funding and RTO Offering*”. The Proposed Qualifying Transaction is expected to constitute a “Qualifying Transaction” of the Company pursuant to the CPC Policy, subject to Exchange approval; and upon completion thereof, the Company will be a Tier 2 Technology Issuer.

RISKS AND UNCERTAINTIES

The Company does not have a history of earnings, nor has it paid any dividends. The Company has only limited funds and there is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company’s shares from trading.

SELECTED FINANCIAL INFORMATION

The Company was incorporated on January 15, 2018 and was not yet a “Reporting Issuer” pursuant to applicable securities legislation until April 24, 2018, the date of the final receipt for the Company’s prospectus as issued by the securities regulatory authorities of Alberta, British Columbia and Saskatchewan, thereby becoming a “Reporting Issuer” in each of the Provinces of Alberta, British Columbia and Saskatchewan.

The following table is a summary of selected annual financial information (in Canadian dollars) derived from the Company’s audited financial statements prepared in accordance with IFRS:

Selected Annual Financial Information

		December 31, 2019	December 31, 2018
Total assets	\$	381,313	431,385
Total liabilities	\$	15,832	14,797
Net loss and comprehensive loss for the period	\$	(51,107)	(130,983)
Basic and diluted net loss per share for the period	\$	(0.01)	(0.05)
Weighted average number outstanding		5,000,000	2,842,857

Selected Quarterly Financial Information

The figures for the quarters ended December 31, 2019 and December 31, 2018 are derived from the Company’s audited annual financial statements. All other quarterly figures are derived from the Company’s unaudited condensed interim financial statements.

Period ending	Quarter	Comprehensive loss	Basic and fully diluted loss per share	Total Assets
June 30, 2020	Q2	(58,818)	(0.01)	309,957
March 31, 2020	Q1	(\$47,777)	(0.01)	\$325,806
December 31, 2019	Q4	(\$20,247)	(0.00)	\$381,313
September 30, 2019	Q3	(\$3,878)	(0.00)	\$387,652
June 30, 2019	Q2	(\$8,626)	(0.00)	\$394,506
March 31, 2019	Q1	(\$18,758)	(0.00)	\$418,228

Period ending	Quarter	Comprehensive loss	Basic and fully diluted loss per share	Total Assets
December 31, 2018	Q4	(\$49,033)	(0.01)	\$431,385
September 30, 2018	Q3	(\$29,599)	(0.01)	\$441,792
June 30, 2018	Q2	(\$52,351)	(0.01)	\$475,790

The Company acknowledges that there can be material fluctuations in quarterly results. In the above table, large variances in quarterly results are primarily due to the additional transfer agent, filing and professional fees in connection with the Initial Public Offering transaction which took place in the quarter ending June 30, 2018.

RESULTS OF OPERATIONS

During the six months ended June 30, 2020 the Company incurred a loss of 106,595 which related primarily to regulatory filing and transfer agent fees, due diligence reviews, professional fees related to earlier Qualifying Transactions' letters of intent that were terminated and ongoing office and administration costs.

Expenses for the six months ended June 30, 2020 were \$106,595 compared to \$27,383 for the six months ended June 30, 2019:

- General and administration fees increased to \$16,863 in 2020 from \$10,373 in 2019 primarily due to administration costs related to the evaluation of two proposed Qualifying Transactions.
- Professional fees increased to \$84,295 in 2020 from \$7,213 in 2019 due to costs incurred to evaluate two proposed Qualifying Transactions and legal fees related thereto.

OUTSTANDING SHARE DATA

Common Shares

As at November 27, 2020, and the date of this management's discussion and analysis the Company had 7,000,000 Company Shares issued and outstanding.

Stock Options

At November 27, 2020, there were 700,000 Company Options outstanding entitling the holders thereof the right to purchase one Company Share for each Company Option held as follows:

Numbers of Company Options outstanding:	Exercise price	Expiry Date
Company Options - 700,000	\$ 0.10	June 15, 2023

LIQUIDITY AND CAPITAL RESOURCES

The Company completed its Initial Public Offering as a CPC. The Company received net proceeds of \$390,703, gross proceeds of \$500,000 less share issuance costs of \$112,351, representing the issuance of 5,000,000 Company Shares at an issuance price of \$0.10. Until the completion of a "Qualifying Transaction" (as such term is defined in the CPC Policy), not more than 30% of the gross proceeds from the sale of all securities issued by the Company, totaling \$180,000 can be used for purposes other than noted above.

The Company received \$100,000 in founder subscriptions representing the issuance of 2,000,000 Company Share at an issuance price of \$0.05 per share from four individuals.

As at June 30, 2020, the Company had working capital of \$258,886 comprised significantly of cash which management considers sufficient for the Company to meet its ongoing obligations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTY

The Company incurred the following expenses by directors and officers of the Company during the six months ended June 30, 2020 and 2019:

	For the six months ended June 30,	
	2020	2019
Share-based compensation	\$ -	\$ -
	\$ -	\$ -

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no new accounting standards or amendments adopted during the six months ended June 30, 2020.

Accounting standards and amendments that are mandatory for accounting periods beginning on or after January 1, 2018 are disclosed in Note 3 to the audited annual financial statements for the period ended December 31, 2019 and are not expected to have a significant effect on the Company's future results and financial position.

CRITICAL ACCOUNTING ESTIMATES

This management's discussion and analysis is based on the financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Company Options have characteristics significantly different from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

CAPITAL RISK MANAGEMENT

The Company's capital currently consists of Company Shares. The Company defines capital as total equity which was \$258,886 at June 30, 2020. Its principal source of cash is from the issuance of Company Shares. The Company's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

Subsequent to the Initial Public Offering, proceeds raised from the issuance of Company Shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lessor of 30% of the gross proceeds from the issuance of shares issued in the Initial Public Offering may be used to cover prescribed

costs of issuing the Company Shares or administrative and general expenses of the Company. These restrictions apply until the completion of a “Qualifying Transaction” as such term is defined in the CPC Policy.

4. Description of the Securities

The authorized capital of the Company consists of an unlimited number of Company Shares without nominal or par value. As of the date of this Filing Statement, 7,000,000 Company Shares were issued and outstanding as fully paid and non-assessable shares and 700,000 Company Shares had been reserved for issuance pursuant to the exercise of Company Options that have been granted to current Insiders of the Company. Pursuant to the Business Combination Agreement the Company will complete the Consolidation resulting in 1,666,666 Common Shares outstanding, 166,666 Company Options immediately prior to giving effect to the Proposed Qualifying Transaction.

The holders of the Company Shares are entitled to receive notice of and attend any meeting of the Company’s shareholders and are entitled to cast one vote for each Company Share held. The holders of the Company Shares are entitled to receive dividends, if, as and when declared by the board of directors of the Company and to receive a proportionate share, on a per share basis, of the assets of the Company available for distribution in the event of a liquidation, dissolution or winding-up of the Company.

5. Stock Option Plan

The Company has adopted the Option Plan, which provides that the board of directors of the Company may, from time to time, in its discretion and in accordance with the Exchange Requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase Company Shares with such vesting limitations which may be imposed by the Board in its sole unfettered discretion at the time that such Option is granted, provided that the number of Company Shares reserved for issuance will not exceed 10% of the issued and outstanding Company Shares. Such Company Options will be exercisable for a period of up to 5 years from the date of grant. The number of Company Shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding Company Shares, the number of Company Shares reserved for issuance to any one consultant will not exceed 2% of the issued and outstanding Company Shares and the number of Company Shares reserved for issuance to persons employed to provide investor relations services will not exceed 2% of the issued and outstanding Company Shares. Under the Option Plan, Company Options may be exercised by the later of 12 months after the Completion of the Proposed Qualifying Transaction and no later than 90 days following cessation of the optionee's position with the Company (provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option). Any Company Shares acquired pursuant to the exercise of Company Options prior to the Completion of the Proposed Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

Pursuant to the Option Plan, 700,000 Company Options were granted to the directors and officers of the Company and were qualified for distribution pursuant to the Company’s Initial Public Offering. The exercise price of such Company Options is \$0.10, being the identical price per Company Share as those that were issued pursuant to the Company’s Initial Public Offering. The directors determined \$0.10 to be a fair exercise price.

All of the foregoing 700,000 Company Options were granted to the Company’s directors and officers at the time of completion of the Initial Public Offering in accordance with Exchange Requirements, as set forth below. The exercise price for those Company Options must be paid in full upon exercise of the Company Option. All Company Shares acquired by Non-Arm’s Length Parties pursuant to the exercise of Company Options prior to the Completion of the Proposed Qualifying Transaction must be deposited in escrow and may only be released in accordance with the escrow provisions of the CPC Policy.

	Number of Company Shares Under Option	Exercise Price Per Company Share	Expiry Date ⁽¹⁾
Mohammad Fazil	315,000	\$0.10	June 15, 2023
Sarshar Ahmad	175,000	\$0.10	June 15, 2023

	Number of Company Shares Under Option	Exercise Price Per Company Share	Expiry Date⁽¹⁾
Jonathan Gilbert	175,000	\$0.10	June 15, 2023
Eamon Hurley	35,000	\$0.10	June 15, 2023
Total	700,000		

Note:

- (1) The expiry date is subject to earlier termination pursuant to terms contained in the stock option agreement, which stipulate that following the cessation of office or position, such Company Options may be exercised by the later of twelve (12) months after the Completion of the Proposed Qualifying Transaction and ninety (90) days following cessation of the optionee's position with the Company; provided, however, that if the cessation of office, directorship or technical consulting arrangement was by reason of death, the Company Options may be exercised within a maximum period of one year after such death, subject in all instances to the expiry date of such Company Option.

6. Prior Sales

Since the date of incorporation, 7,000,000 Company Shares have been issued as follows:

Date	Number of Company Shares	Issue Price Per Company Share	Aggregate Issue Price	Nature of Consideration Received
January 23, 2018	2,000,000 ⁽¹⁾	\$0.05	\$100,000	Cash
June 15, 2018	5,000,000	\$0.10	\$500,000	Cash

Notes:

- (1) All of these Company Shares are subject to escrow. See *"Information Concerning the Resulting Issuer – Escrowed Securities"*.

7. Stock Exchange Price

The outstanding Company Shares are listed on the Exchange under the trading symbol "EH.P". The Company Shares were listed on the Exchange on June 15, 2018, and commenced trading on the Exchange on June 20, 2018. The following table sets forth the high and low sales prices and trading volumes of board lots of Company Shares as reported by the Exchange from June 2018 to the date of this Filing Statement:

	High (\$)	Low (\$)	Volume (Shares)
2018			
June	\$0.12	\$0.105	108,000
July – September	\$0.15	\$0.09	170,000
October - December	\$0	\$0	0
2019			
January – March ⁽¹⁾	\$0.10	\$0.10	120,000
April – June	\$0.10	\$0.08	316,600
July – September	\$0.08	\$0.05	70,000
October – December	\$0.07	\$0.05	151,000
2020			
January – January 10, 2020 ⁽²⁾	\$0.10	\$0.085	150,000
January 11 - November 27, 2020	--	--	--

Notes:

- (1) Trading on the Exchange commenced on June 20, 2018. The stock was halted on August 15, 2018, to March 20, 2019, in connection with a Proposed Qualifying Transaction that was subsequently cancelled.
- (2) The stock was halted on January 10, 2020, in connection with a Proposed Qualifying Transaction that was subsequently cancelled, but remained halted in connection with the Proposed Qualifying Transaction with Luckbox.

8. Arm's Length Transaction

The Proposed Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction.

9. Legal Proceedings

The Company has not been, and is not presently involved in, any legal proceedings material to it and insofar as it is aware, no such proceedings are contemplated.

10. Auditor, Transfer Agent and Registrar

10.1 Auditor

The Company's current auditors are Manning Elliott LLP, whose principal office is located at 1700, 1030 W. Georgia St., Vancouver, BC V6E 2Y3.

10.2 Transfer Agent and Registrar

The Company's current transfer agent and registrar is TSX Trust Company with an office located at 10th floor, 300-5th Avenue SW, Calgary, AB T2P 3C4.

11. Material Contracts

The Company has not entered into any material contracts, outside of the ordinary course of business, prior to the date hereof, other than:

1. An Agency Agreement dated as of April 23, 2018, between the Company and Chippingham Financial Group Limited in connection with the Company's Initial Public Offering;
2. An Escrow Agreement dated as of April 2, 2018, among the Company and TSX Trust Company;
3. A Transfer Agency and Registrarship Agreement dated as of January 31, 2018, between the Company and TSX Trust Company;
4. The Company's Stock Option Plan dated as of April 1, 2018; and
5. The Business Combination Agreement dated November 2, 2020, between the Company and Luckbox in connection with the Proposed Qualifying Transaction.

Copies of these material contracts will be available for inspection without charge at the registered office of TingleMerrett LLP at 1250, 639 – 5th Ave. SW, Calgary, Alberta, T2P 0M9 during ordinary business hours from the date hereof until the Closing and for a period of 30 days thereafter.

INFORMATION CONCERNING LUCKBOX

1. Corporate Structure

1.1 Name and Incorporation

Luckbox was incorporated under the *Companies Act 2006* (Isle of Man) on April 25, 2019. Luckbox's Articles of Association were replaced in their entirety on October 30, 2019, and they were amended on June 26, 2020 eliminating any specific founder rights and protections.

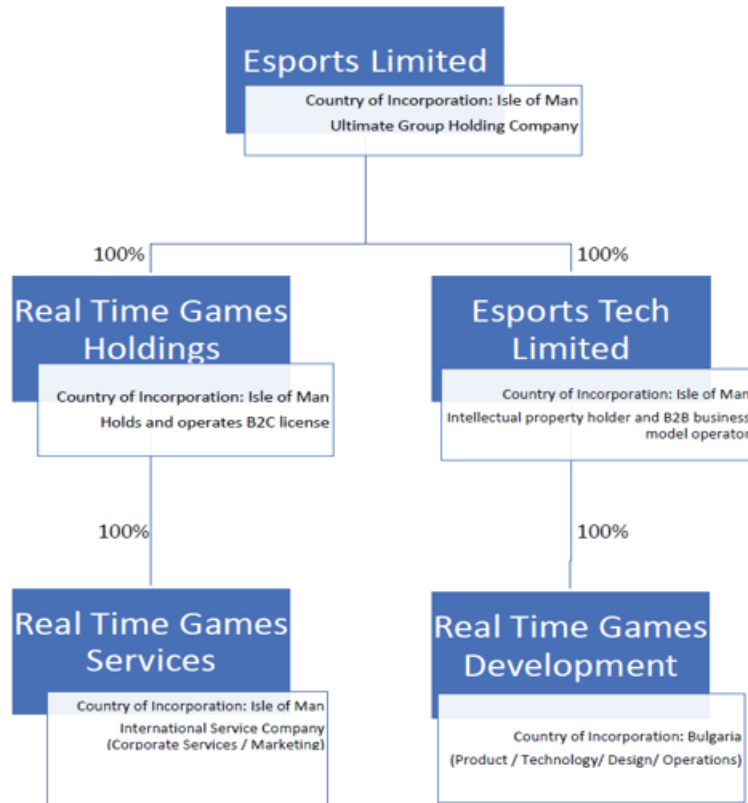
The registered and principal office of Luckbox is located at First Floor, Millenium House, Victoria Road, Douglas, Isle of Man, IM2 4RW.

1.2 Intercorporate Relationships

Luckbox has two wholly-owned subsidiaries, both incorporated under the *Companies Act 2006* (Isle of Man): Esports Tech Limited ("**ETL**") incorporated on April 25, 2019 and Real Time Games Holdings Limited ("**RTGH**") incorporated on September 4, 2016. RTGH holds the current gaming licence (the "**IOM Licence**") utilized in the business of Luckbox issued by the Isle of Man Gambling Supervision Commission (the "**IOM Regulator**") pursuant to the *Online Gambling Regulation Act 2001* (Isle of Man), as amended. See "*General Development of the Business of Luckbox*" below.

Real Time Games Services Ltd. ("**RTGS**") was incorporated under the *Companies Act 2006* (Isle of Man) on October 26, 2017. RTGS is a wholly-owned subsidiary of RTGH and provides marketing, operational, and development services to RTGH.

ETL will be the company that manages the future Business-to-Business (B2B) business once this is launched, likely in 2021. It has a wholly-owned subsidiary Real Time Games Development Limited ("**RTGD**") which was incorporated under the *1991 Commerce Act of Bulgaria* (Bulgaria) on November 22, 2017, which provides operational and development services for RTGH and RTGS having developed the group's technology platform ("**Platform**") (see "*Narrative Description of the Business - Principal Products and Services*" for more details).



On January 1, 2018, RTGH signed an intercompany agreement with RTGS for the latter to provide accounting and finance services, legal support, human resources, marketing services, administrative services and other services as may be required from time to time and requested or required by RTGH. These services are provided by RTGS to RTGH on a cost plus 5% basis.

On August 1, 2018, RTGS signed an intercompany agreement with RTGD for RTGD to provide software development services, information technology infrastructure services, network management services, and other services as may be required from time to time and requested or required by RTGS. These services are provided by RTGD to RTGS on a cost plus 5% basis, other than with respect to services provided under the intercompany agreement by third parties, which are charged at market rates.

2. General Development of the Business of Luckbox

2.1 History

2.1.1 Company Vision and Licence

Luckbox's two founders, Lars Lien and Mike Stevens, founded Luckbox with the objective to become a global leader in esports betting with the intent for Luckbox to build a fully compliant, fully licenced, legitimate gaming platform where players engage with fellow esports fans and bet on their favourite games in a safe, secure and regulated environment.

RTGH applied for the IOM Licence on December 21, 2017, which is widely considered to be one of the world's premier gaming licences. RTGH received the IOM Licence from the IOM Regulator on April 26, 2018, and the IOM Licence will expire on April 25, 2023; subject then to being renewed by the IOM Regulator. The IOM Licence provides for Luckbox to, among other things, be permitted to operate an online casino and other casino games and

operate an online, general betting book with fixed odds using the domain name www.luckbox.com for the duration of the IOM Licence. See “*Narrative Description of the Business*” below.

2.1.2 Seed Funding and Early Stage Product Development

Mr. Lien and Mr. Stevens, are veterans in the industry having previously worked for a large and well known gaming business, PokerStars (an online poker brand now owned by publicly-traded Flutter Entertainment PLC (“**Flutter**”). Mr. Lien and Mr. Stevens left PokerStars and began working on Luckbox in April 2016 with a mission to create a fully licenced esports betting platform allowing gamers around the globe to watch and bet on esports events. Luckbox began recruiting early talent by providing equity compensation. Some of Luckbox’s early hires include Alexander Ivanov as Chief Technology Officer of RTGH from GosuGamers (a leading esports content platform), Dimitar Pavlov as Vice-President of Development of RTGH from Black Bear Development and Lee Hills as a regulatory advisor to RTGH. Mr. Hills is an industry expert in licencing and regulatory affairs from SolutionsHub Ltd. It was the recruitment of this talent that helped Luckbox secure its initial funding.

Before Luckbox was incorporated, RTGH was the ultimate parent company of the group. On September 1, 2017, a company outside of the Luckbox group, Luckbox Limited (“**LBX**”), initiated a loan facility to RTGH (the “**LBX Loan**”). The aggregate value of funds drawn down by RTGH under the LBX Loan was £6,098,646 (the “**LBX Loan Proceeds**”).

With the initial funding secured, RTGH set about developing a globally competitive Business-to-Consumer (B2C) esports betting platform. To facilitate this development, RTGS began scaling a management team that had a wealth of experience in both the gaming and esports industries, including hiring Quentin Martin as Chief Operations Officer on April 1, 2018.

On October 23, 2018, RTGH joined the Esports Integrity Commission (“**ESIC**”) as part of its commitment to offering players a safe and secure way to bet on their favourite esports matches and events. ESIC is a non-profit industry renowned, independent body established in 2016 that aims to protect the integrity of esports, including working with betting operators to safeguard players, combat cheating and educate audiences. The ESIC’s over 45 members include tournament operators, betting operators, government bodies and high profile technology companies.

On May 13, 2019, RTGH and LBX subsequently agreed that RTGH be permitted to repay the LBX Loan Proceeds by converting (the “**LBX Loan Conversion**”) the LBX Loan Proceeds into an amount of Ordinary shares in the capital of RTGH equal 20% of RTGH’s issued and outstanding share capital at the time of the LBX Loan Conversion. The LBX Loan Conversion resulted in 2,000 Ordinary shares in the capital of RTGH being issued to LBX.

2.1.3 Soft launch, COVID-19, Further Funding and RTO Offering

In working with the IOM Regulator to ensure that the Platform was fully compliant, RTGH was awarded the full IOM Licence by the IOM Regulator on April 26, 2018. The IOM Licence is valid until April 25, 2023. The IOM Licence provides that Luckbox (through RTGH) is, among other things, permitted to operate an online casino and other casino games and operate an online, general betting book with fixed odds using the domain name www.luckbox.com (the “**Esportsbook**”) for the duration of the IOM Licence. Luckbox currently only utilizes the IOM Licence to operate an esports betting business on the Platform. See “*Narrative Description of the Business*” below.

RTGH soft-launched the Esportsbook and began accepting depositing customers on April 25, 2019.

Also on April 25, 2019, Luckbox and ETL were incorporated. RTGD, which used to be wholly-owned by RTGS became wholly-owned by ETL (the acquisition was initiated on August 30, 2019 and completed on April 15, 2020) and RTGH became wholly-owned by Luckbox, which became the new holding company and new ultimate parent company of the group. The purpose for this structural change was to ensure that ETL would own the Platform, and that it was distinct from RTGH, the licensed entity, so that investors that can only invest in non-gaming businesses could invest into ETL as a technology platform provider.

On September 8, 2019, Luckbox issued a \$2,250,000 convertible note (the “**Avatar Note**”) to Avatar One E-Sports Capital Corp. (“**Avatar**”). The Avatar Note was converted on September 30, 2020 into a total of 10,714,298 Luckbox Ordinary Shares with a par value of £0.01 each (each, a “**Luckbox Share**” and, collectively, the “**Luckbox Shares**”) in the capital of Luckbox at a deemed price of \$0.21 per Luckbox Share prior to the Proposed Qualifying Transaction. A further 90,000 Luckbox Shares were issued as per a finder’s fee arrangement upon the issuance of the Avatar Note at a price of \$0.21 per Luckbox Share. See “*Appendix ‘B’ – Financial Statement and MD&A for Esports Limited*”.

On October 21, 2019, the Esportsbook was nominated for Esports Betting Operator of the Year by the SBC Awards.¹

On November 30, 2019 and December 20, 2019, Luckbox, in conjunction with a brokered private placement of 3,085,339 units and a concurrent non-brokered private placement of 190,476 units, each of which closed in two tranches, issued 3,275,815 units with an issue price of \$0.42 per unit for aggregate gross proceeds to Luckbox of \$1,326,000 (the “**Pre-RTO Offering**”). The units were comprised of 3,275,815 Luckbox Shares and 1,637,907 whole warrants to purchase Luckbox Shares at an exercise price of \$0.63 for a period of 24 months from the Closing (each, a “**Luckbox Subscriber Warrant**”, and, collectively, the “**Luckbox Subscriber Warrants**”). In connection with the brokered portion of the Pre-RTO Offering, Luckbox: (i) entered into an agency agreement dated November 29, 2019 (the “**Pre-RTO Agency Agreement**”) with the broker, Gravitas Securities Inc. (“**Gravitas**”); and (ii) paid Gravitas a cash commission of \$87,220 (equal to 7% of the gross proceeds of the brokered portion of the Pre-RTO Offering); and (iii) issued to Gravitas a further 119,048 Luckbox Shares and 221,000 broker warrants (each, a “**Pre-RTO Broker Warrant**” and, collectively, the “**Pre-RTO Broker Warrants**”) equal to 7% of the aggregate number of units sold pursuant to the brokered portion of the Pre-RTO Offering. Each Pre-RTO Broker Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per Pre-RTO Broker Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit is comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing. See “*Appendix <@> – Financial Statement and MD&A for Esports Limited*” and “*Information Concerning the Resulting Issuer - Pro Forma Consolidated Capitalization – Fully Diluted Share Capital*”.

On March 9, 2020, Mr. Lien resigned as Chief Executive Officer of Luckbox and Quentin Martin was promoted to the role internally.

On May 14, 2020, Luckbox purchased 2,000 Ordinary shares in the capital of RTGH from LBX in exchange for the issuance to LBX of 1,801,394 Luckbox Shares. The result of this share exchange made RTGH a wholly-owned subsidiary of Luckbox again. See “*Corporate Structure - Intercorporate Relationships*” above.

On May 20, 2020, Luckbox announced a 500% increase in bets wagered since November 2019, as well as similar uplift of other key performance indicators (“**KPIs**”). This increase was attributed to recent changes in strategic direction, personnel changes, the start of marketing spend and the impacts of the outbreak of the novel coronavirus (“**COVID-19**”) and the subsequent global COVID-19 pandemic. As at the date hereof, the number of new customer registrations to the Platform has returned to pre-COVID-19 levels; however, the increase in new customers, and increased betting activity from existing customers, during the COVID-19 pandemic has been sustained and retained.

On June 19, 2020 and September 28, 2020, Luckbox, in conjunction with a brokered private placement of 9,866,187 subscription receipts and a concurrent non-brokered private placement 981,133 subscription receipts, each of which closed in two tranches, issued 10,847,320 subscription receipts (each, a “**Subscription Receipt**” and, collectively, the “**Subscription Receipts**”) for aggregate gross proceeds to Luckbox of \$4,555,874 (collectively, the “**RTO Offering**”). The RTO Offering was completed in connection with the Proposed Qualifying Transaction between Luckbox and the Company, previously announced in a press release of the Company dated May 13, 2020, which transaction is intended to constitute the Company’s “Qualifying Transaction” pursuant to the CPC Policy. In connection with the brokered portion of the RTO Offering, Luckbox entered into an agency agreement dated June 9, 2020 (the “**RTO Agency Agreement**”) with Gravitas and Beacon Securities Limited.

Under the terms of the RTO Offering, Luckbox issued the Subscription Receipts at a price of \$0.42 per Subscription Receipt (the “**RTO Offering Price**”), and the completion of the RTO Offering is a condition precedent to the

¹ <https://blog.luckbox.com/luckbox-in-the-running-for-prestigious-industry-award-41dfbd2188dc>

Proposed Qualifying Transaction. Each Subscription Receipt entitles the holder thereof to receive, upon satisfaction of the Escrow Release Conditions (as defined below) on or before the Escrow Release Deadline (as defined below), and without payment of additional consideration, one unit of Luckbox (each, a “**Sub Receipt Unit**” and, collectively, the “**Sub Receipt Units**”). Each Sub Receipt Unit will consist of one Luckbox Share (each, an “**Underlying Unit Share**” and, collectively, the “**Underlying Unit Shares**”) and one-half of one Luckbox Share purchase warrant (each whole warrant, an “**Underlying Unit Warrant**” and, collectively, the “**Underlying Unit Warrants**”), with each Underlying Unit Warrant being exercisable into one Luckbox Share at a price of \$0.63 for a period of 24 months from the date of the satisfaction of the Escrow Release Conditions.

Pursuant to the Proposed Qualifying Transaction, each Underlying Unit Share and Underlying Unit Warrant will be exchanged on an equivalent basis, without further consideration, for Common shares and warrants in the capital of the Company. The gross proceeds of the RTO Offering, less: (i) 50% of the Agents’ Fee (as defined below), which was paid to the agents on the brokered portion of the RTO Offering; and (ii) the expenses of the agents incurred in connection with the brokered portion of the RTO Offering, which were paid to the agents (collectively, the “**Escrowed Proceeds**”) were delivered to and held by Computershare Trust Company (the “**Escrow Agent**”), and invested pursuant the terms of a subscription receipt agreement (the “**Subscription Receipt Agreement**”), entered into by and between Luckbox, the agents, and the Escrow Agent on the closing date of the RTO Offering. The Escrowed Proceeds, together with all interest and other income earned thereon, are referred to herein as the “**Escrowed Funds**”. The remaining 50% of the Agents’ Fee will be released from escrow to the agents from the Escrowed Funds and the balance of the Escrowed Funds will be released from escrow to Luckbox upon satisfaction of escrow release conditions customary in a business combination transaction such as the Proposed Qualifying Transaction, including the following conditions: (i) the satisfaction or waiver of all conditions to the completion of the Proposed Qualifying Transaction (other than the release of the Escrowed Funds); (ii) conditional approval of the listing of the Resulting Issuer Shares on the Exchange; (iii) the receipt of all regulatory, shareholder and third-party approvals required in connection with the Proposed Qualifying Transaction; and (iv) the delivery of a release notice and direction to the Escrow Agent confirming that the escrow release conditions have been satisfied or waived (the “**Escrow Release Conditions**”) on or before 5:00 pm (Calgary time) on December 31, 2020 (the “**Escrow Release Deadline**”). See “*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*” and “*Appendix ‘C’ – Pro Forma Financial Statements*”.

In the event that: (i) the Escrow Release Conditions are not satisfied on or before the Escrow Release Deadline; or (ii) if prior to such time, Luckbox advises the agents or announces to the public that it does not intend to satisfy the Escrow Release Conditions, the Escrow Agent will return to holders of Subscription Receipts an amount equal to the aggregate RTO Offering Price of the Subscription Receipts held by them and their pro rata portion of any interest earned thereon. Luckbox will be responsible and liable to the holders of Subscription Receipts for any shortfall between the aggregate RTO Offering Price and the Escrowed Funds.

Pursuant to the terms of the RTO Agency Agreement, the agents on the brokered portion of the RTO Offering have received: (i) a cash commission equal to 8.0% of the aggregate gross proceeds from the brokered portion of the RTO Offering (together with cash commission equal to 6.0% of the aggregate number of Subscription Receipts sold pursuant to the second-tranche of the non-brokered portion of the RTO Offering) (the “**Agents’ Fee**”); (ii) 865,354 broker warrants (each, an “**RTO Broker Warrant**” and, collectively, the “**RTO Broker Warrants**”) equal to 8.0% of the aggregate number of Subscription Receipts sold pursuant to the brokered portion of the RTO Offering (together with an issuance of RTO Broker Warrants equal to 6.0% of the aggregate number of Subscription Receipts sold pursuant to the non-brokered portion of the RTO Offering). Each RTO Broker Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per RTO Broker Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). Additionally, Luckbox issued 544,032 Luckbox Shares to the agent in consideration for corporate finance fees payable to the agent in connection with the brokered portion of the RTO Offering. Pursuant to the Proposed Qualifying Transaction, each RTO Broker Warrant will be exchanged on an equivalent basis, without further consideration, for Common shares and warrants in the capital of the Resulting Issuer.

On July 10, 2020, Luckbox issued to Expoworld Ltd. a non-interest-bearing \$500,000 convertible note (the “**Expoworld Note**”). The Expoworld Note will convert upon the same terms as the Subscription Receipts upon the closing of Proposed Qualifying Transaction and, upon conversion of the Expoworld Note, the noteholder will receive

units of Luckbox. Each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). If the Proposed Qualifying Transaction does not close by the Escrow Release Deadline, the Expoworld Note will continue to be outstanding as a debt owed by Luckbox to the noteholder. In connection with a finder's fee arrangement with respect to the Expoworld Note, Luckbox issued to Gravitas a further 59,524 Luckbox Shares and 29,762 Luckbox Subscriber Warrants (exercisable at \$0.63 for a period of 24 months from the Closing) and 95,238 Luckbox share purchase warrants (each, an "**Luckbox Advisory Warrant**" and, collectively, the "**Luckbox Advisory Warrants**"), each Luckbox Advisory Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per Luckbox Advisory Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). Pursuant to the Proposed Qualifying Transaction, each Luckbox Advisory Warrant will be exchanged on an equivalent basis, without further consideration, for warrants in the capital of the Company. See "*Information Concerning the Resulting Issuer - Pro Forma Consolidated Capitalization – Fully Diluted Share Capital.*"

In connection with the Proposed Qualifying Transaction it is intended, among other things, that: (i) the Subscription Receipts will be converted, without additional consideration or further action, into Sub Receipt Units, with each Sub Receipt Unit consisting of one Underlying Unit Share and one-half of one Underlying Unit Warrant; (ii) all outstanding securities of Luckbox, including the Underlying Unit Shares and Underlying Unit Warrants, will be exchanged, without additional consideration or further action, for equivalent securities of the Resulting Issuer on a 1:1 basis, and, the Company will change its name to "Esports Holdings Limited" or such other name as the Company and Luckbox may determine. The Underlying Unit Warrants will be issued pursuant to the terms of a warrant indenture (the "**Warrant Indenture**") entered into on June 9, 2020 between Luckbox and Odyssey Trust Company (the "**Warrant Agent**").

On November 20, 2020, Luckbox issued to Expoworld Ltd. a further non-interest-bearing \$1,000,000 convertible note (the "**Second Expoworld Note**"). The Second Expoworld Note will convert upon the same terms as the Subscription Receipts upon the closing of Proposed Qualifying Transaction and, upon conversion of the Second Expoworld Note, the noteholder will receive units of Luckbox. Each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). If the Proposed Qualifying Transaction does not close by the Escrow Release Deadline, the Second Expoworld Note will continue to be outstanding as a debt owed by Luckbox to the noteholder. In connection with a finder's fee arrangement with respect to the Second Expoworld Note, Luckbox issued to Gravitas a further 125,000 Luckbox Shares and 62,500 Luckbox Subscriber Warrants (exercisable at \$0.63 for a period of 24 months from the Closing) and 192,857 Luckbox Advisory Warrants, each Luckbox Advisory Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per Luckbox Advisory Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). Pursuant to the Proposed Qualifying Transaction, each Luckbox Advisory Warrant will be exchanged on an equivalent basis, without further consideration, for warrants in the capital of the Company. See "*Information Concerning the Resulting Issuer - Pro Forma Consolidated Capitalization – Fully Diluted Share Capital.*"

2.2 Significant Acquisitions and Dispositions

Luckbox has not completed any significant acquisitions or dispositions for which financial statements would be required under National Instrument 41-101 – *General Prospectus Requirements*.

3. Narrative Description of the Business

The following disclosure contains forward-looking statements, including with respect to Luckbox's business objectives and milestones upon completion of the Proposed Qualifying Transaction. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth elsewhere in this Filing Statement that could cause results to differ materially from those described or anticipated in such forward- looking statements. See "*Information Concerning the Resulting Issuer –Risk Factors*".

3.1 Overview

Luckbox is an emerging esports betting operator with the ambition to become a leader in esports betting. As at the date hereof, Luckbox has developed a technology platform and created a single offering, namely, an online, general betting book with fixed odds to bet on esports. The IOM Licence enables Luckbox to offer multiple other forms of gaming and the intention is to add both traditional sports betting and casino to the Platform within the next 12 months.

Luckbox has assembled a management team with a proven track record of delivering profitable gaming businesses. The existing structure of the business allows the building of the Platform, a major long-term asset - particularly the front end which is entirely bespoke. To deliver this, Luckbox, via RTGD, maintains a full modern, agile product and technology team in its largest office in Plovdiv, Bulgaria. All marketing, risk management, fraud, security and customer support - all the customer facing elements of a sportsbook - are done in-house to ensure a fully end-to-end serviced brand experience. See “*Narrative Description of the Business - Operations*” below.

Details of the Platform and the Esportsbook, as well as strategic insight into what was chosen to be in-house and what Luckbox outsourced for development purposes, can be found in “*Narrative Description of the Business - Operations - Principal Products or Services*” below.

3.1.1 What is Esports; What is Esports Betting?

Esports are professional video game tournaments. Much like tennis and football, there are multiple games at the highest level of competition - including Fortnite®, League of Legends®, Counter-Strike®, DOTA2®, FIFA®, among others. Professional gamers and social media influencers have built a global fan base through various streaming services such as Twitch®, YouTube®, and Facebook®. Professional esports teams mirror the structure of traditional sports teams.

The first ever esports tournament took place at Stanford University in 1972, though tournaments with prizepools greater than USD \$1,000,000 started in the 2000s and the largest prizepool at time of writing was for the DOTA2 International 2019 – USD \$34,330,068².

There are coaches, dietitians, psychologists, sponsors, merchandise and marketing managers, among other roles. Esports tournaments have sold-out the most prestigious stadiums in the world, such as Madison Square Garden, Arthur Ashe Stadium and Barclays Center.

The video-gaming industry is now omnipresent globally. Consumer spending globally on videogames alone (content, hardware, accessories) is expected to reach \$180 billion by 2021 and 256 billion by 2025. There are currently more than 2.5 billion video gamers around the world. The average gamer is 34 years old, with 70% of gamers aged 18 or older, and 60% of Americans play video games daily. In addition, esports tournaments draw large cash prizes. At “The International 2019” esports tournament, there was a \$21.9 million prize for first place, which was the largest cash prize in esports history.³

Much like betting on traditional sports, people choose to bet on esports. The esports betting market is forecast to have \$18.1 billion wagered in 2020.⁴

3.2 Principal Products or Services

The Platform

In conjunction with the application for the IOM License in September 2017, the board and management of RTGH determined that the development of its betting platform would be built on a strategic vision stated simply as ‘esports

²<https://www.ispo.com/en/markets/history-origin-esports>; https://liquipedia.net/dota2/The_International/2019

³ Statistics for this paragraph - <https://techjury.net/stats-about/video-game-demographics/#gref>

⁴ The State of Esports Betting, EveryMatrix research report dated May 6, 2020

betting done right'. Core to this strategic vision was a focus on protecting the customer at all costs, not only to preserve their user experience but to prevent underage gaming, problem gaming, and to protect player funds. Further, the board of RTGH identified the group's core values as authenticity, caring, challenging and integrity.

In addition, the RTGH board identified three key requirements early (relying on market research) for its betting platform, which are: (i) esports bettors wanted a dedicated, modern user experience and user interface; (ii) in order to succeed it would be necessary to offer betting on as close to 100% of all esports matches as possible; and (iii) the platform needed to support multiple-currencies.

None of the standard B2B esports betting platforms available for Luckbox to consider as suppliers at the time could meet all three requirements. After a lengthy due diligence and business development period, the board of RTGH determined that the best solution for each element could be achieved through either commercial arrangements with third party suppliers or through developing bespoke solutions in house. RTGH retained the services of a best-of-breed third party supplier to develop the Platform's player account management system (the "PAM") on August 15, 2018. RTGH retained the services of a best-of-breed third party supplier to develop the Platform's payments and sportsbook solution on November 1, 2018. RTGH, for its contribution to achieving the best solution for each element, focused on developing the underlying Platform itself as well as a fully bespoke user interface.

The Platform's current infrastructural setup is the result of two years of iterative improvements, a steady increase in automation and continuous monitoring and inspection. In production, the Platform now has a fully-featured and self-hosted private cloud, running on Luckbox's own hardware servers, located in a best-of-breed third party datacenter on The Isle of Man. It is composed of two server clusters. The first being a Kubernetes-based compute cluster, and the second being a Ceph-based storage cluster.

The Luckbox custom-built proprietary software stack consists of a number of inter-connected, fully autonomous microservices, orchestrated in a dynamic information network that can easily be scaled to accommodate various usage patterns. Considered as a whole, the collection of microservices is consumed through the facade of a unified back-end information and data service by the front-end. This culminates in a single-page web application with full mobile support and rich customer user interface.

The technological stack is based primarily on JavaScript programming language and related technologies. All of Luckbox's back-end microservices are implemented using the NodeJS JavaScript runtime environment, while the Luckbox front-end application is built using the ReactJS library.

Luckbox's proprietary software enables the usage of external third-party data and service providers in a way, which prevents vendor lock-in and allows for straightforward service interchangeability. Luckbox can do that by effectively providing an "insulation" abstraction layer around the external providers' systems. Translating external concepts to an internal domain language on a software architecture level is key to preventing restrictive dependencies to third-parties. In addition, for each third-party provider, Luckbox has built a custom and proprietary API integration mechanism, which allows the Platform to consume the external services in an optimal and flexible way.

See "*Narrative Description of the Business - Operations*" below for a detailed explanation of the platform features that restrict participation from customers from the restricted list as well as software protections for customer fraud, anti-money laundering, countering the financing of terrorism, and customer verification.

Esportsbook

Management of Luckbox believes that the quality of the products and services to be offered by Luckbox is paramount to its success. Luckbox currently only offers its Esportsbook, fixed odds esports betting, as its sole product vertical on the Platform. Luckbox routinely has one of the broadest offerings, if not the broadest among its competitors, with respect to the number of matches that can be bet upon, and the number of betting markets for each match. This broad offering is coupled with the ability for participants to watch the streams, chat and bet on 80%+ of in-play (meaning they are being played live) matches in real time on both desktop and mobile.

When customers visit our website, they register their personal details, pass multiple internally run background customer verification checks, deposit money to their new account by their preferred payment method, find the match they want to bet on, maybe watch the live stream while deciding what particular market to bet upon, select it, choose how much they want to wager, and place a bet. The bet immediately appears in their bet history with all details including how much they could win, and, when the particular betting market resolves, they will either win or lose. Whenever they like, assuming they have met all regulatory and security requirements, they can withdraw the money from their account using the same method with which they deposited it.

All customer data is protected in accordance with the *Isle of Man Data Protection Act 2018* and the *General Data Protection Regulation ((EU) 2016/679)* as applied in the Isle of Man in accordance with the *Data Protection (Application of the GDPR) Order 2018*, the *Data Protection (Application of the LED) Order 2018* and the *GDPR and LED Implementing Regulations 2018* and all other legislation and regulatory requirements in force from time to time which apply to a party relating to the use of personal data (including, without limitation, the privacy of electronic communications) (collectively, the “**Data Protection Legislation**”). Luckbox respects each individual’s privacy and data protection rights and complies with its obligations under the Data Protection Legislation. To comply with the law, “**Personal Data**” (as defined under the Data Protection Legislation) must be collected and used fairly, retained for an appropriate period, stored safely and not be disclosed to any other person unlawfully. The Data Protection Legislation lays down strict rules about the way in which Personal Data is collected, accessed, used and disclosed. The Data Protection Legislation also permits individuals to access their Personal Data on request, and confer on individuals the right to have their Personal Data amended if found to be incorrect.

Almost all aspects of esports betting, aside from a drastically different target customer with different needs, are the same as those for traditional sports betting. Risk management is similar, though it requires deep expertise of the games in question. While the odds compilation process is similar across esports and traditional sports betting, esports betting is uniquely affected by the publishers of the games frequently updating their games in a way that does not impact traditional sports (the size of the goal in soccer does not change every few months, for example). Across both verticals, the fundamentals of a sportsbook engine are also the same.

Luckbox offers fixed odds esports betting. Fixed odds means that at the time the bet is placed, there is an exact probability, provided by Luckbox, and thus an exact payout. The risk is taken by Luckbox and is managed in-house by Luckbox’s risk management team.

Luckbox conducts its own risk management and has two primary risk management strategies. The first is player profiling. For example, customers who have a long history of betting with Luckbox on a variety of events tend to have higher betting limits, whereas a brand new customer who deposits \$10,000 and tries to bet it all on an obscure third tier qualifier league in Vietnam would be treated as highly suspicious and their bet amounts would be limited by the Platform. Along these lines, Luckbox will also manage player limits of players who abuse information that is not publicly available or, simply put, win too frequently. Secondly, risk is managed at an event level. For large events, where there is a lot of data available to ensure more robust odds and where the prize pools are large enough to ensure few, if any, integrity issues, Luckbox uses its highest betting limits; for smaller events, like regional qualifiers, where data is sparse and prize pools small, Luckbox uses much lower limits to mitigate risk.

Much of Luckbox’s risk management is automated with complex algorithms evaluating incoming bets and assessing bettor profiles, among other things. Luckbox’s risk managers manually review this data and can manually adjust variables and act as supervisors of the risk management solutions. Not only do these risk management procedures reduce risk, but they also serve to increase the margin, which in turn impacts revenue.

The Esportsbook is fully bespoke, built by RTGD. It has been translated into six languages (English, German, Portuguese, Russian, Spanish and traditional Chinese). It uses third party services that provide the esports data from which Luckbox built all of its esports statistic widgets, as well as the live streams. Luckbox uses the IOM Licence to operate the Esportsbook. Various third parties are used to meet the IOM Regulator’s ongoing customer verification (“KYC”) requirements. All risk management, operations (payments, security, customer support, responsible gaming), user acquisition, product, customer relationship management, design, information technology and human resources functions, necessary to support the Platform are currently conducted in-house. See “*Narrative Description of the Business - Operations*” below.

There are four key parts of the existing B2C Esportsbook and Platform that are outsourced. The Esportsbook outsources the PAM, the payment platform, the sportsbook engine, and the odds creation. With the exception of odds creation, and to a certain extent the sportsbook engine, Luckbox management believes the outsourcing of these elements is prudent. There is nothing unique to esports regarding the PAM needs, hence the decision by Luckbox to outsource to a best-of-breed third party supplier rather than to focus efforts on building out PAM functionality itself. Likewise for the Esportsbook's payment platform, Luckbox has retained the services a best-of-breed third party supplier. In the short-term, there are few unique characteristics to a sportsbook engine for esports. The sportsbook engine is the technology that takes inbound data about event timings and results, processes a bet with the player, odds, market, time and wager, and is capable of accurately processing potentially millions of bets in the same instance. Luckbox chose to use a best-of-breed third party supplier to speed up time to market. In the mid to long-term, however, as Luckbox expands into B2B, it may well be necessary to build, independently or through a joint venture, its own sportsbook engine to not only reduce third party operating costs, but also generate a competitive advantage through a dedicated focused engine of its own, the building of which will also add further value to the Platform.

Odds creation is a critical part of the esports betting experience as well as helping to further manage the sportsbook maker's risk. Odds are ideally engineered to attract equal interest on both sides of a betting line. There are currently a number of third party odds makers for esports. To be considered a leader in esports betting, it was essential that Luckbox have odds that covered as close to 100% of esports events as possible. The limitation of most of the third party odds providers in the market is that they often cover approximately half of the events. To get to market quickly and with as broad an offering as possible, Luckbox elected to use a best-of-breed third party supplier for their odds. However, as the company expands and seeks to scale, there is a desire to bring odds creation in-house. An in-house solution will not only reduce costs and help ensure the highest quality, but it will also enable Luckbox to control the only part of the esports betting value chain that it does not currently do in-house. Accordingly, Luckbox has the acquisition of an odds maker in this space and one of its key milestones in the next 24 months. See *"Information Concerning the Resulting Issuer – Narrative Description of the Business - Milestones"*.

In the second half of 2020, Luckbox expects to add both traditional sports betting and casino to the Platform. These will be additional products that will not require customers to provide additional information. Contracts with best-of-breed third party suppliers are already in place for both casino and traditional sports betting. Luckbox will provide traditional sports betting to its customers at no additional cost and third party casino games featured on the Platform will be operated on a revenue share basis. Luckbox management expects that each of these additional business lines should substantially increase customer LTV.

3.3 Brands

Luckbox has cultivated the brand 'Luckbox' (the Esportsbook), and the Resulting Issuer will be viewed as the provider of an authentic esports focused sports betting platform. The intellectual property for both the brand and the Platform are held by ETL. See *"Corporate Structure - Intercorporate Relationships"* above.

Luckbox expects to develop additional brands as it adds more products and services to its Platform and/or makes strategic acquisitions.

The strategic vision and core of the Luckbox brand is 'esports betting done right', which is embodied by Luckbox's value statements (authenticity, caring, challenging and integrity). Luckbox management believes this player-first focus and esports authenticity will differentiate Luckbox from larger gaming companies that are more focused on more traditional gaming products and with much older demographics. Most importantly, the premium, consistent quality of the Esportsbook is expected to be a real and tangible attribute that Luckbox expects will drive demand and create a sustainable competitive advantage.

3.4 Overview of Global Regulatory Environment and Gaming Licences

There are broadly two types of gaming licences in the world: (i) local; and (ii) multi-jurisdictional (or point-of-supply). Local licences are jurisdiction-specific and permit holders to offer gaming services to residents of that jurisdiction while preventing unlicensed entities from doing so. Currently there are over 30 jurisdictions which require a licence to provide gaming services to their respective residents, including the United Kingdom and Nevada.

Multi-jurisdictional licences enable gaming companies to operate in territories which do not expressly prohibit offshore gaming operators by relying on the well-established general principle of e-commerce and Internet law that deems online product offerings to take place where the operator's server and/or the operator itself is established and located. This principle is widely relied upon by offshore online gaming operators as well as by many other e-commerce businesses. See "*Information Concerning the Resulting Issuer –Risk Factors*" below.

3.4.1 *Summary of Global Regulations*

There are three different types of regulatory regime for gaming markets in the world:

- (i) Those where the offering of gaming services in all forms, and whether or not offered from inside or outside the jurisdiction, is expressly illegal.
- (ii) Those where the offering of gaming services is allowed only if the operator holds a local licence.
- (iii) Those where the laws do not expressly make it illegal for an entity located outside of the jurisdiction to operate offshore licenced gaming.

In general, local licences are costly (can be many millions of dollars per year). The benefits to local licences include strong player protections, good access to marketing channels and regulated mandatory payment processors. Also, the large upfront costs of acquiring a local licence, as well as the high maintenance costs, provide a substantial barrier to entry for competitors of incumbent licenced operators.

In contrast, multi-jurisdictional licences offer faster access to market. In some jurisdictions such as Curaçao, a licence may be acquired in as little as two weeks with relatively little compliance and regulatory measures. At the other end of the spectrum, licences from Malta and Isle of Man are similar to the strictest of local licences such as in the United Kingdom in the amount of compliance required, as well as player protections.

Luckbox chose to start with an IOM Licence for a number of reasons, including its reputation, legitimacy and its focus on player protections. See "*Narrative Description of the Business - Overview of Global Regulatory Environment and Gaming Licences - Isle of Man OGRA Licence*" below.

The table below compares various licence features across a UK local licence, a multi-jurisdictional licence in Curaçao and a multi-jurisdictional licence from the Isle of Man.

Important Features for a License	UK License	Curaçao License	Isle of Man License
Reach	Regional	Global	Global
Compliance Requirements	Very high	Low	High
Cost*	up to \$225,000	\$25,000	\$70,000
Setup Cost	\$2M-\$3M	\$500k	\$1M-\$2M
Setup Time	2-3 years	2 weeks ¹	1-2 years
Cost - Commision	15%	2%	Up to 1.5%
Corporate Tax	20%	2%	0%
Banking Options	Excellent	Poor	Good
Payment Processing	Excellent	Poor	Good
Scalability	Excellent	Poor	Good
Go-Public Likelihood	Excellent	Poor	Good
Tradesale Potential	Excellent	Poor	Good

Figure: A top-level comparison of the three key types of gambling licences⁵

Another key factor in the development of a gaming licence strategy is scalability. Multi-jurisdictional licences typically enable an operator to accept player registrations in approximately 30% of the world. To expand beyond this an operator would need to start acquiring local licences. The United Kingdom regional licence was originally modelled on the licences granted by the IOM Regulator, so for an experienced gambling management team, adding a stricter United Kingdom licence could be completed between 6 and 12 months. An operator with a Curaçao license would have a much harder transition to a stricter regional licence such as Sweden or the United Kingdom. Management estimates this could take such an operator several years.

As Luckbox expands its business, it intends to enter multiple additional licenced jurisdictions and has built its Platform with a view to facilitating the addition of new licences. Coupled with Luckbox's management team's experience working with over 20 regional licences, management believes the IOM Licence provides Luckbox with a key competitive advantage in being to add new licences more easily and more quickly than many of its competitors. See "*Competitive Conditions and Position*".

3.4.2 Description and Benefits of Isle of Man OGRA Gambling Licence

The *Online Gambling Regulation Act 2001* (Isle of Man), as amended ("**OGRA**") is the primary legislation in the Isle of Man regulating the online gaming industry and is designed to ensure the gaming industry is kept crime-free, protects the young and vulnerable, and ensures that the facilities offered by licencees are fair and that players receive their true winnings.

Many established multi-national online gaming companies hold a licence from the IOM Regulator (e.g., Flutter, Microgaming and Playtech.

An IOM Licence permits licence holders to accept players who are residents of a wide range of countries and does not restrict Luckbox from any specific market. Instead Luckbox is obligated under the IOM License to retain legal advice

⁵ Gaminglicensing.com, <https://www.gov.im/categories/business-and-industries/gambling-and-e-gaming/>, <https://www.gamblingcommission.gov.uk/Footer/Gambling-related-legislation.aspx>; unless otherwise stated these are estimates; cost figures have been converted to CAD to aid comparisons.

pertaining to its operations in any substantial jurisdictions in which it operates to ensure it is fully compliant in all its activities. Copies of the board minutes considering legal advice are routinely submitted to the IOM Regulator.

Luckbox considers the IOM Licence as a “seal of approval” for its systems and procedures to protect players and offer a fair and safe place to play, as well as a testament to the fitness and quality of its owners, directors and senior decision makers within the Luckbox group of companies.

As Luckbox is based in the Isle of Man, this jurisdiction also affords a tax neutral jurisdiction with zero percent corporate tax, no capital gains tax and no withholding taxes. In addition, the Isle of Man benefits from world-class infrastructure, bandwidth and power resilience coupled with excellent data hosting facilities, and supportive legislation, making the Isle of Man an ideal location for disaster recovery for the underlying business/licences. In short, Luckbox can switch onto Isle of Man servers for 90 days without the need for a licence for that specific underlying business. Accordingly, regardless of the reliability or not of services within a foreign jurisdiction, Luckbox can ensure continuity of the services it provides from the Isle of Man.

The Isle of Man is also the one of the preferred location for non-United Kingdom companies to incorporate when listing on the London Stock Exchange, which is a relevant factor for when further listing options are to be considered by Luckbox.

Being governed by the Isle of Man provides Luckbox with flexibility for its corporate structure. Luckbox may apply for local licences in various jurisdictions where the multi-jurisdictional licence would not apply and either have the corporate profits accrued in a tax neutral environment, or alternatively, incorporate locally if required, and provide intellectual property management and expertise, reducing duplication of tax in foreign, high tax jurisdictions.

As stated, as part of its long term growth strategy, Luckbox intends to add additional gaming licences, including potentially the United Kingdom. Being governed by the laws of the Isle of Man has certain advantages with respect to applying for a licence from the United Kingdom. An expansion into the United Kingdom typically requires a United Kingdom Gambling Commission remote gaming (B2C) licence. Operators with such a licence also require a separate B2B licence to license the software required for its business. Isle of Man companies are able to apply for both such licences. As noted previously, the Isle of Man regulations are largely similar to the United Kingdom which makes the process of obtaining the necessary licences easier. The other advantage is that using an Isle of Man company negates the need for a Fiscal Representative (as defined below). As set out in the *HM Revenue & Customs Excise Notice 455a: Remote Gaming Duty (“RGD”)*, foreign companies are required to appoint a Fiscal Representative who is jointly and severally liable for all RGD obligations. Importantly, there is an exception for companies registered in the Isle of Man, the European Union, the United Kingdom (excluding the Channel Islands), Norway, the Faroes, Iceland, New Zealand, South Africa and Gibraltar. Post Brexit there is a risk that for the purposes of satisfying the RGD obligations, an operator seeking to avail of a United Kingdom licence may need to appoint a Fiscal Representative even if based in an European Union member state; whereas this is not necessary for an Isle of Man company.

3.4.3 Key Markets and Regulatory Regimes

In order to discuss the regulatory regimes applicable to Luckbox in its key markets, it is helpful to identify the markets in which Luckbox does not operate. Luckbox has chosen not to operate or accept customers from the following:

- (i) Countries where it is illegal to take bets (e.g., the United States and Turkey);
 - (ii) Countries where a local licence is required (e.g., the United Kingdom and Italy);
 - (iii) Countries with current United Nations sanctions (e.g., North Korea and Iran); and
 - (ii) Countries which present significant risks of money laundering and terrorist financing activities (e.g., Bosnia and Herzegovina, Iraq, Syria, Uganda, Vanuatu and Yemen),
- (collectively, the “**Restricted List**”).

The Platform employs robust technology that prevents players who are residents of countries on the Restricted List from participating in games and betting that involve the payment of money. See “*Principal Products or Services – The Platform*”.

Luckbox has obtained legal advice in identifying the key territories in which it will invest resources in order to acquire customers. Key markets for Luckbox are Germany, Finland, and Brazil. Since the Platform soft launched in April 2018, these markets accounted for 26.4% of Luckbox’s gross gaming revenue. Luckbox closely monitors the regulatory situation in its key markets as well as reviewing any territory that starts to generate significant revenue. Over time, management of Luckbox expects that more territories will pass legislation providing for the licensing of gaming. The addition of local licences to Luckbox’s licence portfolio is a deliberate strategy intended to mitigate the impact of unforeseen regulatory changes. Luckbox will accept players from countries that are outside these territories (and not on the Restricted List), but will not actively market to these territories. Luckbox’s proposed approach with these territories is to accept bets in the first instance and to regularly conduct reviews of these territories. If these territories grow to present material revenues to Luckbox (i.e., more than 5% of total monthly turnover with a monthly turnover exceeding €25,000), then Luckbox will seek formal legal advice and act upon said advice by either shutting out the market and adding the territory to the Restricted List, or continuing to accept play from the territory, and dedicate a marketing budget to it if determined to be a lucrative market. Considerations will include current and proposed laws governing gaming, how the territory treats offshore gaming operators, if there has been any past regulatory action against offshore gaming operators, the growth prospects for the territory and an evaluation of all materials risks.

Regulatory Strategy – Jurisdictions Under Consideration

A deeper evaluation of what the first regional licence Luckbox acquires will be conducted based on Luckbox’s first acquisition and market developments in the coming months. Luckbox is also keenly monitoring the best way to enter the United States market, though Luckbox currently prohibits United States customers. Luckbox management currently believes that B2B will be the best method of entry into the United States market, but Luckbox continues to review the developing state-by-state United States regulation for other opportunities.

3.5 Operations

Luckbox has several operation teams: (i) product; (ii) development; (iii) customer relationship management; (iv) user acquisition; (v) risk management; and (vi) operations (customer support, fraud prevention, payments, responsible gaming and verifications). Luckbox also has central corporate services functions such as compliance, human resources, legal, payroll and finance.

Luckbox product and development teams operate according to robust best-practice digital development methodologies. Luckbox’s product development pipeline is managed in accordance with the overall company strategy and is expected to exceed 10% of the cost base going forward as Luckbox continues to update and improve its product offering.

A typical example of how a new product feature is conceived and executed upon for customers to use is detailed below:

- (i) ‘product owners’ operate using a blend of agile, scrum, and waterfall product design and management methodologies depending on the needs of the development teams at any given time;
- (ii) all creative assets and user interface/user experience requirements are managed and coordinated with the design team, as well as the development team to assess the best and most efficient way to implement each feature according to current acquisition, retention, and monetization (ARM) priorities;
- (iii) the relevant development team then executes on the feature and hands it to the quality assurance team (QA) for bug fixing;
- (iv) finally it goes back to the product owners to complete user acceptance testing (UAT) before pushing the feature live;
- (v) live data is compiled, analyzed and compared to the feature’s success metrics which is in turn iterated upon in future sprints.

The product and customer relationship management (“CRM”) teams closely monitor retention and monetization KPIs to ascertain how to retain, reactivate, and upsell customers through a combination of lifecycle communications, always-on anti-churn campaigns, live operation promotions and VIP programs.

The user acquisition team focuses on acquiring new customers (those who make a first deposit), evaluating each marketing channel to ascertain cost per acquisition (“CPA”) and contrasts it to the segment’s lifetime value (“LTV”) to continually optimise and enhance positive return on investment channels and to discontinue channels that are underperforming. This team works closely with the product and CRM teams to ensure end-to-end campaign management. For more details in the overall marketing strategy, see “*Narrative Description of the Business - Marketing Plans and Strategies*” below.

For details of the functions of the risk management team, see “*Narrative Description of the Business - Principal Products and Services*” above.

The operations team covers a wide variety of tasks such as customer support, fraud prevention, payments, responsible gaming and verifications. Many of these functions are directly linked to meeting compliance requirements associated with being licenced by the IOM Regulator. These include ensuring that Luckbox is fully compliant with responsible gaming regulation, which also includes preventing under-age people from gaming, combating the financing of terrorism (“CFT”) and meeting all anti-money-laundering requirements (“AML”). The operations team also is responsible for full customer due diligence functions.

The customer due diligence process contains several levels and begins when Luckbox on boards a customer, with RTGH first ensuring that the customer is aged 18 or over. In addition, RTGH conducts four levels of KYC. Level 1 is conducted upon registration when a customer provides their full name, email address and country of residence. At Level 1, RTGH verifies their email and automatically performs third party background checks to see if they are a politically exposed person (“PEP”) or on a sanctions list. When a registered customer attempts a deposit, Level 2 is triggered. Level 2 involves various fraud and security checks including a second automatic PEP and sanctions check via a second service provider for built in redundancy. Level 3 is triggered once a customer passes various deposit/withdrawal volumes specific to their country, which, in turn, triggers an automatic document verification check via a third party artificial intelligence document verification software and an additional manual verification of documents is performed by the operations team. Level 4 is enhanced due diligence via supplementary open source checks and further player confirmations (e.g. bank statements, salary slips, legal confirmation) for proof of funds and other factors via another third party fraud and identification provider.

The payments, fraud prevention and verification teams are interlinked. These teams monitor all new registrations that are flagged as a result of Luckbox’s internal security algorithms as well as all first time depositing customers and for any deposits and withdrawals that are flagged by Luckbox’s payments algorithms. These customers also have their identity documents manually reviewed, which may occur due to a manual request or if they are flagged for a second review due to an escalation by the artificial intelligence document verification software. These teams are also responsible for reviewing any bonus abuse or suspicious betting behaviour in sync with the risk management team.

Customer support is offered via email, over the phone/Skype, live chat and for customer non-specific queries, via social media channels such as our on Luckbox’s public Discord server.

Our head of compliance and money-laundering reporting officer (“MLRO”) reviews all suspicious activity reports, many of which concern either AML or CFT reports, reviews all customers that have been flagged as a PEP or are on a sanctions list, as well as all escalations concerning responsible gaming. The Luckbox head of compliance and MLRO works closely with the IOM Regulator in this regard. The Luckbox head of compliance and MLRO also maintain RTGH’s Company Policy Document as required by the IOM Regulator and handle all data protection queries.

The Luckbox group’s human resources, legal, payroll and finance functions are similar to all businesses, and are performed by a combination of in-house administration and accounting resources and outsourced services to meet the Luckbox group’s needs.

3.6 Market Analysis

In 2019, global esports revenue totalled \$1.4 billion and esports betting revenue, the largest revenue stream in all of esports, was \$1.25 billion globally and growing at a rapid 44% CAGR as the Generation-XYZ demographic gains disposable income.⁶ So far in 2020, due to the COVID-19 related lockdown and the cancellation of many traditional sporting events, the growth in esports and esports betting has been even higher. In 2019, there were 225 million esports viewers in 2019 and this was expected to grow to 276 million by 2022.⁷

Esports betting benefits from underlying industry trends, while remaining game and publisher agnostic and, therefore, it is immune to title-specific popularity shifts. Esports betting is the single biggest category in esports today, with revenues greater than the total remaining esports revenue. In most jurisdictions, esports betting uses the same licencing and infrastructure as the existing traditional sports betting industry.

In 2019, the global esports audience was forecast to have grown to 453.8 million (representing +15%YoY growth); Newzoo estimate the average annual revenue per fan will grow to \$7.95 by 2022; there were 885 major esports events in 2019 alone⁸. The number of pro athletes in esports has been growing at a rate of 43% per year since 1998⁹. Esports is proving resilient to COVID-19 - Popular esports streaming platform Twitch is showing growth 67% YoY viewership growth in July 2020, while a similar streaming site, Facebook Gaming, has grown 215% YOY¹⁰. 18-25 year olds watch more computer games than traditional sports – the esports industry is growing rapidly and is already more popular than traditional sports among the younger generations¹¹. It is Luckbox management's belief that the natural progression is, like in traditional sports, people can bet on the outcomes of these events and, as esports gains popularity and as more esports events take place each year, so also does the amount of esports betting.

4. Specialized Skills and Employees

Luckbox anticipates hiring personnel to grow, process and market its products in compliance with the IOM Regulator. Additional employees for development, user acquisition and operations will subsequently be hired to deal with the growth of the components of Luckbox's business.

Luckbox's business requires specialized skills particularly in the areas of: (i) gaming licencing and regulation; (ii) AML, CFT, data protection and responsible gaming; (iii) sports betting risk management; (iv) digital payments, fraud and verifications; (v) software development, development operations and system operations; (vi) product development and CRM; and (vii) generation XYZ digital user acquisition.

Luckbox believes that the current board, management and employees are sufficient to meet its current needs. Luckbox will look to add additional skills and expertise as its business grows and evolves. Where necessary, Luckbox will engage third-party experts to supplement the experience of its board and management.

As at the date hereof, the Luckbox group has 26 employees, of which 23 are full-time employees and 3 are employed on a part-time basis. Luckbox also uses the services of 3 contractors on a full-time equivalent basis and 2 contractors on an equivalent part-time basis. Luckbox has offices in Douglas, Isle of Man and Plovdiv, Bulgaria, as well as employees and contractors working remotely in Australia, Ireland, Romania and the United Kingdom. As the Luckbox business grows Luckbox expects to continue to supplement our team with additional hires. See "*Information Concerning the Resulting Issuer – Narrative Description of the Business - Milestones*".

⁶ Source: Newzoo, Eilers & Krejcik Gaming, Goldman Sachs

⁷ Source: Goldman Sachs Global Investment Research, Nielsen, CBS, ESPN

⁸ Source: Newzoo

⁹ <https://www.forbes.com/sites/jamesayles/2019/12/03/global-esports-revenue-reaches-more-than-1-billion-as-audience-figures-exceed-433-million/>

¹⁰ <https://dotesports.com/streaming/news/twitch-grows-to-1-4-billion-hours-watched-in-july-facebook-gaming-reaches-new-peak-at-345-million>

¹¹ Source: Nielsen, CBS, ESPN

5. Marketing Plans and Strategies

Prior to March 2020, the only marketing Luckbox has undertaken has been through social media and in-house news articles. Luckbox is in the process of scaling its user acquisition team to meet the growth needs of the business as it shifts from the soft-launch into a fully-operational marketing strategy.

Target customers are esports enthusiasts who are currently betting or receptive to betting, with a key focus on the sub-segment of those that are actively involved in betting. Approximately 80% of esports enthusiasts are aged 18 years or older, which is important for the eligible pool of target customers.

Luckbox's investment in marketing is not expected to yield immediate results as Luckbox will need to experiment with various channels, while at the same time improving product performance. Once Luckbox is content it has identified successful marketing strategies and successfully convert traffic to the Platform at meaningful levels, Luckbox will focus on increasing average revenue per marketing unit by adding additional verticals such as casino and traditional sports betting, while at the same time enhancing our CRM capabilities.

Luckbox's key customer acquisition pillars will be:

- driving content marketing and experimenting with channels;
- leveraging affiliates and key strategic partnerships;
- leveraging social media influencers; and
- driving sponsorship and direct media sales funnels.

Content Marketing: Luckbox intends to continue to invest into its social media channels, including using Discord for customer support queries and community building. In addition, Luckbox intends to build on its in-house news content to promote further esports authenticity, search engine optimisation (“SEO”) and to drive traffic organically. This will involve hiring a dedicated social media manager who will also serve as an editor for in-house news content. This category is expected to account for approximately 50% of marketing spend for the next 12 months.

Affiliates & Key Strategic Partnerships: Luckbox intends to continue to work with dedicated affiliates as well as esports communities to acquire traffic for its Platform, mostly on a revenue share model. Luckbox already has several affiliates integrated and is in the process of scaling this substantially via a third party affiliate's dashboard. Key strategic partnership will grow to become the Platform's largest single traffic source over the next 24 months as Luckbox works with companies who have existing large esports communities to help monetize their traffic. Depending on the scale and an affiliate's platform, Luckbox anticipates starting such partnerships out on a revenue-share basis and potentially exploring deeper partnerships involving mergers or other similar horizontal integrations. This could include large affiliate sites, large influencers, fan sites, live esports venues, forums and even esports teams. Although Luckbox is already well placed in the endemic esports betting industry and has initiated several discussions, securing such partnerships will be a key responsibility for the new head of the “user acquisition” position.

Influencers: Influencer marketing is heralded as the best medium to reach Gen XYZ, primarily micro-influencers (with audiences less than 300,000 followers) who are primarily Twitch and YouTube streamers. The arrangements can range from deep partnerships to one-off bespoke content, as the influencer space is driven by trial and error until audiences can be found that are a good fit for the brand. This category is expected to account for approximately 25% of marketing spend for the next 12 months.

Sponsoring & Direct Media: Initially, Luckbox will focus on direct media in the esports betting space. An example already in use by the Esportsbook is advertising on odds comparison sites - these sites are specifically used by esports betting customers, Luckbox's target market. As time passes, Luckbox expects spend in advertising to increase both in amount and via the number of websites and channels used. As the Esportsbook begins to operate on a larger scale and as customer LTV increase, Luckbox's marketing strategy and efforts are expected to evolve into sponsoring esports teams and tournament series relevant to its key markets. This category is expected to account for approximately 25% of marketing spend for the next 12 months.

6. Competitive Conditions and Position

Luckbox operates in a highly competitive environment featuring existing traditional gaming companies, such as GVC (**LON: GVC**) and Flutter (**LON: FLTR**), as well as similar endemic esports betting operators, all of whom are private except for Esports Entertainment Group Ltd. (**NASDAQ: GMBL**). There are a variety of principal competitive factors in the industry that include:

- (i) the gaming licences and player protections;
- (ii) the number of esports titles supported;
- (iii) the number of tournaments featured;
- (iv) the number of matches featured;
- (v) the number of betting markets included;
- (vi) the percentage of in-play matches with a live stream featured;
- (vii) the esports industry statistics;
- (viii) the esports related editorial content opportunities;
- (ix) the overheads and customer acquisition cost;
- (x) the brand awareness and authenticity;
- (xi) the ease and simplicity of the customer interface;
- (xii) the number of payment methods per territory;
- (xiii) the quality of payment methods per territory;
- (xiv) the geographic reach of the Platform;
- (xv) the level of customer support provided; and
- (xvi) the promotions on Esportsbook.

Luckbox believes that it currently competes effectively with respect to the majority of these factors and that it has a meaningful advantage when it comes to the authenticity of its brand, the quality of its bespoke Esportsbook and the dynamic IOM Licence. A further competitive advantage for Luckbox is the experience of its management team in both the gaming and esports industries.

There are four core categories of competitors within esports betting. First, there are direct endemic B2C Esportsbooks, such as Luckbox, Unikrn Limited, Rivalry (PMML), GG.bet, Esports Entertainment Group and Midnite. Secondly, there are endemic B2B Esportsbooks such as Askott Entertainment Inc., Data.bet, and Ultraplay. Thirdly, there are the large existing sportsbooks that are taking an active focus on esports betting such as Pinnacle, Bet365 and Betway. Finally, there are the large existing sportsbooks that are not currently taking an active focus on esports betting such as Flutter (**LON: FLTR**), GVC (**LON:GVC**) and William Hill (**LON: WMH**).

The first three categories, including Luckbox's Esportsbook, operate in an industry forecast to take \$18.1 billion in wagered bets in 2020, and growing at 44% 4-year CAGR.¹² Although it is difficult to estimate as no public companies operate in the first and third categories, no endemic esports book is regarded to have a significant market share and the existing traditional sportsbooks do not appear to be marketing to such an extent so as to have established a dominant position. The B2B Esportsbooks in the second category have few existing clients and none of the clients they do have are large multinational gaming industry companies (i.e., the traditional sportsbooks as mentioned in the fourth category). Many of the large gaming companies, including the large sportsbooks, have publicly stated that they desire to have a better esports betting offering, which management of Luckbox believes represents a potential opportunity for Luckbox's future B2B enterprise.

The gaming industry's strict licensing regime provides a strong barrier to entry of one to three years for any new startups, thereby providing a substantial advantage to those with a robust licence (i.e., the IOM License), such as Luckbox, already operating in the endemic Esportsbook space. There are few sports books with an esports betting focus that hold regional licences, for example for the United States markets. While competition is expected to grow in these markets, due to the high cost of such licences and the general lack of compliance expertise, management believes that success will likely come from well-funded and compliant companies, such as Luckbox.

Management believes that Luckbox's value proposition will differentiate it from many of the other sportsbooks through the Esportsbook's dedicated and authentic esports brand. The bespoke esports-centric customer interface and customer experience, coupled with its focus on strong regulation and compliance sets Luckbox apart from its competitors. There are fewer than ten global, well-structured and well-licensed endemic Esportsbooks and over thirty existing gaming companies that have stated, both publicly and privately, a desire to take a stronger position on esports. This indicates a strong potential for both B2B and mergers and acquisition activity within the high growth industry that Luckbox expects to thrive within and benefit from.

7. Proprietary Protection

Luckbox's intellectual property is limited primarily to domain names, the Platform, and trademarks. Luckbox intends to conduct a review of potential patent, copyright, trademark and other intellectual property rights registrations in 2021.

The Isle of Man offers intellectual property protection rights in line with those in the United Kingdom and other member states of the European Union. These factors make the Isle of Man the ideal base for technology companies and businesses wishing to protect their intellectual property. The Isle of Man is also, through the United Kingdom, party to the key international intellectual property treaties such as the Berne, Paris and Rome Conventions, the Patent Cooperation Treaty and the Madrid Protocol.

Luckbox's standard employment agreement contains provisions to protect the intellectual property of Luckbox, including provisions related to the ownership of intellectual property, confidentiality, non-competition and non-solicitation. Luckbox's consulting agreements contain similar protections as appropriate to the specific nature of the consulting services to be provided.

8. Lending

Luckbox does not have any formal policies or restrictions with respect to lending or investing activities. Luckbox's current business plan does not include any plan to conduct lending or investing activities, however, subject to any applicable legislation, the Luckbox board may consider lending and investing opportunities on a case by case basis if and when such opportunities arise.

¹² Goldman Sachs Global Investment Research, Nielsen, CBS, ESPN

9. Selected Consolidated Financial Information and Management's Discussion and Analysis

9.1 Annual Financial Information

The following table sets forth selected financial information for the Luckbox Group (Luckbox and its subsidiaries, presented on a combined basis) for the period from January 1st, 2019 to December 31, 2019. Such information is derived from and should be read in conjunction with the audited combined financial statement and notes thereto of the Luckbox Group for the period from January 1, 2019 to December 31, 2019 attached as **Appendix "B"** hereto.

	Period from January 1, 2019 to December 31, 2019 (audited) (£)	Period from January 1, 2019 to December 31, 2019 (audited) (\$ CAD)
Operating Data:		
Total Revenues	2,376	4,024
Total Expenses	2,969,262	5,028,712
Loss From Continuing Operations	(2,966,886)	(5,024,688)
Net Income	(2,970,863)	(5,031,424)
Earnings Per Share (basic)	(0.538)	(0.91)
Cash Dividends Declared	Nil	Nil
Balance Sheet Data:		
Total Current Assets	1,450,667	2,490,302
Total Assets	1,661,999	2,853,087
Total Current Liabilities	1,645,179	2,824,213
Total Long Term Financial Liabilities	66,122	113,509
Shareholders' Equity (deficit)	(49,302)	(84,635)

Notes:

- (1) Balance sheet data translated at a foreign exchange rate of 1.71666 per \$CAD as at December 31, 2019.
- (2) Operating data translated at an average foreign exchange rate of 1.69359 per \$CAD for the period from January 1 – December 31, 2019.

9.2 Quarterly Financial Information

The following table sets forth selected information regarding the expenses of Luckbox for the six months ended June 30, 2020. As of December 31, 2019, Luckbox was not a reporting entity and it did not prepare quarterly results prior to December 31, 2019. The information below is derived from and should be read in conjunction with the unaudited financial statement and notes thereto of Luckbox for six month period ended June 30, 2020, attached as **Appendix "B"** hereto:

	Six months ended June 30, 2020 (unaudited) (£)	Six months ended June 30, 2020 (unaudited) (\$ CAD)
Operating Data:		
Total Revenues	13,975	24,013
Total Expenses	1,308,632	2,248,583
Income (loss) From Continuing Operations	(1,294,657)	(2,224,570)
Net Income (loss)	(1,334,405)	(2,292,868)
Loss Per Share (basic and diluted)	(0.069)	(0.12)
Cash Dividends Declared	Nil	Nil
Balance Sheet Data:		
Total Current Assets	397,052	667,620
Total Assets	560,134	941,833
Total Current Liabilities	1,714,992	2,883,660
Total Long Term Financial Liabilities	39,654	66,676
Shareholders' Equity (Deficit)	(1,194,512)	(2,008,503)

Notes:

- (1) Balance sheet data translated at a foreign exchange rate of 1.681442 per \$CAD as at June 30, 2020.
(2) Operating data translated at an average foreign exchange rate of 1.71827 per \$CAD for the period from January 1 – June 30, 2020.

Management's Discussion and Analysis

Luckbox's management discussion and analysis for the period from incorporation on April 25, 2019 to December 31, 2019, are attached as **Appendix "B"** hereto and should be read in conjunction with the audited combined financial statements and the notes thereto of Luckbox for the period from incorporation on April 25, 2019 to December 31, 2019.

9.3 Trends, Commitments, Events or Uncertainties

Luckbox's management believe that growth of the esports industry will continue and will have a positive impact on Luckbox's growth. Goldman Sachs has predicted a compound annual growth rate of 44% for total esports bets as the Generation-XYZ demographic gains disposable income.¹³ So far in 2020, due to the COVID-19 related lockdown and the cancellation of many traditional sporting events, the growth in esports and esports betting has been high. It is not known if this growth will slow or become negative once the impacts of COVID-19 are reduced. There were 225 million esports viewers in 2019 and this figure is expected to grow to 276 million by 2022.¹⁴

There are significant risks associated with the Luckbox's business, as described in "Information Concerning the Resulting Issuer – Risk factors" below.

9.4 Consolidated Capitalization

The following table sets forth Luckbox's share and loan capital as of the end of the periods indicated.

Designation	Authorized	Amount outstanding as at June 30, 2020	Amount outstanding as at the date hereof prior to giving effect to the Proposed Qualifying Transaction
Ordinary Shares with a par value of £0.01 each (1)(2)	Unlimited	21,871,863	34,202,061
Avatar Note (3)	N/A	\$2,250,000	N/A

¹³ Source: Newzoo, Eilers & Krejcik Gaming, Goldman Sachs

¹⁴ Source: Goldman Sachs Global Investment Research, Nielsen, CBS, ESPN

Designation	Authorized	Amount outstanding as at June 30, 2020	Amount outstanding as at the date hereof prior to giving effect to the Proposed Qualifying Transaction
Luckbox Subscriber Warrants (4)	N/A	1,667,244	1,729,744
Pre-RTO Broker Warrants(5)	N/A	221,000	221,000
RTO Broker Warrants (6)	N/A	858,211	865,354
Subscription Receipts (7)	N/A	10,847,320	10,847,320
Compensation Subscriber Warrant (8)	N/A	3,810	3,810
Expoworld Note (9)	N/A	\$500,000	N/A
Luckbox Advisory Warrants(10)	N/A	N/A.	288,095
Second Expoworld Note (11)	N/A	N/A	\$1,000,000
Service Provider Options(12)	300,000	N/A	300,000
Luckbox Employee Stock Options(13)	832,500	N/A	832,500

Notes:

- (1) Luckbox had a deficit of GBP £8,399,772 and its shareholder equity was negative (GBP £1,194,512) on its balance sheet dated as at June 30, 2020.
- (2) Assuming the completion of the Proposed Qualifying Transaction and the RTO Financing, Luckbox shareholders will own in aggregate approximately 97% of the Resulting Issuer.
- (3) The Avatar Note has been converted into 10,714,246 Luckbox Shares at a deemed issue price of \$0.21 per Luckbox Share, and such Luckbox Shares will be exchanged for Resulting Issuer Shares in connection with the Proposed Qualifying Transaction.
- (4) Each Luckbox Subscriber Warrant is exercisable into one Luckbox Share at an exercise price of \$0.63 for a period of 24 months from the completion of the Proposed Qualifying Transaction, and such Luckbox Subscriber Warrants will be exchanged for Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction. In aggregate, these securities represent 1,729,744 Luckbox Shares.
- (5) Each Pre-RTO Broker Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per Pre-RTO Broker Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit (which will be equivalent to a Sub Receipt Unit) will be comprised of one Luckbox Shares and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing. Such Luckbox Shares and Luckbox Share purchase warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction. In aggregate, these securities represent 221,000 Luckbox Shares and 110,500 Luckbox Share purchase warrants.
- (6) Each RTO Broker Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per RTO Broker Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit (which will be equivalent to a Sub Receipt Unit) will be comprised of one Luckbox Shares and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing. Such Luckbox Shares and Luckbox Share purchase warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction. In aggregate, these securities represent 865,354 Luckbox Shares and 432,677 Luckbox Share purchase warrants.
- (7) Each Subscription Receipt will be converted into a Sub Receipt Units concurrently with the completion of the Proposed Qualifying Transaction with no further acts or payments required of the holder of the Subscription Receipt, and as a result of such conversion, the Holder will receive a Sub Receipt Unit comprised of one Underlying Unit Share and one half of one Underlying Unit Warrants (with each whole Underlying Unit Warrant being exercisable at \$0.63 per Underlying Unit Warrant for a period of 24 months from the date of the completion of the Proposed Qualifying Transaction). Such Underlying Unit Shares and Underlying Unit Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction. In aggregate, these securities represent 10,847,320 Underlying Unit Shares and 5,423,660 Underlying Unit Warrants.
- (8) Each Compensation Subscriber Warrant is exercisable into one Luckbox Share at an exercise price of \$0.63 for a period of 24 months from the completion of the Proposed Qualifying Transaction, and such Compensation Subscriber Warrants will be exchanged for Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.
- (9) The Expoworld Note will be converted into units of Luckbox equivalent to the Sub Receipt Units concurrently with the completion of the Proposed Qualifying Transaction at a deemed issue price of \$0.42 per unit, and as a result of such conversion, Expoworld will receive units comprised of 1,190,476 Luckbox Shares and 595,238 Luckbox Subscriber Warrants (exercisable at \$0.63 per Luckbox Subscriber Warrant for a period of 24 months from the date of the completion of the Proposed Qualifying Transaction). Such Luckbox Shares and Luckbox Subscriber Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.
- (10) Each Luckbox Advisory Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per Luckbox Advisory Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit (which will be equivalent to a Sub Receipt Unit) will be comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing. Such Luckbox Shares and Luckbox Share purchase warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction. In aggregate, these securities represent 288,095 Luckbox Shares and 144,047 Luckbox Share

purchase warrants.

- (11) The Second Expoworld Note will be converted into units of Luckbox equivalent to the Sub Receipt Units concurrently with the completion of the Proposed Qualifying Transaction at a deemed issue price of \$0.42 per unit, and as a result of such conversion, Expoworld will receive units comprised of 2,380,952 Luckbox Shares and 1,190,476 Luckbox Subscriber Warrants (exercisable at \$0.63 per Luckbox Subscriber Warrant for a period of 24 months from the date of the completion of the Proposed Qualifying Transaction). Such Luckbox Shares and Luckbox Subscriber Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.
- (12) These stock options were granted to Sophic Capital Inc. on November 10, 2020 in connection with the engagement by Sophic Capital Inc. by Luckbox. These options are each exercisable for one Luckbox Share at \$0.42 for a period of 36 months from the date of the completion of the Proposed Qualifying Transaction). See “*Information Concerning the Resulting Issuer - Investor Relations Arrangements*” for more detail. Such options will be exchanged for Resulting Issuer Options in connection with the Proposed Qualifying Transaction.
- (13) These stock options were granted to Ran Kaspi on November 16, 2020 in connection with his employment as Chief Financial Officer of Luckbox. These options are each exercisable for one Luckbox Share at \$0.42 for a period of 5 years from the date of the completion of the Proposed Qualifying Transaction. Such options will be exchanged for Resulting Issuer Options in connection with the Proposed Qualifying Transaction.

9.5 Prior Sales

The following tables set forth the issuances of securities of Luckbox.

Date	Type of Security	Number of Securities Sold	Issue Price	Consideration Received
November 29, 2019	Luckbox Units ⁽¹⁾	3,085,339	\$0.42	Cash
November 29, 2019	Pre-RTO Broker Warrants ⁽²⁾	207,667	N/A	Commission for Pre-RTO Offering
December 20, 2019	Luckbox Units ⁽³⁾	190,476	\$0.42	Cash
December 20, 2019	Compensation Subscriber Warrants ⁽⁹⁾	3,810	N/A	Commission for Pre-RTO Offering
December 20, 2019	Luckbox Shares	7,619	N/A	Commission for Pre-RTO Offering
December 21, 2019	Pre-RTO Broker Warrants ⁽²⁾	13,333	N/A	Commission for Pre-RTO Offering
December 30, 2019	Luckbox Shares ⁽⁸⁾	1,854,810	N/A	Remuneration for Services
December 30, 2019	Luckbox Shares	72,000	£0.14	Cash
December 31, 2019	Luckbox Shares	495,372	N/A	Remuneration for Services
January 14, 2020	Luckbox Shares	4,500	N/A	Remuneration for Services
January 16, 2020	Luckbox Shares	1,204,380	N/A	Remuneration for Services
January 19, 2020	Luckbox Shares	407,340	N/A	Remuneration for Services
January 29, 2020	Luckbox Shares	391,752	N/A	Remuneration for Services
February 10, 2020	Luckbox Shares	18,000	N/A	Remuneration for Services
March 5, 2020	Luckbox Shares	144,000	N/A	Remuneration for Services
March 11, 2020	Luckbox Shares	360,000	N/A	Remuneration for Services
April 2, 2020	Luckbox Shares ⁽⁸⁾	11,140,549	N/A	Remuneration for Services

Date	Type of Security	Number of Securities Sold	Issue Price	Consideration Received
May 14, 2020	Luckbox Shares	1,801,394	\$5.78	Assets ⁽⁴⁾
May 14, 2020	Luckbox Shares	184,286	N/A	Remuneration for Services
May 14, 2020	Luckbox Shares	90,000	N/A	Remuneration for Services
June 9, 2020	Luckbox Shares	469,312	N/A	Remuneration for Services
June 9, 2020	Subscription Receipts ⁽⁵⁾	9,233,868	\$0.42	Cash
June 9, 2020	RTO Broker Warrants ⁽⁶⁾	738,659	N/A	Commission for RTO Offering
June 19, 2020	Luckbox Shares	74,720	N/A	Remuneration for Services
June 19, 2020	Subscription Receipts ⁽⁵⁾	1,494,403	\$0.42	Cash
June 19, 2020	RTO Broker Warrants ⁽⁶⁾	119,552	N/A	Commission for RTO Offering
June 22, 2020	Subscription Receipts ⁽⁵⁾	119,048	\$0.42	Cash
June 22, 2020	RTO Broker Warrants ⁽⁶⁾	7,142	N/A	Commission for RTO Offering
July 10, 2020	Expoworld Note	\$500,000	N/A	Cash
September 30, 2020	Luckbox Shares ⁽⁷⁾	10,714,246	\$0.21	Cash
September 30, 2020	Luckbox Shares ⁽⁸⁾	1,307,442	N/A	Remuneration for Services
October 14, 2020	Luckbox Subscriber Warrants ⁽⁹⁾	29,762,	N/A	Finder's fee for the Expoworld Note.
October 14, 2020	Luckbox Shares	59,524	N/A	Finder's Fee for the Expoworld Note
October 14, 2020	Luckbox Advisory Warrants ⁽¹⁰⁾	95,238	N/A	Finder's Fee for the Expoworld Note
November 10, 2020	Service Provider Options ⁽¹¹⁾	300,000	N/A	Remuneration for Services
November 16, 2020	Luckbox Employee Stock Options ⁽¹²⁾	832,500	N/A	Remuneration for Services
November 20, 2020	Second Expoworld Note	\$1,000,000	N/A	Cash
November 20, 2020	Luckbox Subscriber Warrants ⁽⁹⁾	62,500	N/A	Finder's fee for the Second Expoworld Note
November 20, 2020	Luckbox Shares	125,000	N/A	Finder's Fee for the Second Expoworld Note
November 20, 2020	Luckbox Advisory Warrants ⁽¹⁰⁾	192,857	N/A	Finder's Fee for the Second Expoworld Note

Notes:

- (1) Each of these Luckbox units were comprised of 3,085,339 Luckbox Shares and 1,582,387 Luckbox Subscriber Warrants.
- (2) Each Pre-RTO Broker Warrant is exercisable into one unit of Luckbox and each such unit will be comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant.
- (3) Each of these Luckbox units were comprised of 190,476 Luckbox Shares and 95,238 Luckbox Subscriber Warrants.

- (4) These Luckbox Shares were issued to Luckbox Limited as consideration for 2,000 Ordinary shares in the capital of RTGH.
- (5) Each of these Subscription Receipts is exchangeable into one Sub Receipt Unit comprised of one Underlying Unit Share and one half of one Underlying Unit Warrant.
- (6) Each RTO Broker Warrant is exercisable into one unit of Luckbox and each such unit will be comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant.
- (7) Each of these Luckbox Shares have been issued to convert the Avatar Note at a deemed issue price of \$0.21 per Luckbox Share.
- (8) Luckbox Shares have been issued to non-arm's length parties including remuneration for founders and executive management.
- (9) Each Luckbox Subscriber Warrant and each Compensation Subscriber Warrant is exercisable into one Luckbox Share.
- (10) Each Luckbox Advisory Warrant is exercisable into one unit of Luckbox and each such unit will be comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant.
- (11) Each Service Provider Option is exercisable into one Luckbox Share.
- (12) Each Luckbox Employee Stock Option is exercisable into one Luckbox Share.

9.6 Description of the Securities

9.6.1 Summary of Securities

Luckbox is authorized to issue an unlimited number of Luckbox Shares with a par value of £0.01. As at the date hereof, 34,202,061 Luckbox Shares are issued and outstanding. The Luckbox Shares are not posted for trading on any stock exchange. For greater certainty, this amount does not include the Underlying Unit Shares issuable upon conversion of the Subscription Receipts and the Luckbox Shares issuable upon: (i) the exercise of the Underlying Unit Warrants (which are part of the Sub Receipt Units); and (ii) the exercise of the Luckbox Subscription Warrants, the Pre-RTO Broker Warrants, the RTO Broker Warrants, the Compensation Subscriber Warrants, the Luckbox Advisory Warrants, the Service Provider Options and the Luckbox Employee Stock Options.

9.6.2 Luckbox Shares

There are 34,202,061 Luckbox Shares issued and outstanding as of the date of hereof, which number does not include the Underlying Unit Shares issuable upon conversion of the Subscription Receipts and the Luckbox Shares issuable upon: (i) the exercise of the Underlying Unit Warrants (which are part of the Sub Receipt Units); and (ii) the exercise of the Luckbox Subscription Warrants, the Pre-RTO Broker Warrants, the RTO Broker Warrants, the Compensation Subscriber Warrants, the Luckbox Advisory Warrants the Service Provider Options and the Luckbox Employee Stock Options. The Luckbox Shares have the following rights, privileges, restrictions, and conditions:

Voting Rights - Each holder of an Luckbox Share is entitled to receive notice of and to attend all meetings of the shareholders of Luckbox and to vote at such meetings, except meetings at which only holders of a specified class of shares (other than Luckbox Shares) or specified series of shares are entitled to vote. At all meetings of which notice must be given to the holders of the Luckbox Shares, each holder of Luckbox Shares is entitled to one vote in respect of each Luckbox Share held.

There are no shares of another class issued in the capital of Luckbox.

Dividends - The holders of Luckbox Shares are entitled, subject to the rights, privileges restrictions and conditions to any other class or series of shares of Luckbox, to receive an equal share of dividends if, as and when declared by the board of directors of Luckbox.

Ranking - The holders of the Luckbox Shares are entitled, subject to the rights, privileges restrictions and conditions attaching to any other class or series of shares of Luckbox, to receive rateably the remaining property of Luckbox on a liquidation, dissolution or winding-up of Luckbox, whether voluntary or involuntary.

9.6.3 Luckbox Subscriber Warrants

As of the date of hereof, there are 1,729,744 Luckbox Subscriber Warrants issued and outstanding, which were issued in connection with the units issued pursuant to the Pre-RTO Offering. The Luckbox Subscriber Warrants do not include the Pre-RTO Broker Warrants, the RTO Broker Warrants, the Compensation Subscriber Warrants and the Luckbox Advisory Warrants. Each whole Luckbox Subscriber Warrant is exercisable for one Luckbox Share, at an

exercise price of \$0.63, with an expiry date that is the 24-month anniversary of the completion of the Proposed Qualifying Transaction. The Luckbox Subscriber Warrants are subject to volume adjustments for subdivision, consolidation, reclassification, amalgamation, and other actions that may affect the Luckbox Shares.

9.6.4 Pre-RTO Broker Warrants

As of the date of hereof, there are 221,000 Pre-RTO Broker Warrants issued and outstanding which were issued to the agents in accordance with the Pre-RTO Agency Agreement. Each whole Pre-RTO Broker Warrant issued by Luckbox is exercisable for the purchase of one unit of Luckbox, at an exercise price of \$0.42, with an expiry date that is the 24-month anniversary of the completion of the Proposed Qualifying Transaction. Each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). The Pre-RTO Broker Warrants are subject to volume adjustments for subdivision, consolidation, reclassification, amalgamation, and other actions that may affect the Luckbox Shares.

9.6.5 RTO Broker Warrants

As of the date of hereof, there are 865,354 RTO Broker Warrants issued and outstanding which were issued to the agents in accordance with the RTO Agency Agreement. Each whole RTO Broker Warrant issued by Luckbox is exercisable for the purchase of one unit of Luckbox, at an exercise price of \$0.42, with an expiry date that is the 24-month anniversary of the completion of the Proposed Qualifying Transaction. Each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). The RTO Broker Warrants are subject to volume adjustments for subdivision, consolidation, reclassification, amalgamation, and other actions that may affect the Luckbox Shares.

9.6.6 Compensation Subscriber Warrants

As of the date of hereof, there are 3,810 Compensation Subscriber Warrants issued and outstanding which were issued to the agents in accordance with the Pre-RTO Agency Agreement. Each Compensation Subscriber Warrant will entitle the holder thereof to acquire one Luckbox Share at an exercise price per Compensation Subscriber Warrant equal to \$0.63 for a period of 24 months from the Closing. The Compensation Subscriber Warrants are subject to volume adjustments for subdivision, consolidation, reclassification, amalgamation, and other actions that may affect the Luckbox Shares.

9.6.7 Luckbox Advisory Warrants

As of the date of hereof, there are 288,095 Luckbox Advisory Warrants issued and outstanding which were issued to finders in connection with the issuance of the Expoworld Note and the Second Expoworld Note. Each Luckbox Advisory Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per Luckbox Advisory Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). The Luckbox Advisory Warrants are subject to volume adjustments for subdivision, consolidation, reclassification, amalgamation, and other actions that may affect the Luckbox Shares.

9.6.8 Subscription Receipts

The material attributes and characteristics of the Subscription Receipts is subject to, and qualified in its entirety by, the terms of the Subscription Receipt Agreement. See “*General Development of the Business of Luckbox – History - Soft launch, COVID-19, Further Funding and RTO Offering*” above.

In connection with the Proposed Qualifying Transaction it is intended, among other things, that: (i) the Subscription Receipts will be converted, without additional consideration or further action, into Sub Receipt Units, with each Sub Receipt Unit consisting of one Underlying Unit Share and one-half of one Underlying Unit Warrant; (ii) all

outstanding securities of Luckbox, including the Underlying Unit Shares and Underlying Unit Warrants, will be exchanged, without additional consideration or further action, for equivalent securities of the Resulting Issuer on a 1:1 basis, and, the Company will change its name to “Esports Holdings Ltd.” or such other name as the Company and Luckbox may determine. The Underlying Unit Warrants will be issued pursuant to the terms of the Warrant Indenture entered into on June 9, 2020 between Luckbox and the Warrant Agent.

Warrants of the Resulting Issuer (each, a “**Resulting Issuer Warrant**”, and, collectively, the “**Resulting Issuer Warrants**”) will entitle the holder thereof to acquire one Resulting Issuer Share at a price ranging from of \$0.42 to \$0.63 for a period of 24 months following the completion of the Proposed Qualifying Transaction, subject to adjustment and acceleration. If, following the Concurrent Financings Closing Date, the volume weight average closing price of the Resulting Issuer Shares on the Exchange for any 10 consecutive trading days equals or exceeds \$0.82, the Company may, upon providing written notice to the holders of Resulting Issuer Warrants, accelerate the expiry date of the Resulting Issuer Warrants to the date that is 30 days following the date of such written notice.

Holders of Subscription Receipts are not shareholders. Holders of Subscription Receipts will only receive Resulting Issuer Shares and Resulting Issuer Warrants upon the occurrence of the Escrow Release Conditions or be paid the original subscription price (together with interest earned thereon) for each Subscription Receipt held. Nothing in the holding of a Subscription Receipt will confer or be construed as conferring upon the holder thereof any right or interest whatsoever as a shareholder, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of shareholders or any other proceedings of Luckbox, or the right to receive dividends or other distributions.

The closing of the of the RTO Offering is a pre-condition to completing the Proposed Qualifying Transaction.

9.6.9 Expoworld Note

On July 10, 2020, Luckbox issued to Expoworld the Expoworld Note. The Expoworld Note will convert into units of Luckbox equivalent to the Sub Receipt Units concurrently with the completion of the Proposed Qualifying Transaction at a deemed issue price of \$0.42 per unit, and as a result of such conversion, Expoworld will receive units comprised of 1,190,476 Luckbox Shares and 595,238 Luckbox Subscriber Warrants (exercisable at \$0.63 per Luckbox Subscriber Warrant for a period of 24 months from the date of the completion of the Proposed Qualifying Transaction). Such Luckbox Shares and Luckbox Subscriber Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.

9.6.10 Second Expoworld Note

On November 20, 2020, Luckbox issued to Expoworld the Second Expoworld Note. The Second Expoworld Note will convert into units of Luckbox equivalent to the Sub Receipt Units concurrently with the completion of the Proposed Qualifying Transaction at a deemed issue price of \$0.42 per unit, and as a result of such conversion, Expoworld will receive units comprised of 2,380,952 Luckbox Shares and 1,190,476 Luckbox Subscriber Warrants (exercisable at \$0.63 per Luckbox Subscriber Warrant for a period of 24 months from the date of the completion of the Proposed Qualifying Transaction). Such Luckbox Shares and Luckbox Subscriber Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.

9.6.11 Service Provider Options

On November 10, 2020, Luckbox granted 300,000 options to Sophic Capital Inc. in connection with the engagement by Sophic Capital Inc. by Luckbox (the “**Service Provider Options**”). These options are each exercisable for one Luckbox Share at \$0.42 for a period of 36 months from the date of the completion of the Proposed Qualifying Transaction). See “*Information Concerning the Resulting Issuer - Investor Relations Arrangements*” for more detail. Such options will be exchanged for Resulting Issuer Options in connection with the Proposed Qualifying Transaction.

9.6.12 Employee Stock Options

On November 16, 2020, Luckbox granted 832,500 options to Ran Kaspi pursuant to Mr. Kaspi’s employment agreement with Luckbox (the “**Luckbox Employee Stock Options**”). These Luckbox Employee Stock Options are

each exercisable for one Luckbox Share at \$0.42 for a period of 5 years from the date of the completion of the Proposed Qualifying Transaction. Such options will be exchanged for Resulting Issuer Options in connection with the Proposed Qualifying Transaction. Luckbox has not adopted a stock option plan and Mr. Kaspi's options are governed pursuant to the terms of Mr. Kaspi's employment agreement.

10. Statement of Executive Compensation

10.1 Summary Compensation Table

The following table sets forth the total compensation paid by Luckbox to the highest paid executive officers during the 8 month period from incorporation on April 25, 2019 until December 31, 2019. These individuals are referred to as the "Named Executive Officers" or "NEOs".

Name and Principal Position	Year	Salary (\$)	Non-Equity Incentive Plan Compensation ⁽¹⁾ (\$)	Pension Value ⁽²⁾ (\$)	All Other Compensation ⁽³⁾ (\$)	Total Compensation (\$)
Lars Lien <i>Chief Executive Officer</i>	2019	41,903	N/A	N/A	N/A	\$41,903
Michael Stevens <i>Corporate Secretary</i>	2019	34,606	N/A	N/A	N/A	\$34,606
Quentin Martin <i>Chief Operating Officer</i>	2019	89,383 ⁽⁴⁾	N/A	N/A	508,500 Luckbox Shares	\$89,383

Notes:

- (1) Luckbox does not currently provide for any non-equity incentive plan compensation to NEOs.
- (2) Luckbox does not currently provide for, or contribute to, either a defined benefit plan or defined contribution plan on behalf of the NEOs.
- (3) Luckbox does not currently provide (nor has it previously provided) its NEOs any other form of perquisites, including property or other personal benefits provided to NEOs that are not generally available to all employees.
- (4) Luckbox provided this salary with \$33,519 in cash and the equivalent to \$55,864 in equity, resulting in the issuance of 508,500 Luckbox Shares.

10.2 Outstanding Equity Awards

Luckbox did not issue stock options for the Named Executive Officers for the fiscal year-end ending on December 31, 2019. On November 16, 2020, Luckbox granted 832,500 options to Ran Kaspi pursuant to Mr. Kaspi's employment agreement with Luckbox. These Luckbox Employee Stock Options are exercisable at \$0.42 for a period of 5 years from the date of the completion of the Proposed Qualifying Transaction. Such options will be exchanged for Resulting Issuer Options in connection with the Proposed Qualifying Transaction. Luckbox has not adopted a stock option plan and Mr. Kaspi's options are governed pursuant to the terms of Mr. Kaspi's employment agreement.

10.3 Compensation of Directors and NEOs

Aside from the compensation disclosed above, no compensation is paid by Luckbox to any other director who is not an executive officer of Luckbox. Directors may, however, receive reimbursements for out-of-pocket expenses. The board of Luckbox makes all determinations with respect to the compensation of the Named Executive Officers of Luckbox and such determinations are made on an ad hoc basis. There are no set performance criteria with respect to the compensation of the Named Executive Officers of Luckbox.

10.4 Termination and Change of Control Benefits

Luckbox does not have any employment agreements in place with the Named Executive Officers. The Named Executive Officers of Luckbox are employed by RTGS and provide services to Luckbox as part of their employment with RTGS. There are no change of control benefits in place.

11. Management Contracts

No management functions of Luckbox or any subsidiary are to any substantial degree performed by persons other than director and senior officers.

12. Non-Arm's Length Party Transactions

Other than as described below and elsewhere in this Filing Statement, Luckbox has not acquired any assets or been provided any services from any director, officer, Insider or Promoter of the Company. See *"Information Concerning Luckbox – General Development of the Business – History"*.

13. Legal Proceedings

To the knowledge of the management of Luckbox, there are no actual or contemplated material legal proceedings to which Luckbox is a party.

14. Material Contracts

The only material contracts entered into by Luckbox since its incorporation on April 25, 2019 (other than contracts entered into in the ordinary course of business), are as follows:

14.1 Contracts with Third Party Service Providers

- 14.1.1 Luckbox has entered into an agreement with Solutions Hub Ltd. whereby Solutions Hub Ltd. is to provide corporate services to Luckbox. The term of the agreement is to run from January 1st 2020 until the agreement is terminated in accordance with the terms of the contract.
- 14.1.2 Luckbox has entered into an agreement with EveryMatrix N.V. The term of the agreement is to run from November 1, 2018 until November 1, 2021.
- 14.1.3 Luckbox has entered into an agreement with MoneyMatrix Ltd. The term of the agreement is to run from April 25, 2019 until January 25, 2022.
- 14.1.4 Luckbox has entered into an agreement with Omega Gaming Ltd. The term of the agreement is to run from August 15, 2018 until August 15, 2021.

14.2 Contracts Related to the Business and Operations of Luckbox

- 14.2.1 The Avatar Note dated September 8, 2019, pursuant to which Luckbox issued a \$2,250,000 convertible note to Avatar. See *"General Development of the Business of Luckbox - History - Soft launch, COVID-19, Further Funding and RTO Offering"* above.
- 14.2.2 The Pre-RTO Agency Agreement. See *"General Development of the Business of Luckbox – History - Soft launch, COVID-19, Further Funding and RTO Offering"* above.
- 14.2.3 The Expoworld Note dated July 10, 2020, pursuant to which Luckbox issued a \$500,000 convertible note to Expoworld. See *"General Development of the Business of Luckbox - History - Soft launch, COVID-19, Further Funding and RTO Offering"* above.

14.2.4 The Second Expoworld Note dated November 20, 2020, pursuant to which Luckbox issued a \$1,000,000 convertible note to Expoworld. See “*General Development of the Business of Luckbox - History - Soft launch, COVID-19, Further Funding and RTO Offering*” above.

14.3 Contracts Related to Proposed Qualifying Transaction and RTO Financing

14.3.1 The Business Combination Agreement dated November 2, 2020, between Elephant Hill and Luckbox in connection with the Proposed Qualifying Transaction. See “*Proposed Qualifying Transaction*” above.

14.3.2 The RTO Agency Agreement. See “*General Development of the Business of Luckbox – History - Soft launch, COVID-19, Further Funding and RTO Offering*” above.

14.3.3 The Subscription Receipt Agreement. See “*General Development of the Business of Luckbox – History - Soft launch, COVID-19, Further Funding and RTO Offering*” above.

14.3.4 The Warrant Indenture. See “*General Development of the Business of Luckbox – History - Soft launch, COVID-19, Further Funding and RTO Offering*” above.

Copies of these agreements will be available for inspection at the offices of TingleMerrett LLP located at 1250, 639 – 5 Avenue SW, Calgary, AB T2P 0M9 until the Closing Date and for a period of 30 days thereafter.

INFORMATION CONCERNING THE RESULTING ISSUER

All information presented herein assumes the Consolidation has occurred unless otherwise stated herein.

1. The Business Combination

On November 2, 2020, the Company entered into the Business Combination Agreement with Luckbox and Elephant Hill Sub pursuant to which the parties agreed to complete the Proposed Qualifying Transaction on the terms set out therein. Pursuant to the Business Combination Agreement, upon the Closing, Luckbox and Elephant Hill Sub will complete a scheme of merger under the laws of the Isle of Man. Pursuant to the scheme of merger, the securityholders of Luckbox will each receive securities of the Company.

In this regard, upon the Closing, the Resulting Issuer will issue to the holders of Luckbox Shares one Resulting Issuer Share (at an ascribed price of \$0.42 per Resulting Issuer Share for each one issued and outstanding Luckbox Share held by the shareholders).

There are currently 34,202,061 Luckbox Shares issued and outstanding, warrants to acquire 3,795,227 Luckbox Shares issued and outstanding, convertible notes outstanding which, when converted, will result in 3,571,428 Luckbox Shares issued and outstanding and warrants to acquire 1,785,714 Luckbox Shares issued and outstanding and subscription receipts which, when converted into units comprised of one Luckbox Share and one-half of one Luckbox share purchase warrant, will result in 10,847,320 Luckbox Shares issued and outstanding and outstanding warrants to acquire 5,423,660 Luckbox Shares. See “*Information Concerning Luckbox – General Description of the Business of Luckbox – Soft launch, COVID-19, Further Funding and RTO Offering*” and “*Information Concerning the Resulting Issuer - Pro Forma Consolidated Capitalization – Fully Diluted Share Capital*” for more detail on the capitalization of Luckbox.

There are currently a total of 7,000,000 Company Shares and 700,000 Company Options issued and outstanding. The aggregate consideration to be paid by the Company pursuant to the Proposed Qualifying Transaction will, subject to the approval of the Exchange, consist of the issuance of 48,620,809 Resulting Issuer Shares at a deemed price of \$0.42 per Resulting Issuer Share for a deemed aggregate value of \$20,420,739. Upon Closing there are expected to be issued and outstanding 50,287,475 Resulting Issuer Shares and 11,004,601 Resulting Issuer Shares will be reserved for issuance pursuant warrants to purchase Resulting Issuer Shares (and underlying unit warrants to purchase Resulting Issuer Shares), 10,057,495 Resulting Issuer Shares will be reserved for options (which will include Resulting Issuer Shares reserved for the 832,500 Luckbox Employee Stock Options, the 166,666 Company Options and 4,500,000 employee stock options to be granted to certain directors, officers and employees of the Resulting Issuer and its subsidiaries at Closing) available for issuance under the stock option plan to be adopted by the Resulting Issuer and a further 300,000 Resulting Issuer Shares will be reserved for Service Provider Options provided to service providers to the Resulting Issuer as a component of their service fees. Note that as a condition to listing, the Exchange has required that the Resulting Issuer obtain Disinterested Shareholder Approval for: (i) the Fixed Option Plan (with the specified 10,057,495 fixed number disclosed in the shareholder meeting circular); and (ii) the specific grants of options under the Fixed Option Plan. Accordingly, until such time as Disinterested Shareholder Approval is obtained by the Resulting Issuer, any options granted under the Fixed Option Plan may not be vested or exercised by the holders thereof (see “*Information Concerning the Resulting Issuer – Stock Option Plan*”). These figures are calculated after giving effect to the Consolidation. See “*Summary of Filing Statement - Consolidation*”.

The consideration payable for the Luckbox Shares was determined in arm’s length negotiations between the Company and Luckbox based on certain factors such as: (i) the expertise of the management of Luckbox; and (ii) the anticipated future profits of Luckbox. The Business Combination Agreement will be submitted to all the shareholders of Luckbox for consideration and approval at a meeting of the Luckbox shareholders currently expected to be held November 9, 2020. The Luckbox shareholders will be advised about the filing of this Filing Statement and encouraged to review a copy via the Company’s corporate profile at www.sedar.com. In addition to the usual conditions in respect of due diligence and corporate authority, the closing of the Business Combination Agreement is conditional on all of the current directors and officers of the Company being replaced by the proposed directors and officers of the Resulting Issuer. See “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*” for a complete list of the proposed directors and officers.

The Business Combination Agreement sets forth certain conditions to the Closing, including:

- (a) all necessary shareholder and board approvals and requisite approval of the Exchange and all other regulatory authorities and third parties to the Proposed Qualifying Transaction;
- (b) Luckbox having completed the RTO Offering or such other amount as may be necessary to satisfy the initial listing requirements of the Exchange;
- (c) the Consolidation and Name Change shall have been approved by the shareholders at the EH Meeting;
- (d) the Company shall have a minimum cash balance of \$300,000, not including transaction costs associated with the Proposed Qualifying Transaction immediately prior the Closing Date, or such other amount acceptable to Esports, acting reasonably;
- (e) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement, including, without limitation, the Merger;
- (f) the board of directors of the Resulting Issuer shall consist of those individuals set forth in the Business Combination Agreement, namely, Drew Green, Maruf Raza, Lloyd Melnick, Michael Stevens and Quentin Martin;
- (g) all the representations, warranties and covenants of each of Luckbox and the Company shall be true and correct in all material respects as at the Closing Date; and
- (h) no adverse material change shall have occurred in the business, affairs, financial condition assets or operations of the Company or Luckbox prior to Closing.

The Proposed Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction.

Consolidation

Pursuant to the Business Combination Agreement, prior to the Proposed Qualifying Transaction, the Company will effect the Consolidation pursuant to which one Resulting Issuer Share will be issued for every 4.2 Company Shares issued and outstanding. It is proposed that the Consolidation will be effected immediately prior to the completion of the Proposed Qualifying Transaction.

There are currently a total of 7,000,000 Company Shares and 700,000 Company Options issued and outstanding in the capital of the Company. Upon completion of the Consolidation, but prior to completion of the Proposed Qualifying Transaction, it is expected that the Company will have an aggregate of 1,666,666 post-Consolidation Company Shares and 166,666 Company Options issued and outstanding.

Name Change

In connection with the Proposed Qualifying Transaction, it is proposed that the notice of articles and articles of the Resulting Issuer be amended to change the name of the Resulting Issuer to "Esports Holdings Ltd.", or such other name as the Company and Luckbox mutually agree to. The Name Change will require the approval of the shareholders of the Company. It is proposed that the Name Change will be effected immediately after the completion of the Proposed Qualifying Transaction.

Luckbox RTO Offering

Pursuant to the Business Combination Agreement, it was a condition to the Closing that Luckbox complete a brokered and non-brokered private placement of subscription receipts. Luckbox did pay cash commission and corporate finance fees in connection with this financing. See *"Information Concerning Luckbox – General Description of the*

Business of Luckbox – Soft launch, COVID-19, Further Funding and RTO Offering” and “Information Concerning the Resulting Issuer - Pro Forma Consolidated Capitalization – Fully Diluted Share Capital” for more detail on the financing and share capitalization of Luckbox.

EH Meeting

The Company held an annual general and special meeting of the shareholders of the Company on November 9, 2020, to deal with the business of its annual general meeting as well as to ask shareholders of the Company to consider and, if thought fit, authorize: (a) the Name Change; and (b) the directors of the Company to implement a consolidation of the common shares of the Company of up to 5:1 as they deem fit.

2. Corporate Structure

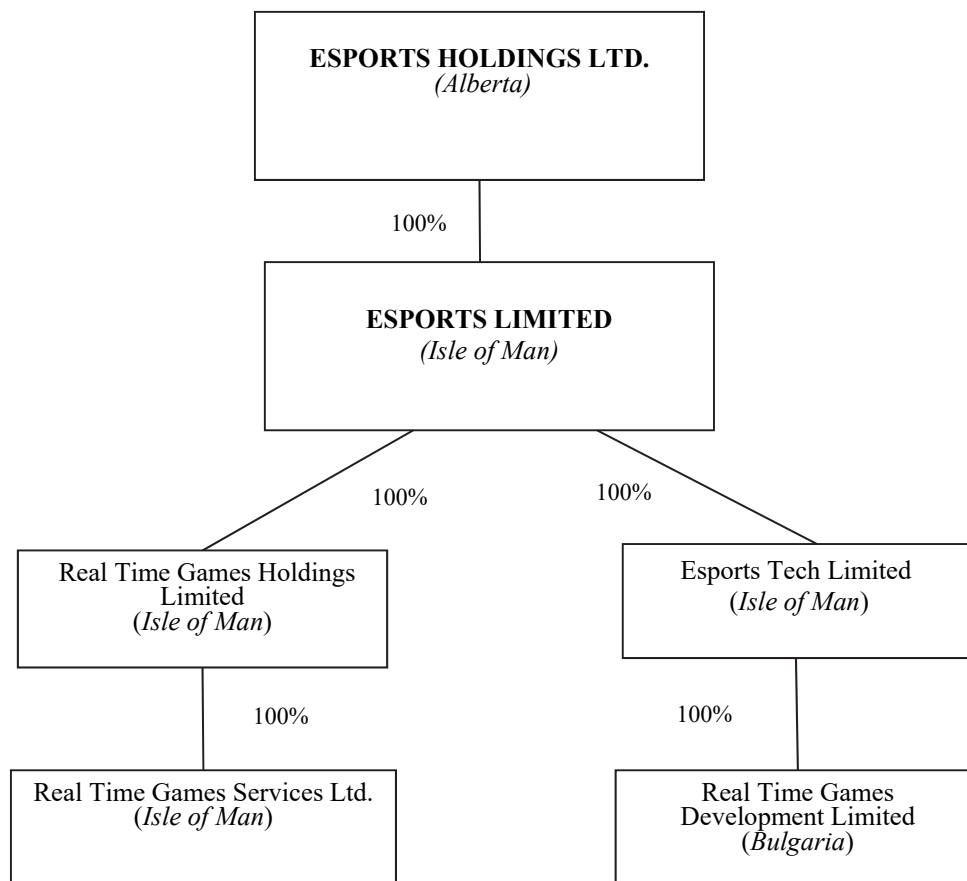
2.1 Name and Incorporation

Following the Closing, the Resulting Issuer (being the continuing corporate entity that is the Company), will own all of the issued and outstanding shares of the entity created by the merger of Luckbox and Elephant Hill Sub and the Resulting Issuer will continue to exist under the *Business Corporations Act* (Alberta). The Resulting Issuer intends to manage Luckbox’s assets and continue to operate Luckbox’s business. Upon the Closing, the entity created by the merger of Luckbox and Elephant Hill Sub will become a wholly-owned subsidiary of the Resulting Issuer and the Resulting Issuer will carry on business under the name of “Esports Holdings Limited” or such other name as the Company and Luckbox may mutually agree upon.

It is expected that the head office of the Resulting Issuer will be re-located following completion of the Proposed Qualifying Transaction, with the head office being changed to First Floor, Millenium House, Victoria Road, Douglas, Isle of Man, IM2 4RW. The registered office will be Suite 2900 - 550 Burrard Street, Vancouver, British Columbia V6C 0A3.

2.2 Intercorporate Relationships

Following Closing, the Resulting Issuer will hold 100% of the issued and outstanding shares of the entity created by the merger of Luckbox and Elephant Hill Sub, which will be a wholly-owned subsidiary of the Resulting Issuer. See “*Information Concerning Luckbox – Corporate Structure – Intercorporate Relationships*”.



The Resulting Issuer intends to become a major player in the online gaming industry. The principal mission of the Resulting Issuer will be to become a leader in the esports betting subsection of the gaming industry. See “*Information Concerning Luckbox – General Development of Business*” and “*Information Concerning the Resulting Issuer - Available Funds and Principal Purposes*”.

3. Narrative Description of the Business

3.1 The Business Objectives

The resulting issuer intends to carry on the business of Luckbox. Luckbox was an emerging esports betting operator with the ambition to become a leader in esports betting. Luckbox has developed a technology platform and created a single offering, namely, an online, general betting book with fixed odds to bet on esports. The IOM Licence enabled Luckbox to offer multiple other forms of gaming and the intention is to add both traditional sports betting and casino to the Platform within the next 12 months.

Luckbox has assembled a management team with a proven track record of delivering profitable gaming businesses. The existing structure of the business allowed the building of the Platform, a major long-term asset - particularly the front end which is entirely bespoke. To deliver this, Luckbox, via RTGD, maintained a full modern, agile product and technology team in its largest office in Plovdiv, Bulgaria. All marketing, risk management, fraud, security and customer support - all the customer facing elements of a sportsbook - were done in-house to ensure a fully end-to-end serviced brand experience. See “*Information Concerning Luckbox - Narrative Description of the Business - Operations*” above.

Details of the Platform and the Esportsbook, as well as strategic insight into what was chosen to be in-house and what Luckbox outsourced for development purposes, can be found in “*Information Concerning Luckbox - Narrative Description of the Business - Operations - Principal Products or Services*” above.

3.2 Milestones

The following is a summary of the principal milestones necessary to be achieved by the Resulting Issuer in order for the Resulting Issuer to successfully complete its business plan over the next 12 months.

Management of Luckbox believes that the value proposition of Luckbox is as follows: (i) that it can deliver an esports betting website that is both easy to use and authentic to those over the age of majority in the 18-38 year-old target demographic; (ii) that it can ensure that it offers betting on every major esports event; (iii) that, in addition to pre-match markets, Luckbox has the most consistently available markets for live matches; (iv) that it provides the ability to watch, chat, and bet in real time for all live matches; and (v) that it has a safe environment by ensuring that there are no underage bettors and the users bet responsibly.

Luckbox has the following key milestones for the next 12 months:

Milestone	Target Date	Cost of Realization ⁽¹⁾
To scale Luckbox’s marketing capabilities to hit 12-month marketing KPIs	Q4 2021	\$1,150,000
To organically grow the Platform through: a. launching traditional sports betting capabilities; b. launching an online casino; and c. continuous product and operational improvements.	Q4 2021	\$1,250,000
To acquire an active esports odds company.	Q2 2021	This M&A is expected to either be a stock-only deal or may additionally require further funds to be raised in 2021 specifically for such a deal
To build out a B2B business and sign its first client.	Q4 2021	Further funds will be raised to cover any additional costs for this milestone

Luckbox’s overall strategic vision is to market and grow the existing Esportsbook and build out the Platform into a profitable one. Luckbox’s management team believes that this strategic vision can be achieved by acquiring an esports odds provider company in order to reduce costs and increase the quality of the odds of its Esportsbook – which will increase margins, enhance the customer experience and enable Luckbox to build a compelling B2B business selling odds, risk managed odds, customisable/whitelabel front ends, and all other elements of esports betting to other businesses.

Luckbox management believes that Luckbox requires greater scale than their current B2C business will generate in the next 12 months to justify a higher cost of purchased data and to have the best odds, which, in turn, results in the best customer pricing and profit margins. The B2B business will provide such scale in the short-term more efficiently than trying to scale the B2C business too aggressively, too soon, and at too high a cost. This strategy will also improve the B2C business and also deliver additional value from the odds provider acquisition (when and if that were to occur).

After scaling its existing B2C business for the next 12 months, Luckbox will examine the cost of additional licences to allow Luckbox to operate in new, regulated markets, such as Spain. These markets have either no or few endemic esports betting competitors and offer the opportunity for Luckbox to access to an entirely new pool of potential customers.

Following is a detailed description of each milestone. See also “*Information Concerning Luckbox – Narrative Description of the Business*”.

Organically Grow the Existing B2C Business

A key part of this strategy is to scale Luckbox’s in-house customer acquisition team and to accelerate its marketing program. The specifics about marketing are discussed in “*Narrative Description of the Business - Marketing Plans and Strategies*” above.

Secondly, in addition to regular ongoing product updates to enhance the Esportsbook’s retention and monetization KPIs, the intent is to add both traditional sports betting and a casino to Luckbox’s product offering, by 1Q21. Contracts are already in place with providers of both traditional sports and casino content. The standard gaming business model is to acquire traffic through lower cost per acquisition (“CPA”) channels, such as sports betting and poker, and to cross sell these into higher lifetime value (“LTV”) verticals, primarily casino. Luckbox’s intent is to replicate this model. The Esportsbook’s brand will always be endemic to esports, but Luckbox seeks to increase its share of customers’ wallets by cross selling between esports betting, sports betting and casino. The addition of these verticals should see a substantial increase in LTV as well as providing more content from sports betting to ensure a full calendar of betting events all year around.

Luckbox intends to acquire at least one additional gaming licence in the next 24 months to not only expand its geographical reach to acquire new customers, but most likely to operate in a market with either no or few existing endemic esports betting companies.

Acquire an Esports Odds Company

As stated above, a key component of Luckbox’s business is to complete strategic acquisitions to build out its B2B business. First among such proposed acquisition targets will be an esports odds provider. To take advantage of the fact that Luckbox will be only the second endemic esports betting company to go public, Luckbox expects it will be in a better position to acquire suitable companies by being able to use the listed shares of the Resulting Issuer as consideration for the acquisition. Luckbox also expects to make further strategic acquisitions in the future to achieve the goal of becoming a leader in esports betting and also to leverage anticipated cost and revenue synergies within an expanding group of related companies.

While strategic acquisitions are a key component of Luckbox’s business model, and while there have been several strategic acquisition targets identified, Luckbox’s acquisition strategy and momentum is still in its initial stages, and, as such, no capital has been allocated to these initiatives. It is currently expected that Luckbox will utilize an acquisition model consisting of consideration shares for the first of such acquisitions. Therefore, Luckbox is not expecting to have any material costs other than legal and transactional costs associated with any such acquisitions in the next 12 months.

In assessing the suitability of target operating businesses and assets, Luckbox considers numerous operational and strategic factors which may include the following:

- (i) **Financial Performance:** Luckbox will focus on accretive acquisitions that demonstrate either strong cashflow or a positive EBITDA with a history of financial performance.
- (ii) **Management and Operations:** The strength of management is a key acquisition decision factor. Luckbox seeks to identify businesses with an experienced and deep management team with a viable succession plan. Luckbox will evaluate the management of target businesses based on many factors including its brand name reputation, existing client list, industry expertise, historical staff turnover, revenue growth, expense control,

financial performance, innovation sector specialization and the potential to realize on synergies. Acquisitions in this sector have historically, and are expected to continue, to include a vendor earn-out component that is intended to ensure continued engagement of the target management with the acquired business post-transaction.

(iii) **Value Additive Technologies:** Luckbox seeks to continually improve its Platform and, rather than develop large technologies such as, but not limited to, a PAM solution or a sportsbook engine, Luckbox may seek to acquire companies to bring such technologies within the group to enhance both its existing B2C and future B2B capabilities.

(iv) **Licences:** Luckbox will look to find companies with gaming licences that Luckbox does not already hold in order to expand the customer base of both Luckbox and the target company.

(v) **Synergies:** Luckbox searches for acquisition targets that present potential synergistic benefits. Synergies potentially include expenses such as shared financial services, shared office space, complimentary marketing, information technology, and infrastructure support, integration of customer relationship management software, training, human resources, and consolidation of contract administration. Luckbox management believes that it has additional capacity to integrate additional verticals within Luckbox's existing business.

With respect to finding an esports odds provider, in addition to the above variables, Luckbox is also looking for a target company that has proven experience with esports odds, due to the nuances of each title and the frequency of the publishers' game updates. Such a target company would have to also have the technological infrastructure to handle: (i) high bet volumes; (ii) low latency resulting; (iii) ability to blend many data sources in parallel; (iv) have a focus on in-play betting, particularly on market uptime; and (v) machine learning capabilities to continually optimise their models in real time.

Any such acquisitions may be structured to accommodate the continued involvement for the vendor and retention of individuals key to the success and viability of the acquired firm. Luckbox's acquisition strategy is designed to appeal to owners seeking an 'exit' but who remain motivated by continuing to have an interest in the business. The structure of Luckbox's acquisitions are subject to deal specific factors including business, legal and tax advice, and will be reviewed and approved, on a case by case basis, by the Luckbox board.

Luckbox does not currently envision integrating newly acquired businesses under one common corporate brand. Instead, Luckbox's strategy will be to maintain the value created by the vendor by retaining the identity, and other success factors of the target company within areas of specialization. Luckbox proposes to reduce operating expenses of target businesses by improving operating efficiencies and integrating back-end processes and technologies across subsidiary operations, while also providing target businesses with additional opportunities for growth through vertical integration, broader geographic coverage and technological solutions.

Build Out a B2B Business

Luckbox already has the licence and the capacity to offer its Platform as a B2B product (either on a white label basis or, more likely, as a hosted iframe within an existing operators site or app that is integrated into their back ends). The Platform is fully modular, with each key component possessing its own APIs, permitting a fully customizable integration model. However, due to the existing contracts with key third party providers, this model would not be as profitable as it can be in the long run.

The intent is to combine the Platform, the white label capabilities of the Esportsbook, operational expertise (particularly risk management) and the IOM Licence with the acquired company's odds. The exact structure of the B2B product will depend heavily on which esports betting company is acquired, and whether or not they have a sportsbook engine. The structure would also depend on whether or not we continue to use our third party engine, or build our own, or create a joint venture with a company who already has one. The same considerations are applicable to the PAM, though the commercial terms with our existing third party provider of the PAM are such that this topic is less critical. Depending on the scale of the product, particularly if it is a joint venture, Luckbox may conduct a financing to meet the financial requirements necessary to realize on this acquisition strategy and to achieve the requisite synergies.

With Luckbox’s plans to create deep partnerships with either large B2C or B2B gaming operators (ideally two to three within the next 24 months), rather than creating 10+ carbon copy white labels as some of our B2B competitors plan to do. Most of Luckbox’s management team each have 10+ years of experience working with the legacy tech stacks of the giants in the gaming industry and the Platform has been built with interfacing with such stacks in mind. The intent is to partner with clients with existing, substantial scale, rather than to help new businesses who will be starting their brand via the Platform.

4. Description of the Securities

The authorized capital of the Resulting Issuer will consist of an unlimited number of Class A common shares without nominal or par value. Upon Completion of the Proposed Qualifying Transaction (after giving effect to the Consolidation), it is anticipated that an aggregate of 50,287,475 Resulting Issuer Shares will be issued and outstanding as fully paid and non-assessable shares, 166,666 Resulting Issuer Shares will be reserved for issuance pursuant to the exercise of Resulting Issuer Options and 11,004,601 Resulting Issuer Shares will be reserved for issuance pursuant warrants to purchase Resulting Issuer Shares (and underlying unit warrants to purchase Resulting Issuer Shares), 10,057,495 Resulting Issuer Shares will be reserved for options (which will include Resulting Issuer Shares reserved for the 832,500 Luckbox Employee Stock Options, the 166,666 Company Options and 4,500,000 employee stock options to be granted to certain directors, officers and employees of the Resulting Issuer and its subsidiaries at Closing) available for issuance under the stock option plan to be adopted by the Resulting Issuer and a further 300,000 Resulting Issuer Shares will be reserved for Service Provider Options provided to service providers to the Resulting Issuer as a component of their service fees. Until such time as Disinterested Shareholder Approval is obtained by the Resulting Issuer, any options granted under the Fixed Option Plan may not be vested or exercised by the holders thereof (see “*Information Concerning the Resulting Issuer – Stock Option Plan*”). See also “*Information Concerning the Resulting Issuer – Fully Diluted Share Capital*”.

The holders of the Resulting Issuer Shares are entitled to receive notice of and attend any meeting of the Resulting Issuer’s shareholders and are entitled to cast one vote for each Resulting Issuer Share held. The holders of the Resulting Issuer Shares are entitled to receive dividends, if, as and when declared by the Board of Directors of the Company and to receive a proportionate share, on a per share basis, of the assets of the Resulting Issuer available for distribution in the event of a liquidation, dissolution or winding-up of the Resulting Issuer.

5. Pro Forma Consolidated Capitalization

5.1 Pro Forma Consolidated Capitalization

The following table sets forth the *pro forma* share and loan capital of the Resulting Issuer as at June 30, 2020, on a consolidated basis, based on the *pro forma* consolidated financial statements contained in this Filing Statement, after giving effect to the Completion of the Proposed Qualifying Transaction and all matters ancillary thereto.

Designation of Security	Amount authorized or to be authorized ⁽¹⁾	Amount outstanding as at June 30, 2020	Amount outstanding as at October 31, 2020, after giving effect to the Proposed Qualifying Transaction (# and \$) ⁽²⁾
Resulting Issuer Shares	Unlimited	7,000,000 ⁽²⁾ (\$547,571)	1,666,666 (\$547,571)
Former Luckbox Shares	34,202,061	21,871,863 (\$378,724)	34,202,061 (\$14,901,545)
Former Luckbox Subscriber Warrants	1,729,744	1,667,244 (\$296,769)	1,729,744 (\$296,769)
Former Luckbox Pre-RTO Broker Warrants (shares)	221,000	221,000 (\$92,820)	221,000 (\$92,820)
Former Luckbox Pre-RTO Broker Warrants (warrants)	110,500	110,500 (\$Nil)	110,500 (\$Nil)

Designation of Security	Amount authorized or to be authorized ⁽¹⁾	Amount outstanding as at June 30, 2020	Amount outstanding as at October 31, 2020, after giving effect to the Proposed Qualifying Transaction
			(# and \$) ⁽²⁾
Former Luckbox RTO Broker Warrants (shares)	865,354	865,354 (\$363,449)	865,354 (\$363,449)
Former Luckbox RTO Broker Warrants (warrants)	432,677	432,677 (\$Nil)	432,677 (\$Nil)
Former Luckbox Compensation Subscriber Warrant	3,810	3,810 (\$678)	3,810 (\$678)
Former Luckbox Subscription Receipt Underlying Shares	10,847,320	10,847,320 (\$4,555,874)	10,847,320 (\$4,555,874)
Former Luckbox Subscription Receipt Underlying Warrant	5,423,660	5,423,660 (\$Nil)	5,423,660 (\$Nil)
Former Expoworld Note (shares)	1,190,476	1,190,476 (\$500,000)	1,190,476 (\$500,000)
Former Expoworld Note (warrants)	595,238	595,238 (\$Nil)	595,238 (\$Nil)
Former Luckbox Advisory Warrants (shares)	288,095	288,095 (\$68,400)	288,095 (\$68,400)
Former Luckbox Advisory Warrants (warrants)	144,047	144,047 (\$68,400)	144,047 (\$68,400)
Former Second Expoworld Note (shares)	2,380,952	2,380,952 (\$1,000,000)	2,380,952 (\$1,000,000)
Former Second Expoworld Note (warrants)	1,190,476	1,190,476 (\$Nil)	1,190,476 (\$Nil)
Service Provider Options	300,000	N/A	300,000 (\$Nil)
Resulting Issuer Options	166,666	166,666	5,499,166 (\$Nil)
Long-Term Debt	N/A	\$Nil	\$Nil
Shareholders' Equity (Deficit)	N/A	\$(6,554,000)	\$(6,688,907)

Notes:

- (1) Prior to giving effect to the Consolidation.
- (2) There are currently a total of 700,000 Company Options issued and outstanding in the capital of the Company. Upon completion of the Consolidation, but prior to completion of the Proposed Qualifying Transaction, it is expected that the Company will have 166,666 Company Options issued and outstanding. It is expected at closing that Resulting Issuer Shares will be reserved in respect of outstanding Resulting Issuer Options in connection with the 832,500 Luckbox Employee Stock Options, the 166,666 Company Options and 4,500,000 employee stock options to be granted to certain directors, officers and employees of the Resulting Issuer and its subsidiaries at Closing, and that all of such Resulting Issuer Options will be available for issuance under the stock option plan to be adopted by the Resulting Issuer. It is also expected that further Resulting Issuer Options will be granted from time to time at the discretion of the board of directors of the Resulting Issuer. Until such time as Disinterested Shareholder Approval is obtained by the Resulting Issuer, any options granted under the Fixed Option Plan may not be vested or exercised by the holders thereof (see "*Information Concerning the Resulting Issuer – Stock Option Plan*"). See also "*Information Concerning the Resulting Issuer – Options to Purchase Securities*."
- (3) As at June 30, 2020, the estimated shareholders' equity (deficit) of the Resulting Issuer is \$6,554,000. See Appendix "C" - "*Pro Forma Financial Statements*".

5.2 Fully Diluted Share Capital

The following table summarizes the securities of the Company currently issued and outstanding and the securities of the Resulting Issuer to be issued and outstanding following the Consolidation and Completion of the Proposed Qualifying Transaction:

	Number of Securities	Percentage of Total Number of Resulting Issuer Shares to be Issued and Outstanding Following Completion of the Proposed Qualifying Transaction on a Fully Diluted Basis
Resulting Issuer Shares outstanding as of the date of this Filing Statement (<i>i.e.</i> : those held by current shareholders of the Company) ⁽¹⁾	1,666,666	2.33%
Resulting Issuer Shares to be issued to holders of Luckbox Shares ⁽²⁾	34,202,061	47.74%
Resulting Issuer Shares to be issued to former holders of Subscription Receipts following conversion to Luckbox Shares ⁽⁶⁾	10,847,320	15.14%
Resulting Issuer Share to be issued to former holders of ExpoWorld Note following conversion to Luckbox Shares ⁽⁷⁾	1,190,476	1.66%
Resulting Issuer Share to be issued to former holders of Second ExpoWorld Note following conversion to Luckbox Shares ⁽¹⁰⁾	2,380,952	3.32%
Total Resulting Issuer Shares (non-diluted):	50,287,475	70.2%

	Number of Securities	Percentage of Total Number of Resulting Issuer Shares to be Issued and Outstanding Following Completion of the Proposed Qualifying Transaction on a Fully Diluted Basis
Resulting Issuer Shares issuable upon exercise of Resulting Issuer Options ⁽¹⁾	166,666	0.23%
Resulting Issuer Shares issuable upon exercise of Luckbox Subscriber Warrants, which were exchanged for Resulting Issuer Warrants ⁽³⁾	1,729,744	2.41%
Resulting Issuer Shares issuable upon exercise of Pre-RTO Broker Warrants, which were exchanged for Resulting Issuer Warrants ⁽⁴⁾	221,000	0.31%
Resulting Issuer Shares issuable upon exercise of warrants issuable upon the exercise of the Pre-RTO Broker Warrants, which are exchangeable for Resulting Issuer Warrants ⁽⁴⁾	110,500	0.15%
Resulting Issuer Shares issuable upon exercise of RTO Broker Warrants, which were exchanged for Resulting Issuer Warrants ⁽⁴⁾	865,354	1.21%
Resulting Issuer Shares issuable upon exercise of warrants issuable upon the exercise of the RTO Broker Warrants, which are exchangeable for Resulting Issuer Warrants ⁽⁴⁾	432,677	0.60%
Resulting Issuer Shares issuable upon exercise of Luckbox Compensation Subscriber Warrant, which were exchanged for Resulting Issuer Warrants ⁽⁵⁾	3,810	0.01%
Resulting Issuer Shares issuable upon exercise of the Underlying Unit Warrants issued in connection with the conversion of the Subscription Receipts, which were exchanged Resulting Issuer Warrants ⁽⁶⁾	5,423,660	7.57%
Resulting Issuer Shares issuable upon exercise of Luckbox Subscriber Warrants issued in connection with the conversion of the Expoworld Note, which were exchanged for Resulting Issuer Warrants ⁽⁷⁾	595,238	0.83%
Resulting Issuer Shares issuable upon exercise of Luckbox Advisory Warrants, which were exchanged for Resulting Issuer Warrants ⁽⁸⁾	288,095	0.40%
Resulting Issuer Shares issuable upon exercise of warrants issuable upon exercise of Luckbox Advisory Warrants, which are exchangeable for Resulting Issuer Warrants ⁽⁸⁾	144,047	0.20%
Resulting Issuer Shares remaining available for issuance under the Resulting Issuer Option Plan ⁽⁹⁾	4,558,329	6.36%
Resulting Issuer Shares issuable upon exercise of Luckbox Subscriber Warrants issued in connection with the conversion of the Second Expoworld Note, which were exchanged for Resulting Issuer Warrants ⁽¹⁰⁾	1,190,476	1.66%
Resulting Issuer Shares issuable upon the exercise of the Service Provider Options ⁽¹¹⁾	300,000	0.42%
Resulting Issuer Shares issuable upon the exercise of the Luckbox Employee Stock Options ⁽¹²⁾	832,500	1.16%
Resulting Issuer shares issuable upon the exercise of employee stock options to be granted at Closing ⁽¹³⁾	4,500,000	6.28%
Total Options and Warrants	21,362,096	29.81%
Total Resulting Issuer Shares (fully diluted):	71,649,571	100%

Notes:

- (1) These numbers are calculated after giving effect to the Consolidation (4.2 for 1).
- (2) The Avatar Note has been converted into Luckbox Shares at a deemed issue price of \$0.21 per Luckbox Share, and such Luckbox Shares will be exchanged for Resulting Issuer Shares in connection with the Proposed Qualifying Transaction.
- (3) Each Luckbox Subscriber Warrant entitles the holder thereof to acquire one Luckbox Share at an exercise price of \$0.63 for a period of 24 months from the Closing. Such Luckbox Subscriber Warrants will be exchanged for Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.

- (4) Each Pre-RTO Broker Warrant and RTO Broker Warrant entitles the holder thereof to acquire one unit of Luckbox at an exercise price per Pre-RTO Broker Warrant or RTO Broker Warrant (as applicable) equal to \$0.42 for a period of 24 months from the Closing, and each such unit (which will be equivalent to a Sub Receipt Unit) will be comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing. Such Luckbox Shares and Luckbox Share purchase warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.
- (5) Each Compensation Subscriber Warrant entitles the holder thereof to acquire one Luckbox Share at an exercise price per Compensation Subscriber Warrant equal to \$0.63 for a period of 24 months from the Closing. Such Compensation Subscriber Warrants will be exchanged for Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.
- (6) Each Subscription Receipt will be converted into a Sub Receipt Units immediately prior to the Completion of the Proposed Qualifying Transaction with no further acts or payments required of the holder of the Subscription Receipt, and as a result of such conversion, the holder will receive a Sub Receipt Unit comprised of one Underlying Unit Share and one half of one Underlying Unit Warrant (with each whole Underlying Unit Warrant being exercisable at \$0.63 per Underlying Unit Warrant for a period of 24 months from the date of the Completion of the Proposed Qualifying Transaction). Such Underlying Unit Shares and Underlying Unit Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.
- (7) The Expoworld Note will be converted into units of Luckbox equivalent to the Sub Receipt Units concurrently with the Completion of the Proposed Qualifying Transaction at a deemed issue price of \$0.42 per unit, and as a result of such conversion, Expoworld will receive units comprised of 1,190,476 Underlying Shares and 595,238 Underlying Warrants (exercisable at \$0.63 per Underlying Warrant for a period of 24 months from the date of the Completion of the Proposed Qualifying Transaction). Such Underlying Shares and Underlying Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.
- (8) Each Luckbox Advisory Warrant entitles the holder thereof to acquire one unit of Luckbox at an exercise price per Luckbox Advisory Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit (which will be equivalent to a Sub Receipt Unit) will be comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing. Such Luckbox Shares and Luckbox Share purchase warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.
- (9) As of the date of Closing, subject to the approval of the Exchange, the Resulting Issuer intends to adopt a 20% fixed option plan which was approved by the Shareholders of the Company at its annual general and special meeting to held November 9, 2020. If approved by the Exchange, an additional 4,558,329 Resulting Issuer Shares will be available for future grant of Resulting Issuer Options under the Resulting Issuer's Option Plan, and this takes into account the Resulting Issuer Shares to be reserved for the 166,666 Company Options being exchanged for Resulting Issuer Options, the Resulting Issuer Shares to be reserved for the 4,500,000 employee stock options to be granted to the Resulting Issuer at Closing and the 832,500 Luckbox Employee Stock Options already granted by Luckbox which will remain outstanding under the 20% fixed option plan following the closing of the Proposed Qualifying Transaction. Until such time as Disinterested Shareholder Approval is obtained by the Resulting Issuer, any options granted under the Fixed Option Plan may not be vested or exercised by the holders thereof. See "*Information Concerning the Resulting Issuer – Stock Option Plan*" and "*Options to Purchase Securities*."
- (10) The Second Expoworld Note will be converted into units of Luckbox equivalent to the Sub Receipt Units concurrently with the Completion of the Proposed Qualifying Transaction at a deemed issue price of \$0.42 per unit, and as a result of such conversion, Expoworld will receive units comprised of 2,380,952 Underlying Shares and 1,190,476 Underlying Warrants (exercisable at \$0.63 per Underlying Warrant for a period of 24 months from the date of the Completion of the Proposed Qualifying Transaction). Such Underlying Shares and Underlying Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants in connection with the Proposed Qualifying Transaction.
- (11) The Service Provider Options are each exercisable for one Luckbox Share at \$0.42 for a period of 24 months from the date of the completion of the Proposed Qualifying Transaction). See "*Information Concerning the Resulting Issuer - Investor Relations Arrangements*" for more detail. Such options will be exchanged for Resulting Issuer Options in connection with the Proposed Qualifying Transaction.
- (12) The Luckbox Employee Stock Options are each exercisable for one Luckbox Share at \$0.42 for a period of 5 years from the date of the completion of the Proposed Qualifying Transaction. Such options will be exchanged for Resulting Issuer Options in connection with the Proposed Qualifying Transaction.
- (13) These employee stock options are intended to be granted immediately upon Closing by the Resulting Issuer and will be exercisable for one Luckbox Share at \$0.42 for a period of 5 years from the date of the completion of the Proposed Qualifying Transaction. Until such time as Disinterested Shareholder Approval is obtained by the Resulting Issuer, any options granted under the Fixed Option Plan may not be vested or exercised by the holders thereof (see "*Information Concerning the Resulting Issuer – Stock Option Plan*").

6. Available Funds and Principal Purposes

6.1 Funds Available

Estimated Available Funds

The Resulting Issuer would have, as at June 30, 2020, *pro forma* consolidated working capital of approximately \$6,096,544 (after deducting estimated costs and expenses of the Proposed Qualifying Transaction in the amount of \$250,000).

As at October 31, 2020, the Resulting Issuer had estimated working capital of \$5,822,736 which is intended to be applied as set forth below.

The following table sets forth the estimated available funds (based upon total current assets less total current liabilities) plus the amounts and sources of other funds available to the Company and Luckbox prior to, or concurrently with, the Completion of the Proposed Qualifying Transaction, after giving effect to the Proposed Qualifying Transaction.

	Company as at June 30, 2020	Luckbox as at June 30, 2020	Pro Forma Resulting Issuer as at June 30, 2020	Pro Forma Resulting Issuer as at October 31, 2020
Available Funds	\$309,656	\$(2,216,040)	\$6,096,544 ⁽²⁾⁽³⁾	\$5,822,736 ⁽²⁾⁽³⁾

Notes:

- (1) Derived from the pro forma financial statements.
- (2) After deducting estimated costs and expenses of the Proposed Qualifying Transaction in the amount of \$250,000.
- (3) Includes proceeds raised in private placements since Luckbox's incorporation of approximately \$18.8 million.

Proposed Principal Uses Thereof

The following table sets out the estimated available funds after giving effect to the Proposed Qualifying Transaction and the proposed principal uses for those funds:

Description of Expenditure	Amount
To scale Luckbox's marketing capabilities to hit 12-month marketing KPIs ⁽¹⁾	\$1,150,000
General and administrative costs	\$3,315,300
To organically grow the Platform through:	
a. launching traditional sports betting capabilities;	\$1,250,000
b. launching an online casino; and	
c. continuous product and operational improvements. ⁽¹⁾	
Unallocated Working Capital	\$107,436
Total	\$5,822,736.00

Notes:

- (1) See "Information Concerning the Resulting Issuer, – Milestones" for further details.

Notwithstanding the proposed uses of available funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to effect the planned activities of the Resulting Issuer. For these reasons, management considers it to be in the best interests of the Company and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. Further, the above uses of available funds should be considered estimates.

Dividends

There are no restrictions in the Company's articles or elsewhere which could prevent the Resulting Issuer from paying dividends subsequent to the Completion of the Proposed Qualifying Transaction. The Company does not contemplate paying any dividends on any shares of the Company in the immediate future subsequent to the Completion of the Proposed Qualifying Transaction, as it anticipates investing all available funds to finance the growth of the Resulting Issuer's business. The directors of the Resulting Issuer will determine if, and when, to declare and pay dividends in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time. All of the common shares of the Resulting Issuer will be entitled to an equal share in any dividends declared and paid on a per share basis.

7. Principal Securityholders

To the best of the knowledge of management of the Company and Luckbox, nobody will beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the voting rights attached to all of the outstanding shares of the Resulting Issuer after Completion of the Proposed Qualifying Transaction.

8. Directors, Officers and Promoters

8.1 Name, Municipality of Residence, Occupation and Security Holdings

Effective upon the Closing, the individuals disclosed in the table below will be the directors and officers of the Resulting Issuer, with the term of office of the directors to expire on the date of the next annual general meeting of the shareholders of the Resulting Issuer.

It should be noted that, pursuant to the Business Combination Agreement, it is a condition to the Closing that the individuals set forth below be appointed to the board of directors of the Resulting Issuer and that all current officers and directors of the Company tender their resignations, effective on or before the Completion of the Proposed Qualifying Transaction. All of the shares set forth in the below table are owned both beneficially and of record by the shareholder identified in the table, except as otherwise indicated in the notes.

Name, Age, Municipality of Residence and Position with Resulting Issuer ⁽¹⁾	Principal Occupation for Past Five Years	Director or Officer of the Company or Luckbox Since	Number and Percentage of Shares of Resulting Issuer to be owned directly and indirectly after Completion of Proposed Qualifying Transaction ⁽²⁾
Quentin Martin, 37 Douglas, Isle of Man <i>CEO and Director</i>	Since April 1, 2018, first COO then CEO of Luckbox. Mr. Martin has over a decade of experience in digital leadership across e-commerce, betting, and mobile gaming. Most recently as a general manager at PokerStars (TSX: TSGI) and previously as CEO of PSW Ventures, a successful e-commerce site. His experience is reinforced with a past life as a professional gamer in early esports, poker, and Magic the Gathering - ranked #1 in both the United Kingdom and Canada.	April 1, 2018	1,341,246 (2.8%)
Ran Kaspi, 38 Tel Aviv, Israel <i>Chief Financial Officer</i>	Chief Financial Officer of Luckbox and the proposed Chief Financial Officer of the Resulting Issuer. Mr. Kaspi has over 15 Years of experience in corporate finance, business analytics and financial planning in various roles with international listed companies. Up until recently served as the Chief Financial Officer of an ASX listed company, ParaZero Ltd., which develops drone safety solutions. Prior to his role at ParaZero Ltd., Mr. Kaspi served as Finance Director of Global-e, a top European provider of seamless cross-border e-commerce solutions. Mr. Kaspi brings substantial online gaming experience following five and a half years at the London Stock Exchange listed 888.com where he led the economic and performance team.	CFO of Luckbox commencing November 16, 2020 and Proposed CFO of Resulting Issuer	0 ⁽⁴⁾ (0%)

Michael Stevens, 40 ⁽²⁾ Sydney, Australia <i>Corporate Secretary and Director</i>	First appointed as a director of Luckbox's operating subsidiary, RTGH on September 4, 2016 and appointed as Corporate Secretary and director of Luckbox on April 25, 2019. Mr. Stevens is a professional poker player, crypto trader and investor. A gaming focussed entrepreneur - co-founded GambleGeek: a United Kingdom sports-centric affiliate marketing website. Formerly Operations Manager at PokerStars (TSX: TSGI) covering poker, game integrity, customer support and product launches.	September 4, 2016	4,205,581 (8.8%)
Drew Green, 46 ⁽²⁾⁽³⁾⁽⁵⁾ Vancouver, Canada <i>Director</i>	Chief Executive Officer of Indochino Inc., one of the top 500 e-Commerce companies in North America; founder and chairman of Emerge; Selected Entrepreneur of the Year 2018 by Ernst and Young; Mr. Green has played key leadership roles at companies that have created billions in shareholder value: DoubleClick (acquired by Google), SHOP.COM (acquired by Market America) and Flonetwork (acquired by DoubleClick).	Proposed Director	654,762 ⁽⁴⁾ (1.4%)
Maruf Raza, 45 ⁽²⁾⁽³⁾⁽⁵⁾ Toronto, Canada <i>Director</i>	Mr. Raza is the National Director of MNP LLP's Public Companies practice and an Assurance Partner in the Toronto office. Mr. Raza serves as an advisor to public companies, and private companies planning on going public through direct initial public offerings or reverse mergers. Mr. Raza currently serves on the PDAC-CPA Canada joint Mining Task Force. He also serves as a director to a TSX listed company and has been a past board chair of a TSX-V listed company.	Proposed Director	120,000 ⁽⁴⁾ (0.3%)
Lloyd Melnick, 55 ⁽³⁾⁽⁵⁾ Douglas, Isle of Man <i>Director</i>	Mr. Melnick is the EVP Casino at VGW Holdings Ltd., leading the Chumba Casino team – a North American focused social casino company. A serial builder of businesses (senior leadership on three exits worth over \$700 million), successful in big (Disney (NYSE: DIS), Stars Group (LON: FLTR), Zynga (NASDAQ: ZNGA)) and small companies (Merscom LLC., Spooky Cool Labs LLC.) with over 20 years' experience in the gaming and casino space.	Proposed Director	0 ⁽⁴⁾ (0%)

Notes:

- (1) Lars Lien of Sliema, Malta has served as a director of Luckbox within the last five years.
- (2) All percentages are on a non-diluted basis after giving effect to the Consolidation.
- (3) Proposed member of the Audit Committee.
- (4) Mr. Kaspi has been granted 832,500 Luckbox Employee Stock Options which will be exchanged for Resulting Issuer Options upon the completion of the Proposed Qualifying Transaction. At Closing it is expected that Mr. Green, Mr. Raza and Mr. Melnick will each be granted employee stock options by the Resulting Issuer upon the completion of the Proposed Qualifying Transactions. Mr. Green will be granted 1,000,000 of such Resulting Issuer Options, Mr. Raza will be granted 400,000 of such Resulting Issuer Options and Mr. Melnick will be granted 300,000 of such Resulting Issuer Options. Until such time as Disinterested Shareholder Approval is obtained by the Resulting Issuer, any options granted under the Fixed

Option Plan may not be vested or exercised by the holders thereof (see “*Information Concerning the Resulting Issuer – Stock Option Plan*”).

- (5) Proposed member of the Compensation Committee.

Following the Completion of the Proposed Qualifying Transaction, the board of directors of the Resulting Issuer will establish such other committees of the board as it determines to be appropriate. Following the Completion of the Proposed Qualifying Transaction, it is anticipated that the Audit Committee will be comprised of Messrs. Maruf Raza, Mike Stevens and Drew Green.

Following the Completion of the Proposed Qualifying Transaction, it is anticipated that the Compensation Committee will be comprised of Messrs. Maruf Raza, Mike Stevens and Drew Green.

As of the date of this Filing Statement, the Company Shares beneficially owned, directly or indirectly, by all promoters, directors, officers and Control Persons of the Company, as a group, is 0 Company Shares or approximately 0% of the 7,000,000 currently issued and outstanding Company Shares. As of the date of this Filing Statement, Luckbox Shares beneficially owned, directly or indirectly, by all promoters, directors, officers and Control Persons of Luckbox, as a group, is 6,321,589 Luckbox Shares, or approximately 18.4% of the 34,202,061 currently issued and outstanding Luckbox Shares. Upon Completion of the Proposed Qualifying Transaction, the Resulting Issuer Shares beneficially owned, directly or indirectly, by all promoters, directors, officers and Control Persons of the Resulting Issuer, as a group, will be 6,321,589 Resulting Issuer Shares or approximately 12.6% of the 50,287,475 Resulting Issuer Shares then to be issued and outstanding. Upon Closing, as described herein, the Resulting Issuer Shares beneficially owned, directly or indirectly, by non-insiders, as a group, will be 41,533,029 Resulting Issuer Shares or approximately 82.6% of the 50,287,475 Resulting Issuer Shares then to be issued and outstanding, however, some of these Resulting Issuer Shares will be subject to escrow. See “*Information Concerning the Resulting Issuer – Escrowed Securities*”.

8.2 Management

The following are summaries of the proposed directors and principal management of the Resulting Issuer, including their respective proposed positions with the Resulting Issuer and relevant work and educational background.

Quentin Martin is the CEO of Luckbox and the proposed Chief Executive Officer and a director of the Resulting Issuer. Mr. Martin has over a decade of experience in digital leadership across e-commerce, betting, and mobile gaming. Most recently as general manager at PokerStars (TSX: TSGI) and previously as CEO of PSW Ventures, a successful e-commerce site. His experience is reinforced with a past life as a professional gamer in early esports, poker and Magic the Gathering. Mr. Martin holds a Bachelor’s degree from University College London and an MBA from the University of Warwick. Mr. Martin currently works full-time on the affairs of Luckbox, and it is expected he will continue to work full time for the Resulting Issuer.

Ran Kaspi is the Chief Financial Officer of Luckbox and the proposed Chief Financial Officer of the Resulting Issuer. Mr. Kaspi has over 15 Years of experience in corporate finance, business analytics and financial planning in various roles with international listed companies. Up until recently served as the Chief Financial Officer of an ASX listed company, ParaZero Ltd., which develops drone safety solutions. Prior to his role at ParaZero Ltd., Mr. Kaspi served as Finance Director of Global-e, a top European provider of seamless cross-border e-commerce solutions. Mr. Kaspi brings substantial online gaming experience following five and a half years at the London Stock Exchange listed 888.com where he led the economic and performance team. Mr. Kaspi holds an MBA degree in Finance from Tel-Aviv University in Israel and a BA in Economics and Management. Mr. Kaspi is licensed by the Israeli Securities Authority. Mr. Kaspi currently works full-time on the affairs of Luckbox, and it is expected he will continue to work full time for the Resulting Issuer.

Michael Stevens is currently the COO of Luckbox and the proposed Corporate Secretary and a director of the Resulting Issuer. Mr. Stevens is a professional poker player, crypto trader and investor. Mr. Stevens is also a gaming focussed entrepreneur who co-founded GambleGeek: a UK sports-centric affiliate marketing website. Formerly Operations Manager at PokerStars (TSX: TSGI) covering poker, game integrity, customer support and product

launches. Mr. Stevens currently works full-time on the affairs of Luckbox, and it is expected he will continue to work full time for the Resulting Issuer.

Drew Green is proposed to be a director of the Resulting Issuer. Mr. Green is Chief Executive Officer of Indochino Inc., one of the top 500 e-Commerce companies in North America; founder and chairman of Emerge; and was selected as Entrepreneur of the Year 2018 by Ernst and Young. It is expected that, following completion of the Proposed Qualifying Transaction, Mr. Green will devote 5% of his working time towards the affairs of the Resulting Issuer.

Maruf Raza is proposed to be a director of the Resulting Issuer. Mr. Raza is the National Director of MNP LLP's Public Companies practice and an Assurance Partner in the Toronto office. Mr. Raza serves as an advisor to public companies and private companies planning on going public through direct initial public offerings or reverse mergers. Mr. Raza currently serves on the PDAC-CPA Canada joint Mining Task Force. Mr. Raza also serves as a director to a TSX listed company and has been a past board chair of a TSX-V listed company. It is expected that, following completion of the Proposed Qualifying Transaction, Mr. Raza will devote 5% of his working time towards the affairs of the Resulting Issuer.

Lloyd Melnick is proposed to be a director of the Resulting Issuer. Mr. Melnick is the EVP Casino at VGW Holdings Ltd., leading the Chumba Casino team – a North American focused social casino company. A serial builder of businesses (senior leadership on three exits worth over \$700 million), successful in big (Disney (NYSE: DIS), Stars Group (LON: FLTR), Zynga (NASDAQ: ZNGA)) and small companies (Merscom LLC., Spooky Cool Labs LLC.) with over 20 years' experience in the gaming and casino space. It is expected that, following completion of the Proposed Qualifying Transaction, Mr. Melnick will devote 5% of his working time towards the affairs of the Resulting Issuer.

Committee	Members
Audit Committee	Maruf Raza Drew Green Mike Stevens
Compensation Committee	Maruf Raza Drew Green Mike Stevens

8.3 Cease Trade Orders or Bankruptcies

Within the past ten years, other than as disclosed herein, none of the individuals proposed for appointment as a director, officer, promoter or other member of management of the Resulting Issuer upon Closing, nor any promoter of the Resulting Issuer or security holder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been a director, officer or promoter of any other issuer that, while he was acting in that capacity has been a director, officer or promoter of any other issuer that:

- (a) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemptions under applicable securities law for a period of more than thirty (30) consecutive days; or
- (b) was declared bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

8.4 Penalties or Sanctions

Other than as disclosed herein, no individual proposed for appointment as a director or officer of the Resulting Issuer, nor any promoter of the Resulting Issuer or any shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Company upon Closing, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making a decision about the Proposed Qualifying Transaction.

8.5 *Personal Bankruptcies*

Except as otherwise set forth herein, no individual proposed for appointment as a director or officer of the Resulting Issuer upon Closing, nor any promoter of the Resulting Issuer or any shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer upon Closing, nor any personal holding company of any such person, has, within the ten years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

8.6 *Conflicts of Interest*

Some of the individuals proposed for appointment as directors or officers or promoters of the Resulting Issuer upon Closing are also directors, officers and/or promoters of other reporting and non-reporting issuers. Conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer, notwithstanding that they will be bound by the provisions of the *Business Corporations Act* (Alberta) to act at all times in good faith in the interest of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise and to abstain from voting on any matters where a conflict of interest may arise. Except as otherwise provided herein, to the best of its knowledge, the Company is not aware of the existence of any conflicts of interest between the Company and any of its directors and officers as of the date of this Filing Statement. Except as otherwise provided herein, to the best of its knowledge, Luckbox is not aware of the existence of any conflicts of interest between Luckbox and any of its directors and officers as of the date of this Filing Statement. The shareholders of the Company must appreciate that they will be required to rely on the judgment and good faith of its directors and officers, as well as on the judgment and good faith of the directors and officers of Luckbox, in resolving any conflicts of interest that may arise.

8.7 *Other Reporting Issuer Experience*

The following table sets out the proposed directors, officers and promoter of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name of Reporting Issuer	Position	Exchange	From	To
Drew Green	American Aires Inc.	Director and Chairman of the Board	Canadian Securities Exchange	November 2019	June 2020
Maruf Raza	Medipharm Labs Corp.	Director	Toronto Stock Exchange	October 2018	June 2019
	Anaconda Mining Inc.	Director	Toronto Stock Exchange	March 2012	June 2019
	White Gold Corp.	Director	TSX Venture Exchange	November 2015	June 2019
	Pan African Oil Ltd.	Director	TSX Venture Exchange	July 2013	January 2015

Name	Name of Reporting Issuer	Position	Exchange	From	To
Ran Kaspi	ParaZero Ltd.	Chief Financial Officer	Australian Stock Exchange	January 2019	November 2020

8.8 Proposed Executive Compensation

The following is a summary of the anticipated compensation to be paid or awarded to the Named Executive Officers after Completion of the Proposed Qualifying Transaction:

Table of Compensation Excluding Compensation Securities							
Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of Perquisites (\$)	Value of all other compensation (\$)	Total Compensation (\$)
Quentin Martin <i>Chief Executive Officer</i>	2020	\$159,584	\$53,059	Nil	Nil	\$265,294 ⁽¹⁾	\$477,937
Ran Kaspi <i>Chief Financial Officer</i>	2020	\$172,414 ⁽²⁾	Nil	Nil	Nil	Nil	\$172,414 ⁽²⁾
Michael Stevens <i>Corporate Secretary</i>	2020	\$70,000	Nil	Nil	Nil	Nil	\$70,000

Notes:

- (1) In accordance with the terms of Quentin Martin's employment agreement, Mr. Martin is entitled to a Luckbox Share bonus equal to 5% of any capital raised in the fiscal 2019 and 2020.
- (2) Ran Kaspi commences his employment on November 16, 2020. His compensation for the fiscal year 2020 will, therefore, be prorated to \$21,602 for the period commencing on November 16, 2020 until the fiscal year end of 2020. Mr. Kaspi was granted 832,500 Employee Stock Options on November 16, 2020 in connection with his employment as Chief Financial Officer of Luckbox. These options are each exercisable for one Luckbox Share at \$0.42 for a period of 5 years from the date of the completion of the Proposed Qualifying Transaction. Such options will be exchanged for Resulting Issuer Options in connection with the Proposed Qualifying Transaction.

It is anticipated that senior management compensation will continue to be set at levels that is commensurate with such individuals' respective levels of experience and prevailing rates of remuneration in the industry for comparable engagements. It is expected that the board of directors of the Resulting Issuer will meet following the Completion of the Proposed Qualifying Transaction in order to review all proposed compensation and present recommendations to its board of directors regarding future proposed compensation. There are no other officers that are expected to be compensated in their capacities as such.

9. Indebtedness of Directors and Officers

No directors or officers will be indebted to the Resulting Issuer, as at the date hereof.

10. Investor Relations Arrangements

Neither the Company nor Luckbox has entered into any written or oral agreement or understanding with any person to provide promotional or investor relations services to either of them, or to engage in activities for the purposes of stabilizing the market, either now or in the future.

On November 10, 2020 Luckbox entered into an investor relations agreement with Sophic Capital Inc. ("Sophic"). Pursuant to the terms of the agreement, Sophic will provide services to Luckbox such as developing the investor

communications plan, developing and maintaining the investor presentation, contacting sell-side analysts and firms to increase awareness and discuss coverage, organizing investor roadshows/virtual when required, assisting with press releases to ensure they speak effectively to the capital markets, assisting with the development of conference call script where required, conference call rehearsal and question and answer preparation and any other investor relations activities required. Sophic's principal place of business is Toronto, Ontario. Sophic's principals, collectively, have fifty years of experience with investor relations working with growth technology companies across all stages of development. It is anticipated that the Resulting Issuer will continue to retain Sophic in this capacity. Sophic will not have direct or indirect ownership or control or direction or a combination of direct and indirect beneficial ownership of and control or direction over the securities of the Resulting Issuer other than as disclosed herein. Sophic receives a fee of \$8,000 per month for ongoing investor relations services to Luckbox. In addition, Sophic was granted 300,000 options to acquire Luckbox Shares at a price of \$0.42 that vest in four equal tranches every quarter over 12 months commencing on the date of the Proposed Qualifying Transaction. These options will expire on the date that is 36 months following the closing of the Proposed Qualifying Transaction. Sophic is also reimbursed for out of pocket expenses related to providing its services. The term of the agreement continues until the provision of its services have been completed unless extended upon mutual agreement by the parties in writing. The agreement may be terminated by either party upon providing 30 days prior written notice.

On November 20, 2020 Luckbox entered into a service agreement with Native Ads Inc. (“Native”). Pursuant to the terms of the agreement, Native will perform strategic digital media services, marketing and data analytics services such as: (i) content development; (ii) web development; (iii) media buying and distribution; and (iv) campaign reporting and optimization.

In return for the provision of their services to Luckbox, Native will receive a fee, including advertising costs, for the six month period starting December 1, 2020 of \$250,000. Native will not have direct or indirect ownership or control or direction or a combination of direct and indirect beneficial ownership of and control or direction over the securities of the Resulting Issuer.

11. Options to Purchase Securities

Assuming completion of the Consolidation there are 166,666 Company Options issued and outstanding. The Resulting Issuer will have 166,666 Resulting Issuer Options (representing the Company Options issued and outstanding prior to Closing), 832,500 Resulting Issuer Options (representing the Luckbox Employee Stock Options issued and outstanding prior to Closing), 4,500,000 Resulting Issuer Options (representing the employee stock options granting on Closing) and 300,000 Resulting Issuer Options (representing the Service Provider Options issued and outstanding prior to Closing) outstanding immediately following the Closing (assuming no prior exercises). The following table illustrates the number of Company Options or Luckbox Employee Stock Options that will be held immediately following the Closing by: (a) the proposed officers of the Resulting Issuer; (b) the proposed directors of the Resulting Issuer that are not also officers of the Resulting Issuer; (c) the employees of the Resulting Issuer; and (d) the former directors of the Company who are not remaining with the Resulting Issuer. Until such time as Disinterested Shareholder Approval is obtained by the Resulting Issuer, any options granted under the Fixed Option Plan may not be vested or exercised by the holders thereof (see “*Information Concerning the Resulting Issuer – Stock Option Plan*”).

Name and Principal Position	Number of Holders	Company Options/Luckbox Employee Stock Options/Resulting Issuer Options (#)	Exercise or Base Price (\$/Resulting Issuer Share)	Expiration Date
<i>Officers of the Resulting Issuer, as a group, (Quentin Martin (1,000,000), Mike Stevens (400,000) and Ran Kaspi (832,500))</i>	3	2,232,500	\$0.42	Five years from the Completion of the Proposed Qualifying Transaction

Name and Principal Position	Number of Holders	Company Options/Lockbox Employee Stock Options/Resulting Issuer Options (#)	Exercise or Base Price (\$/Resulting Issuer Share)	Expiration Date
<i>Proposed Directors of the Resulting Issuer who are not officers, as a group (Drew Green (1,000,000), Maruf Raza (400,000) and Lloyd Melnick (300,000))</i>	3	1,700,000	\$0.42	Five years from the Completion of the Proposed Qualifying Transaction
<i>Employees of the Subsidiary of Resulting Issuer, as a group</i>	5	1,500,000	\$0.42	Five years from the Completion of the Proposed Qualifying Transaction
<i>Former Directors of the Company, as a group</i>	4 ⁽¹⁾	166,666	\$0.42	One year from Completion of the Proposed Qualifying Transaction
TOTAL		5,499,166		

Notes:

- (1) After giving effect to the Consolidation, held by four directors and officers of the Company that will not be continuing as directors of the Resulting Issuer. Pursuant to the Business Combination Agreement and the Option Plan, such options may be exercised for a period of up to one year following the Completion of the Proposed Qualifying Transaction.

All of the foregoing options of the Resulting Issuer will be governed by the Option Plan of the Company. As of the date of Closing, an additional 4,558,329 Resulting Issuer Shares will be available for future grant of Resulting Issuer Options under the Resulting Issuer's Option Plan. Until such time as Disinterested Shareholder Approval is obtained by the Resulting Issuer, any options granted under the Fixed Option Plan may not be vested or exercised by the holders thereof (see "*Information Concerning the Resulting Issuer – Stock Option Plan*").

12. Stock Option Plan

On November 9, 2020, the shareholders of the Company approved a resolution which authorized the directors of the Company to adopt, if they see fit, a 20% fixed number option plan (the "**Fixed Option Plan**") in place of the current Stock Option Plan which is a 10% rolling option plan. The Resulting Issuer proposes to adopt the Fixed Option Plan upon Completion of the Proposed Qualifying Transaction. The Resulting Issuer Options granted under the Fixed Option Plan will comply with the rules and regulations of the Exchange regarding share incentive arrangements. As a condition to listing, the Exchange has required that shareholders of the Resulting Issuer: (i) approve the Fixed Option Plan (with the specified 10,057,495 fixed number disclosed in the shareholder meeting circular); and (ii) approve the specific grants of options under the Fixed Option Plan. In addition, the Exchange has required that the Resulting Issuer obtain disinterested shareholder approval which will require the Resulting Issuer to obtain approval of a majority of the votes cast by the shareholders of the Resulting Issuer eligible to vote at a shareholders' meeting, excluding votes attaching to shares beneficially owned by Insiders and their Associates ("**Disinterested Shareholder Approval**"). Accordingly, until such time as Disinterested Shareholder Approval is obtained by the Resulting Issuer, any options granted under the Fixed Option Plan may not be vested or exercised by the holders thereof.

The purpose of the Option Plan is to attract and retain employees, consultants, officers and directors to the Resulting Issuer and to motivate them to advance the interests of the Resulting Issuer by affording them with the opportunity, through share options, to acquire an equity interest in the Resulting Issuer and benefit from its growth.

The Option Plan authorizes the board of directors of the Resulting Issuer to grant, in its absolute discretion, stock options to directors, officers, employees or consultants on such terms, limitations, conditions and restrictions as it deems necessary and advisable, subject to the following terms and regulatory and Exchange approval:

The following is a summary of the material terms of the Fixed Option Plan and is qualified in its entirety by the full text of the Stock Option Plan, which is attached hereto as **Appendix "D"**:

- The Fixed Stock Option Plan is a “fixed” plan. The number of Shares to be reserved and authorized for issuance pursuant to options granted under the Plan shall not exceed twenty percent (20%) of the total number of issued and outstanding shares in the Resulting Issuer as is fixed by the Resulting Issuer from time to time and approved by Shareholders.
- Under the Fixed Option Plan, the aggregate number of optioned Shares granted to any one optionee in a 12 month period must not exceed 5% of the Resulting Issuer's issued and outstanding shares. The number of optioned Shares granted to any one consultant in a 12 month period must not exceed 2% of the Resulting Issuer's issued and outstanding shares. The aggregate number of optioned Shares granted to an optionee who is employed to provide investor relations' services must not exceed 2% of the Resulting Issuer's issued and outstanding Shares in any 12 month period.
- The exercise price for options granted under the Fixed Option Plan shall not be less than the market price of the Resulting Issuer's Shares at the time of the grant, less applicable discounts permitted by the policies of the Exchange.
- Options shall be exercisable for a term of up to five years, subject to earlier termination in the event of the optionee's death or the cessation of the optionee's services to the Resulting Issuer.
- Options vest over such periods as may be determined by the board of directors of the Resulting Issuer.
- The options shall only be exercised by the optionee as long as:
 - the optionee remains an eligible person pursuant to the Fixed Option Plan; or
 - within a period of not more than 60 days after ceasing to be an eligible person; or
 - if the optionee dies, within one year of the optionee's death; or
 - if an optionee is engaged in investor relations activities, within 30 days of being so engaged by the Resulting Issuer.
- Options granted under the Fixed Option Plan are non-assignable, except by will or by the laws of descent and distribution.
- In the event of a Change of Control (as defined in the Fixed Option Plan), all outstanding options, other than those granted for Investor Relations Activities (as defined in the Fixed Option Plan) shall vest immediately.
- Pursuant to the policies of the Resulting Issuer respecting restrictions on trading, there are a number of periods each year during which directors, officers and certain employees are precluded from trading in the Resulting Issuer's securities. These periods are referred to as "blackout periods". A black out period is designed to prevent a person from trading while in possession of material information that is not yet available to other Shareholders. The Fixed Option Plan includes a provision that should an option expiration date fall within a black out period or immediately following a black out period, the expiration date shall automatically be extended for ten business days following the end of the black out period.

For further information regarding the current Option Plan, see “*Information Concerning the Company – Stock Option Plan*”.

13. Escrowed Securities

As at the date hereof, there are 2,000,000 Company Shares (476,190 after giving effect to the Consolidation) that are held by the current founders of the Company that are subject to escrow and have been deposited with the escrow agent (TSX Trust Company) pursuant to the CPC Escrow Agreement.

In accordance with Exchange Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*, the Resulting Issuer Shares held by Principals and non-Principals will be subject to escrow upon Completion of the Proposed Qualifying Transaction, in the form of the Exchange’s *Form 5D – Value Security Escrow Agreement*, and will be subject to a 36 month escrow from the date of the Closing, with ten percent (10%) of the securities being released from such restrictions upon Completion of the Proposed Qualifying Transaction; a further fifteen percent (15%) releasable on each of six (6), twelve (12), eighteen (18), twenty-four (24), thirty (30) and thirty-six(36) months. In addition, any Company Shares issued upon exercise of Company Options to Principals of the Company prior to Completion of the Proposed Qualifying Transaction will be subject to the Value Escrow Agreement.

Pursuant to Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*, certain non-Principal shareholders of Luckbox Shares, upon conversion into Resulting Issuer Shares, will be subject to Seed Share Resale Restrictions (“SSRRs”). SSRRs are Exchange hold periods of various lengths which apply where seed shares are issued to non-principals by private companies in connection with a Qualifying Transaction. The terms of the SSRRs are based on the length of time such Luckbox Shares have been held and the price at which such shares were originally issued.

As at the date of this Filing Statement, there are 64 non-principal holders of 10,714,246 Luckbox Shares which will be subject to seed share resale restrictions prescribed by the Exchange upon the closing of the Proposed Qualifying Transaction and the exchange of such Luckbox Shares for Resulting Issuer Shares. These Luckbox Shares will, when exchanged for Resulting Issuer Shares, will be subject to a four month seed share resale restriction (or a hold), with 20% of such Resulting Issuer Shares released every month and the first 20% to be released at the closing of the Proposed Qualifying Transaction. Such Resulting Issuer Shares will be issued with a restrictive legend such that the securities held in escrow will be released from the applicable SSRR. These Luckbox Shares are also subject to a contractual lock-up, pursuant to which, the holders of such Luckbox Shares will be prohibited from selling, transferring, assigning or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of (or announce any intention to do so) any of its Luckbox Shares for a period of 15 months from the closing of the Proposed Qualifying Transaction. With 33% of the locked-up Luckbox Shares being released from the contractual lock-up every 3 months commencing on the date than is 9 months following the closing of the Proposed Qualifying Transaction.

To the best of the knowledge of the management of the Company and Luckbox, as of the date of this Filing Statement, the following table discloses the names and municipalities of residence of the securityholders, the number of Company Shares currently held in escrow (expressed in quantities of Resulting Issuer Shares) and the number of Resulting Issuer Shares anticipated to be held in escrow upon Completion of the Proposed Qualifying Transaction, and the percentage that those numbers represent of the outstanding Company Shares (expressed in quantities of Resulting Issuer Shares), Luckbox Shares or the Resulting Issuer Shares, as applicable:

Name and Municipality of Residence of Securityholder	Designation of Class	Prior to Giving Effect to the Proposed Qualifying Transaction		After Giving Effect to the Proposed Qualifying Transaction	
		No. of securities held in escrow ⁽¹⁾	Percentage of class	No. of Resulting Issuer Shares to be held in escrow ⁽²⁾	Percentage of class ⁽³⁾
Mike Stevens <i>Sydney, Australia</i>	Luckbox Shares ⁽⁴⁾⁽⁸⁾	--	--	4,205,581	5.87%
Quentin Martin <i>Douglas, Isle of Man</i>	Luckbox Shares ⁽⁴⁾⁽¹⁰⁾	--	--	1,341,246	1.87%
Lee Hills <i>Onchan, Isle of Man</i>	Luckbox Shares ⁽⁴⁾	--	--	401,250	0.56%
Mohammad Fazil <i>Calgary, Alberta</i>	Company Shares ⁽¹⁾	900,000	12.86%	214,285	0.3%
Sarshar Ahmad <i>Calgary Alberta</i>	Company Shares ⁽¹⁾	500,000	7.14%	119,047	0.17%

Name and Municipality of Residence of Securityholder	Designation of Class	Prior to Giving Effect to the Proposed Qualifying Transaction		After Giving Effect to the Proposed Qualifying Transaction	
		No. of securities held in escrow ⁽¹⁾	Percentage of class	No. of Resulting Issuer Shares to be held in escrow ⁽²⁾	Percentage of class ⁽³⁾
Jonathan Gilbert <i>Roslyn Heights, NY</i>	Company Shares ⁽¹⁾	500,000	7.14%	119,047	0.17%
Eamon Hurley <i>Calgary, Alberta</i>	Company Shares ⁽¹⁾	100,000	1.43%	23,809	0.03%
Gerald Stevens ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	72,000	0.10%
Lisa Stevens	Luckbox Shares ⁽⁴⁾	--	--	72,000	0.10%
Lars Lien ⁽¹⁰⁾ <i>Sliema, Malta</i>	Luckbox Shares ⁽⁴⁾⁽⁹⁾	--	--	3,198,955	4.46%
Lars Oddvar Hoyer Lien ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	72,000	0.10%
James McMath ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	116,226	0.16%
Sujoy Roy ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	90,000	0.13%
David Sargeant ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	495,372	0.69%
Eric Biggs ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	144,000	0.20%
Nicholas Smith ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	144,000	0.20%
Archie Watt ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	144,000	0.20%
Vadim Soloveychik ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	1,092,060	1.52%
David Lyons ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	90,000	0.13%
Felix Charles ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	65,700	0.09%
Mark Buser ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	38,772	0.05%
Alexander Ivanov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	1,153,800	1.61%
Dimitar Pavlov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	229,243	0.32%
Boris Mihov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	407,340	0.57%
Ognyan Kostadinov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	18,000	0.03%
Eduard Mutafyan ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	18,000	0.03%
Aleksandar Nikolaev ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	18,000	0.03%
Nikolay Dimitrov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	18,000	0.03%

Name and Municipality of Residence of Securityholder	Designation of Class	Prior to Giving Effect to the Proposed Qualifying Transaction		After Giving Effect to the Proposed Qualifying Transaction	
		No. of securities held in escrow ⁽¹⁾	Percentage of class	No. of Resulting Issuer Shares to be held in escrow ⁽²⁾	Percentage of class ⁽³⁾
Dobri Pachev ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	18,000	0.03%
Constantin Angelov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	18,000	0.03%
Plamena Todorova ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	4,500	0.01%
Vladimir Todorov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	9,000	0.01%
Vasil Spasov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	2,250	0.00%
Daniel Krastev ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	9,000	0.01%
Nikola Mihaylov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	4,500	0.01%
Vasil Terziev ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	8,100	0.01%
Karl Bray ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	39,780	0.06%
Georgi Chakarov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	4,500	0.01%
Stanislav Kostov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	4,500	0.01%
Veselin Bakov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	9,000	0.01%
Aleksandar Dimitrov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	44,820	0.06%
Nikola Nikolov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	4,500	0.01%
Todor Atanasov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	4,500	0.01%
Deyan Valtchev ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	25,200	0.04%
Andrew West ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	40,860	0.06%
Dimitar Dimitrov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	2,250	0.00%
Milen Raev ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	4,500	0.01%
Zdravka Kokalova ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	2,250	0.00%
Metodi Zaburtov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	54,000	0.08%
Maria Isakova ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	4,500	0.01%
Prodigy Capital Corp. ⁽⁵⁾⁽⁷⁾	Luckbox Shares ⁽⁴⁾	--	--	3,000,000	4.19%
Alessandro Morganti ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	31,250	0.04%

Name and Municipality of Residence of Securityholder	Designation of Class	Prior to Giving Effect to the Proposed Qualifying Transaction		After Giving Effect to the Proposed Qualifying Transaction	
		No. of securities held in escrow ⁽¹⁾	Percentage of class	No. of Resulting Issuer Shares to be held in escrow ⁽²⁾	Percentage of class ⁽³⁾
Boris Kostadinov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	31,063	0.04%
Stoyan Minchev ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	13,335	0.02%
Ivan Sinitchiski ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	8,048	0.01%
Bogdan Bugariu ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	18,034	0.03%
Rosen Kostov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	7,673	0.01%
Vasil Brakalov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	5,610	0.01%
Daniela Chobanova ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	5,610	0.01%
Victoria Vetchakova ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	4,515	0.01%
Tim Masters ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	3,000	0.00%
Tosho Petrov ⁽¹⁰⁾	Luckbox Shares ⁽⁴⁾	--	--	18,263	0.03%
Total		2,000,000	28.57%	17,586,644⁽⁶⁾	24.60%

Notes:

- (1) Currently subject to the CPC Escrow Agreement (among the Company, TSX Trust Company and the founding shareholders of the Company) whereby 10% of such securities shall be released from escrow on the issuance of the Final Exchange Bulletin (the “**Initial Release**”) and an additional 15% shall be released on the dates that are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.
- (2) After giving effect to the Consolidation and the Proposed Qualifying Transaction and all issuances of Resulting Issuer Shares in connection therewith.
- (3) Non-diluted.
- (4) To be deposited upon Completion of the Proposed Qualifying Transaction under the Value Security Escrow Agreement (to be entered into concurrent with the Closing between the Resulting Issuer, certain Insiders of the Resulting Issuer and TSX Trust Company), with ten percent (10%) of the securities being released from such restrictions upon Completion of the Proposed Qualifying Transaction; a further fifteen percent (15%) releasable on each of six (6), twelve (12), eighteen (18), twenty-four (24), thirty (30) and thirty-six (36) months.
- (5) Prodigy Capital Corp. (“**Prodigy**”) will own 3,000,000 Resulting Issuer Shares. Prodigy is controlled by Kia Besharat.
- (6) This total does not include the 10,714,246 Luckbox Shares held by non-Principals of Luckbox which will be subject to seed share resale restrictions prescribed by the Exchange upon the closing of the Proposed Qualifying Transaction and the exchange of such Luckbox Shares for Resulting Issuer Shares. These Luckbox Shares will, when exchanged for Resulting Issuer Shares, will be subject to a four month seed share resale restriction (or a hold), with 20% of such Resulting Issuer Shares released every months and the first 20% to be released at the closing of the Proposed Qualifying Transaction. Such Resulting Issuer Shares will be issued with a restrictive legend such that the securities held in escrow will be released from the applicable SSRR. These Luckbox Shares are also subject to a contractual lock-up, pursuant to which, the holders of such Luckbox Shares will be prohibited from selling, transferring, assigning or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of (or announce any intention to do so) any of its Luckbox Shares for a period of 15 months from the closing of the Proposed Qualifying Transaction. With 33% of the locked-up Luckbox Shares being released from the contractual lock-up every 3 months commencing on the date than is 9 months following the closing of the Proposed Qualifying Transaction.
- (7) Prodigy’s Luckbox Shares are also subject to a contractual lock-up, pursuant to which, Prodigy will be prohibited from selling, transferring, assigning or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of (or announce any intention to do so) any of its Luckbox Shares for a period of 24 months from the closing of the Proposed

- Qualifying Transaction. With 25% of the locked-up Luckbox Shares being released from the contractual lock-up every 6 months following the closing of the Proposed Qualifying Transaction.
- (8) 4,100,000 of Mike Stevens' Luckbox Shares are also subject to a founder lock-up, pursuant to which, Mike Stevens will be prohibited from selling, transferring, assigning or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of (or announce any intention to do so) any of his Luckbox Shares for a period of 36 months from the closing of the Proposed Qualifying Transaction. With 25% of the locked-up Luckbox Shares being released from the contractual lock-up every 4 months following the date that is 24 months from closing of the Proposed Qualifying Transaction. 105,581 of Mike Stevens' Luckbox Shares are also subject to a founder lock-up, pursuant to which, Mike Stevens will be prohibited from selling, transferring, assigning or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of (or announce any intention to do so) any of his Luckbox Shares for a period of 24 months from the closing of the Proposed Qualifying Transaction. With 25% of the locked-up Luckbox Shares being released from the contractual lock-up every 3 months following the date that is 15 months from closing of the Proposed Qualifying Transaction.
- (9) 3,100,000 of Lars Lien's Luckbox Shares are also subject to a contractual lock-up, pursuant to which, Lars Lien will be prohibited from selling, transferring, assigning or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of (or announce any intention to do so) any of his Luckbox Shares for a period of 36 months from the closing of the Proposed Qualifying Transaction. With 25% of the locked-up Luckbox Shares being released from the contractual lock-up every 4 months following the date that is 24 months from closing of the Proposed Qualifying Transaction. 98,955 of Lars Lien's Luckbox Shares are also subject to a founder lock-up, pursuant to which, Lars Lien will be prohibited from selling, transferring, assigning or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of (or announce any intention to do so) any of his Luckbox Shares for a period of 24 months from the closing of the Proposed Qualifying Transaction. With 25% of the locked-up Luckbox Shares being released from the contractual lock-up every 3 months following the date that is 15 months from closing of the Proposed Qualifying Transaction.
- (10) The Luckbox Shares held by these shareholders are also subject to a contractual lock-up, pursuant to which, the shareholder will be prohibited from selling, transferring, assigning or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of (or announce any intention to do so) any of his, her or its Luckbox Shares for a period of 24 months from the closing of the Proposed Qualifying Transaction. With 25% of the locked-up Luckbox Shares being released from the contractual lock-up every 3 months following the date that is 15 months from closing of the Proposed Qualifying Transaction.

In addition to the contractual lock-ups referenced in the table above, the 1,801,394 Luckbox Shares held by Luckbox Limited are also subject to a contractual lock-up, pursuant to which, Luckbox Limited will be prohibited from selling, transferring, assigning or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of (or announce any intention to do so) any of its Luckbox Shares for a period of 24 months from the closing of the Proposed Qualifying Transaction, with 25% of the locked-up Luckbox Shares being released from the contractual lock-up every 3 months following the date that is 15 months from closing of the Proposed Qualifying Transaction.

Resulting Issuer Shares that are subject to escrow may not be transferred, assigned, mortgaged, pledged hypothecated, be the subject of a derivative transaction or otherwise be dealt with in any way by the holder, without the prior written consent of the Exchange or as otherwise set out in the application escrow agreement. Holders of escrowed securities are generally entitled to cast votes on matters to be considered by shareholders at shareholder meetings held by the Resulting Issuer.

14. Auditors, Transfer Agent and Registrar

14.1 Auditor

The Resulting Issuer's auditors will be Manning Elliott LLP, Chartered Professional Accountants, 1700, 1030 W. Georgia St., Vancouver, BC V6E 2Y3.

14.2 Transfer Agent and Registrar

It is anticipated that the registrar and transfer agent for the Resulting Issuer Shares subsequent to the Completion of the Proposed Qualifying Transaction will continue to be TSX Trust Company with an office located at at 10th floor, 300-5th Avenue SW, Calgary, AB T2P 3C4.

15. Risk Factors

15.1 Risks Related to the Business

AN INVESTMENT IN SECURITIES OF THE RESULTING ISSUER IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

Prior to making an investment decision, investors should consider the investment risks set forth below and those described elsewhere in this Filing Statement, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company and Luckbox consider the risks set forth below to be the most significant, but do not consider them to be all of the risks associated with an investment in securities of the Company, Luckbox or the Resulting Issuer. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in connection with the Resulting Issuer's business, actually occur, the Resulting Issuer's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Resulting Issuer's securities could decline and investors may lose all or part of their investment.

References below to "Luckbox" shall, as the context permits or requires, be read to include the Resulting Issuer upon completion of the Proposed Qualifying Transaction.

Risk Factors Relating to Luckbox

Luckbox has a Limited Operating History

Luckbox began carrying on business in its current capacity on April 25, 2019 and has not yet generated material income. Luckbox is, therefore, subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that Luckbox will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations. Luckbox's lack of operating history may also make it difficult for investors to evaluate Luckbox's prospects for success and there is no guarantee that Luckbox's business model will continue to achieve its strategic objectives.

Negative Cash Flow from Operations

During the fiscal year ended December 31, 2019, and the six month period ended June 30, 2020, Luckbox had negative cash flows from operating activities. Although Luckbox anticipates it will have positive cash flows from operating activities in future periods, to the extent that Luckbox has negative cash flows in any future period, certain of the net proceeds from the financing may be used to fund such negative cash flows from operating activities, if any.

Uncertainty of Luckbox's Future Revenues

Although management is optimistic about Luckbox's prospects, there is no guarantee that expected outcomes and sustainable revenue streams will be achieved. Luckbox faces risks frequently encountered by early-stage companies. In particular, its growth and prospects depend on its ability to expand its operation and grow its revenue streams, whilst at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on Luckbox's business, financial condition and results.

Global Economic Risk

The ongoing economic slowdown and downturn of global capital markets (in particular as a result of the current outbreak of the novel coronavirus ("COVID-19") and the global COVID-19 pandemic) has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, Luckbox is subject to liquidity risks in meeting development and future operating

cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact Luckbox's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to Luckbox. If uncertain market conditions persist, Luckbox's ability to raise capital could be jeopardized, which could have an adverse impact on Luckbox's operations and trading price of the Resulting Issuer Shares on the stock exchange.

COVID-19 Risk

Luckbox's business could be significantly and adversely affected by the effects of any widespread global outbreak of contagious disease. A significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn and cancellation of esports events that could affect demand for Luckbox's services and likely impact operating results. In particular, the recent outbreak of COVID-19 has had a negative impact on global financial conditions. Luckbox cannot accurately predict the impact COVID-19 will have on Luckbox's ability to remain open for business in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their obligations with Luckbox, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries, and future demand of Luckbox's products and services. In the event that the prevalence of the coronavirus continues to increase (or fears in respect of the coronavirus continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and Luckbox's operations, suppliers, customers and distribution channels, and ability to advance its projects, could be adversely affected. In particular, should any employees or consultants of Luckbox become infected with COVID-19 or similar pathogens, it could have a material negative impact on Luckbox's operations and prospects.

Changing Economic Conditions

The demand for entertainment and leisure activities, including esports betting and gaming, more generally, can be highly sensitive to changes in consumers' disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond Luckbox's control. Unfavourable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and increasing fuel or transportation costs or the perception by customers of weak or weakening economic conditions, may reduce customers' disposable income or result in fewer individuals engaging in entertainment and leisure activities, such as esports betting or online gaming. As a result, Luckbox cannot ensure that demand for its product and service offerings will remain constant. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities, such as esports betting and gaming. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could adversely affect the demand for Luckbox's product offerings, reducing its cash flows and revenues. If Luckbox experiences a significant unexpected decrease in demand for its product offerings, its business may be harmed.

Risks Associated with Acquisitions

As part of Luckbox's overall business strategy, Luckbox may pursue select strategic acquisitions after the Completion of the Proposed Qualifying Transaction, which would provide additional product and service offerings, vertical integrations, additional industry expertise and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from Luckbox's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions, in particular where cost synergies are not achieved or where significant additional regulatory risk or costs are associated with the entry into new jurisdictions as a result of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing customers resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Due to factors outside of Luckbox's control, the completion of any acquisition of an esports odds provider may not proceed as planned. There can be no assurance that such transaction will be completed.

Operational Risks

Luckbox will be affected by a number of operational risks and Luckbox may not be adequately insured for certain risks, including labour disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, difficulty obtaining banking and payment processing for companies involved in online gaming, difficulty in obtaining gaming licences for gaming platforms, changing online gaming regulatory environment with previously open markets becoming closed, or adopting prohibitive regulations, markets adopting point of consumption tax regimes that can render some markets less lucrative over time, cost of player acquisition and likelihood to recoup value based on player lifetime values, impact of non-compliance with laws and regulations, natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in personal injury or death, environmental damage, adverse impacts on Luckbox's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on Luckbox's future cash flows, earnings and financial condition. Also, Luckbox may be subject to or affected by liability or sustain loss for certain risks and hazards against which Luckbox cannot insure or which Luckbox may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on Luckbox's future cash flows, earnings, results of operations and financial condition.

Cybersecurity Risks

Luckbox's operations involve the storage and transmission of customer data, including personally identifiable information, and security incidents could result in unauthorized access to, the loss of, or unauthorized disclosure of such information. To mitigate cybersecurity risks, Luckbox has built a technical team headed by Alexander Ivanov which has designed and maintains Luckbox's technology platform from a security perspective. Luckbox does not currently have cybersecurity insurance.

Although Luckbox has security systems in place and what it deems sufficient security around its system to prevent unauthorized access, it must ensure that it continually enhances security and fraud protection within its platform, and if Luckbox is unable to do so it may become subject to liability for privacy breaches or consequences that result from any unanticipated incident. As a result of advances in computer capabilities, new discoveries in the field of cryptography or other developments, a compromise or breach of Luckbox's security precautions may occur. The techniques used to obtain unauthorized, improper or illegal access to Luckbox's systems, data or customers' data and to sabotage its system are constantly evolving and may be difficult to detect quickly. An information breach in Luckbox's system and loss of confidential information such as credit card numbers and related information, or interruption in the operation of the Luckbox applications, could have a longer and more significant impact on Luckbox's business operations than any hardware failure. A compromise in Luckbox's security system could severely harm its business by the loss of its customers' confidence in it and thus the loss of their business. Luckbox may be required to spend significant funds and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. However, protection may not be available at a reasonable price, or at all. Any failure to adequately comply with necessary protective measures could result in fees, penalties and/or litigation. Concerns regarding the security of e-commerce and the privacy of customers may also inhibit the growth of the Internet as a means of conducting commercial transactions. This may result in a reduction in revenues and increase operating expenses, which would prevent Luckbox from achieving profitability.

Financial Projections May Prove Materially Inaccurate or Incorrect

Luckbox's financial estimates, projections and other forward-looking information accompanying this Filing Statement were prepared by Luckbox without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking statements. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should inquire of Luckbox and become familiar with the assumptions underlying any estimates, projections or other forward-looking statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events.

There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operational expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results Luckbox and its subsidiaries might achieve.

Difficulty to Forecast

Luckbox must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the esports betting and gaming industries. A failure in the demand for its services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of Luckbox.

Industry Competition Generally

There is potential that Luckbox will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than Luckbox. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of Luckbox. To remain competitive, Luckbox will require a continued high level of investment in marketing, sales and customer relationship management and support.

Competition in Esports Betting Industry

The industry within which Luckbox operates is rapidly evolving and intensely competitive, and is subject to changing technology, shifting customer needs and frequent introductions of new offerings. Luckbox's potential competitors include large and established companies as well as other start-up companies. Such competitors may spend more money and time on developing and testing products and services, undertake more extensive marketing campaigns, adopt more aggressive pricing or promotional policies or otherwise develop more commercially successful products or services than Luckbox, which could negatively impact its business. Furthermore, new competitors, whether licenced or not, may enter Luckbox's key product and/or geographic markets. There is no assurance that Luckbox will be able to maintain or grow its position in the marketplace.

As a result of the foregoing, among other factors, Luckbox will have to continually introduce and successfully market new and innovative technologies, product and service offerings and product and service enhancements to remain competitive and effectively stimulate customer demand, acceptance and engagement. The process of developing new product and service offerings and systems is inherently complex and uncertain, and new product and service offerings may not be well received by customers, even if well-reviewed and of high quality. Furthermore, Luckbox may not recover the often substantial up-front costs of developing and marketing new technologies and product and service offerings, or recover the opportunity cost of diverting management and financial resources away from other technologies and product or service offerings. Additionally, if Luckbox cannot efficiently adapt its processes and infrastructure to meet the needs of its product and service offering innovations, its business could be negatively impacted.

Reliance on Third Parties

Luckbox is reliant to an extent on third parties, including information technology service providers. Luckbox's success is partially dependent on its ability to attract and retain quality service providers. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships or failure to engage third party service providers could be detrimental to the future business, operating results and/or profitability of Luckbox. Moreover, Luckbox's financial performance will be significantly determined by its success in adding, retaining and engaging information technology service providers, which could adversely affect the business of Luckbox.

Management of Growth

Luckbox may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Luckbox to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of Luckbox to deal with this growth may have a material adverse effect on Luckbox's business, financial condition, results of operations and prospects.

Reliance on Management

The success of Luckbox will be dependent upon the ability, expertise, judgment, discretion and good faith of its key executives, including the directors and officers of Luckbox and a small number of highly skilled and experienced executives and personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Luckbox's business, operating results, or financial condition. The competition for highly skilled technical, management and other employees in Luckbox's industry is high and there can be no assurance that Luckbox will be able to engage or retain the services of such qualified personnel in the future.

Furthermore, equity-based awards comprise a key component of executive and senior management compensation, and if the share price of the Resulting Issuer declines or is volatile, it may be difficult to retain such individuals. Luckbox's retention and recruiting may require significant increases in compensation expense, which may adversely affect its results of operation.

Risks Relating to Insurance

Luckbox intends to insure its operations in accordance with technology industry practice. However, given the novelty of esports gaming and associated businesses, such insurance may not be available, uneconomical for Luckbox, or the nature or level may be insufficient to provide adequate insurance cover. Further, Luckbox intends to insure against cyber-theft or hacking attacks. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on Luckbox.

Brand development

The brand identity that Luckbox has developed has significantly contributed to the success of its business. Maintaining and enhancing the "Luckbox" brand is critical to expanding Luckbox's customer base and potential B2B clients. Luckbox believes that the importance of brand recognition will increase due to the relatively low barrier to entry in the industry. The "Luckbox" brand may be negatively impacted by a number of factors, including software malfunctions, and data privacy and security issues. If Luckbox fails to maintain and enhance its brand, or if Luckbox incurs excessive expenses in this effort, it could have a material adverse effect on Luckbox's prospects, business, financial condition, and results of operations. Maintaining and enhancing the "Luckbox" brand will depend largely on Luckbox's ability to continue to provide high-quality products and services, which Luckbox may not continue to do successfully.

Risks Relating to Cryptocurrency Transactions

As it is currently intended that Luckbox will accept cryptocurrencies such as Bitcoin and Ethereum as a payment for certain products or services on its platform, the risks associated with participating in cryptocurrency transactions should be discussed here. Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred tokens may be irretrievable. Coin transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of a coin or a theft of coin generally will not be reversible and Luckbox may not be capable of seeking compensation for any such transfer or theft. Although Luckbox's transfers of tokens will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft or criminal action, cryptocurrencies could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect Luckbox's operations. The factors affecting the further development of the industry, include, but are not limited to:

- the continued worldwide growth in the adoption and use of cryptocurrencies;
- governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- negative consumer sentiment and perception of cryptocurrencies.

Risk Factors Relating to Resulting Issuer

Volatile Market Price for Resulting Issuer Shares

The market price for Resulting Issuer Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Resulting Issuer's control, including the following: (a) actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations; (b) recommendations by securities research analysts; (c) changes in the economic performance or market valuations of companies in the industry in which the Resulting Issuer operates; (d) addition or departure of the Resulting Issuer's executive officers and other key personnel; (e) release or expiration of transfer restrictions on outstanding Resulting Issuer Shares; (f) sales or perceived sales of additional Resulting Issuer Shares; (g) operating and financial performance that vary from the expectations of management, securities analysts and investors; (h) regulatory changes affecting the Resulting Issuer's industry generally and its business and operations; (i) announcements of developments and other material events by the Resulting Issuer or its competitors; (j) fluctuations to the costs of vital production materials and services; (k) changes in global financial markets and global economies and general market conditions, such as interest rates; (l) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors; (m) operating and share price performance of other companies that investors deem comparable to the Resulting Issuer or from a lack of market comparable companies; (n) and news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Resulting Issuer Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Resulting Issuer's operations could be adversely impacted and the trading price of Resulting Issuer Shares may be materially adversely affected.

Holding Corporation Status

The Resulting Issuer is, at least initially upon Completion of the Proposed Qualifying Transaction, a holding company and essentially all of its operating assets are the capital stock of its subsidiary. As a result, investors in the Resulting Issuer are subject to the risks attributable to its subsidiary. As a holding company, the Resulting Issuer conducts substantially all of its business through its subsidiary, which generate substantially all of its revenues. Consequently, the Resulting Issuer's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiary and the distribution of those earnings to the Resulting Issuer. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Resulting Issuer's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Resulting Issuer.

Dividends

The Resulting Issuer's policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Resulting Issuer's businesses. Therefore, the Resulting Issuer does not anticipate paying cash dividends on the Resulting Issuer Shares in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of the Resulting Issuer and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of the Resulting Issuer may deem relevant. As a result, investors may not receive any return on investment in the Resulting Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Resulting Issuer Shares will be maintained and an investor may find it difficult to resell any securities of the Resulting Issuer.

Liquidity Risk

The Resulting Issuer's ability to remain liquid over the long term depends on its ability to obtain additional financing. The Resulting Issuer has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. The Resulting Issuer's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. Access to public and private capital and financing may be negatively impacted by many factors including global volatility and market turmoil generally. Such factors may impact the Resulting Issuer's ability to obtain debt and equity financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a

long-term decrease in asset values. If such global volatility and market turmoil persist, the Resulting Issuer's operations and financial condition could be adversely impacted.

Risks Factors Related to Regulation of Luckbox's Business

Esports Betting Industry is Heavily Regulated

Luckbox and its officers, directors, major shareholders, key employees and business partners will generally be subject to the laws and regulations relating to online gaming of the jurisdictions in which Luckbox may conduct business, as well as the general laws and regulations that apply to all e-commerce businesses, such as those related to privacy and personal information, tax and consumer protection. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on Luckbox's operations and financial results. In particular, some jurisdictions have introduced regulations that restrict or prohibit online gaming, while others have taken the position that online gaming should be licenced and regulated and have adopted, or are considering adopting, legislation to enable that to happen. Even where a jurisdiction purports to license and regulate online gaming, the licencing and regulatory regimes can vary considerably and at times may be intended to provide incumbent operators with advantages over any new licensees. As such, some "liberalized" regulatory regimes are considerably more commercially attractive than others.

Regulatory regimes imposed upon gaming providers vary by jurisdiction. Typically, however, most regulatory regimes include the following elements:

- a requirement for gaming licence applicants to make detailed and extensive disclosures as to their beneficial ownership, their source of funds, the probity and integrity of certain persons associated with the applicant, the applicant's management competence and structure and business plans, the applicant's proposed geographical territories of operation and the applicant's ability to operate a gaming business in a socially responsible manner in compliance with regulation;
- interviews and assessments by the relevant gaming authority intended to inform a regulatory determination of the suitability of applicants for gaming licences;
- ongoing reporting and disclosure obligations, both on a periodic and ad hoc basis in response to material issues affecting the business;
- the testing and certification of software and systems, generally designed to confirm such things as the fairness of the gaming products offered by the business, their genuine randomness and ability to accurately generate settlement instructions and recover from outages;
- the need to account for applicable gaming duties and other taxes and levies, such as fees or contributions to bodies that organize the sports on which bets are offered, as well as contributions to the prevention and treatment of problem gaming; and
- social responsibility obligations.

Any gaming licence may be revoked, suspended or conditioned at any time, and the industry has recently experienced significantly more enforcement actions, particularly in the United Kingdom, where the Gambling Commission has issued fines against numerous operators for regulatory failings. The loss of a gaming licence in one jurisdiction could trigger the loss of a gaming licence or affect Luckbox's eligibility for such a licence in another jurisdiction, and any of such losses, or potential for such loss, could cause Luckbox to cease offering some or all of its product offerings in the impacted jurisdictions. Luckbox may be unable to obtain or maintain all necessary registrations, licences, permits or approvals, and could incur fines or experience delays related to the licencing process, which could adversely affect its operations. The determination of suitability process may be expensive and time-consuming. Luckbox's delay or failure to obtain gaming licences in any jurisdiction may prevent it from distributing its product offerings, increasing its customer base and/or generating revenues. A gaming regulatory body may refuse to issue or renew a gaming

licence if Luckbox, or one of its directors, officers, employees, major shareholders or business partners: (a) are considered to be a detriment to the integrity or lawful conduct or management of gaming; (b) no longer meet a licensing or registration requirement; (c) have breached or are in breach of a condition of licensure or registration or an operational agreement with a regulatory authority; (d) have made a material misrepresentation, omission or mis-statement in an application for licensure or registration or in reply to an inquiry by a person conducting an audit, investigation or inspection for a gaming regulatory authority; (e) have been refused a similar gaming licence in another jurisdiction; (f) have held a similar gaming licence in that province, state or another jurisdiction which has been suspended, revoked or cancelled; or (g) has been convicted of an offence, inside or outside of a particular jurisdiction that calls into question the honesty or integrity of Luckbox or any of its directors, officers, employees or associates.

Additionally, Luckbox's product and service offerings must be approved in most regulated jurisdictions in which they are offered and will likely need to undergo third party testing by a certified testing lab. Such testing can be costly and time consuming, and this process cannot be assured or guaranteed. Obtaining these approvals is a time-consuming process that can be extremely costly. A developer and provider of online gaming products may pursue corporate regulatory approval with regulators of a particular jurisdiction while it pursues technical regulatory approval for its product offerings by that same jurisdiction. It is possible that after incurring significant expenses and dedicating substantial time and effort towards such regulatory approvals, Luckbox may not obtain either of them. If Luckbox fails to obtain the necessary gaming licence in a given jurisdiction, it would likely be prohibited from distributing and providing its product offerings in that particular jurisdiction altogether. If Luckbox fails to seek a licence, does not receive a licence, or receives a suspension or revocation of a licence in a particular jurisdiction for its product offerings (including any related technology and software) then it cannot offer the same in that jurisdiction and its gaming licences in other jurisdictions may be negatively affected. Furthermore, some jurisdictions require licence holders to obtain government approval before engaging in some transactions, such as business combinations, reorganizations, stock offerings and repurchases. Luckbox may not be able to obtain all necessary gaming licences in a timely manner, or at all. Delays in regulatory approvals or failure to obtain such approvals may also serve as a barrier to entry to the market for Luckbox's product offerings. If Luckbox is unable to overcome the barriers to entry, it will materially affect its results of operations and future prospects.

There can be no assurance that legally enforceable legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to Luckbox's business to prohibit, legislate or regulate various aspects of the Internet, e-commerce, payment processing, or the online gaming industry.

Complex and Evolving Regulatory Environment for Online Gaming Industry

In addition to regulations governing online gaming, Luckbox will be subject to a variety of laws and regulations domestically and abroad that involve the Internet, e-commerce, privacy and protection of data and personal information, rights of publicity, acceptable content, intellectual property, advertising, marketing, distribution, data and information security, electronic contracts and electronic communications, competition, protection of minors, consumer protection, unfair commercial practices, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance and online payment and payment processing services. Luckbox may introduce new products or services, expand its activities in certain jurisdictions, or take other actions that may subject it to additional laws, regulations or other government scrutiny. For example, Luckbox will handle, collect, store, retrieve, transmit and use confidential, personal information relating to its customers and personnel for various business purposes, including marketing and financial purposes. Luckbox may share this personal or confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of its business, combating fraud or for marketing purposes.

These laws, regulations and legislation, along with other applicable laws and regulations, which in some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations, including pre-existing laws regulating communications and commerce in the context of the Internet and e-commerce, are often uncertain, particularly in the new and rapidly evolving industry in which Luckbox operates, and may be interpreted and applied inconsistently across jurisdictions and inconsistently with its future policies and practices.

Legislators and regulators also look beyond online gaming regulations specifically to implement restrictive measures on online gaming. In certain jurisdictions, this has included restrictions on payment processing, internet blocking,

account and identity verification requirements, and similar measures. For example, in June 2010, Norway enacted a law prohibiting the remittance of monies from Norwegian bank accounts to gaming operators and in November 2017, a Russian bill requiring certain banks and payment processors within Russia to block transactions between Russian-based customers and offshore online gaming operators became law. Furthermore, restrictions on gaming advertising have been recently introduced in various jurisdictions. In July 2018, Italy passed legislation banning gaming advertising in various forms, with the ban extending to in-game advertising and sponsorships of sports or cultural events beginning on July 1, 2019. Such regulations, if not appropriately mitigated, could materially adversely affect Luckbox's business, results of operations or financial condition.

In addition, such restrictive measures may impact the ability or desire of third-party suppliers, including payment processors, to provide services to Luckbox globally or in certain jurisdictions. A supplier could require Luckbox, as a condition of its continued use of the supplier's products and services, to restrict access from customers in certain jurisdictions. Such third-party restrictions could affect the manner in which Luckbox provides its products or services in certain jurisdictions and adversely affect its financial results due to, among other things, the potential need to determine whether to change suppliers, which may not be on as favorable terms, or comply with the supplier's requested restrictions.

Luckbox is also vulnerable to developments in intellectual property laws and/or political, legislative, regulatory developments that may seek further liability to pay royalties, integrity fees or other types of levy to the organizers of esports events or data right owners, which arise from the concept of the so-called "right-to-bet", where the organizers of sporting events and competitions and those claiming to have data rights in relation to such events seek to obtain a share of the revenue gaming operators generate on such events and competitions. In all such cases, the level of any such royalty, fee or levy will be outside Luckbox's control. Luckbox cannot predict with any certainty what further payments may be required in the future and what other additional resources may need to be made available to address the conditions on which royalties, fees or other levies may be imposed, as well as sports integrity issues.

These laws and regulations, as well as any changes to the same and any related inquiries, investigations or any other government actions, may be costly to comply with and may delay or impede new product development, result in negative publicity, increase Luckbox's operating costs, require significant management time and attention, and subject it to remedies that may harm its business, including fines or demands or orders that modify or cease certain or all existing business practices, such as limiting its use of personal information to add value for customers, or implement costly and burdensome compliance measures. Any such consequences could adversely affect Luckbox's business, results of operations or financial condition.

Social Responsibility Concerns

Public opinion can significantly influence the regulation of online gaming. A negative shift in the perception of online gaming by the public or by politicians, lobbyists or others could affect future legislation or regulation in different jurisdictions. Among other things, such a shift could cause jurisdictions to abandon proposals to legalize online gaming, thereby limiting the number of new jurisdictions into which Luckbox could expand. Negative public perception could also lead to new restrictions on or to the prohibition of online gaming in jurisdictions in which Luckbox may operate.

In addition, concerns with safer betting and gaming could lead to negative publicity, resulting in increased regulatory attention, which may result in restrictions on Luckbox's future operations. If Luckbox had to restrict its future marketing or product offerings or incur increased compliance costs, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

Luckbox will likely face scrutiny related to environmental, social, governance and responsible gaming activities, and its reputation and the value of its brands can be materially adversely harmed if it fails to act responsibly in a number of areas, such as environmental, supply chain management, climate change, diversity and inclusion, workplace conduct, responsible gaming, human rights, philanthropy and support for local communities. Any harm to Luckbox's reputation could impact employee engagement and retention, and the willingness of future customers and Luckbox's partners to do business with it, which could have a materially adverse effect on its business, results of operations and cash flows.

Luckbox may be subject to regulatory investigations

From time to time, Luckbox may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance with laws and other matters. Violation of existing or future regulatory orders or consent decrees could subject Luckbox to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause Luckbox to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

Risks Factors Related to Luckbox's Industry

Success of Esports Betting Products not Guaranteed

The esports betting industry is characterized by elements of chance. Accordingly, Luckbox employs theoretical win rates to estimate what a certain type of esports bet, on average, will win or lose in the long run. Net win is impacted by variations in the hold percentage (the ratio of net win to total amount wagered), or actual outcome. Luckbox uses the hold percentage as an indicator of an esports bet's performance against its expected outcome. Although each esports bet generally performs within a defined statistical range of outcomes, actual outcomes may vary for any given period. In addition to the element of chance, win rates (hold percentages) may also (depending on the game involved) be affected by the spread of limits and factors that are beyond Luckbox's control, such as a customer's skill, experience and behavior, the mix of games played, the financial resources of customers, the volume of bets placed and the amount of time spent gaming. As a result of the variability in these factors, the actual win rates of esports bets may differ from the theoretical win rates we have estimated and could result in the winnings of Luckbox's customers exceeding those anticipated. The variability of win rates (hold rates) also have the potential to negatively impact Luckbox's financial condition, results of operations, and cash flows.

Luckbox's success also depends in part on its ability to anticipate and satisfy customer preferences in a timely manner. Luckbox will operate in a dynamic environment characterized by rapidly changing industry and legal standards, and its products will be subject to changing consumer preferences that cannot be predicted with certainty. Luckbox will need to continually introduce new offerings and identify future product offerings that complement its existing platforms, respond to its customers' needs and improve and enhance its existing platforms to maintain or increase customer engagement and growth of its business. Luckbox may not be able to compete effectively unless its product selection keeps up with trends in the digital sports entertainment and gaming industries, or trends in new gaming products.

Luckbox will rely on information technology and other systems and platforms, and any failures, errors, defects or disruptions in its systems or platforms could diminish its brand and reputation, subject it to liability, disrupt its business, affect its ability to scale technical infrastructure and adversely affect its operating results and growth prospects. Luckbox's software applications and systems, and the third-party platforms upon which they are made available could contain undetected errors. Luckbox's technology infrastructure will be critical to the performance of its platform and offerings and to customer satisfaction. Luckbox devotes significant resources to network and data security to protect systems and data. However, Luckbox's systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to its business. Luckbox cannot ensure that the measures it takes to prevent or hinder cyber-attacks and protect its systems, data and user information and to prevent outages, data or information loss, fraud and to prevent or detect security breaches, including a disaster recovery strategy for server and equipment failure and back-office systems and the use of third parties for certain cybersecurity services, will provide absolute security. Luckbox has experienced, and may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. Such disruptions have not had a material impact on the Luckbox; however, future disruptions from unauthorized access to, fraudulent manipulation of, or tampering with Luckbox's computer systems and technological infrastructure, or those of third parties, could result in a wide range of negative outcomes, each of which could materially adversely affect Luckbox's business, financial condition, results of operations and prospects.

Additionally, Luckbox's products may contain errors, bugs, flaws or corrupted data, and these defects may only become apparent after their launch. If a particular product offering is unavailable when customers attempt to access it or navigation through the Luckbox platforms is slower than they expect, customers may be unable to place their bets and may be less likely to return to Luckbox's platforms as often, if at all. Furthermore, programming errors, defects and data corruption could disrupt operations, adversely affect the experience of Luckbox's customers, harm Luckbox's reputation, cause customers to stop utilizing Luckbox platforms, divert resources and delay market acceptance of Luckbox offerings, any of which could result in legal liability to Luckbox or harm its business, financial condition, results of operations and prospects.

If Luckbox's customer base and engagement continue to grow, and the amount and types of offerings continue to grow and evolve, it will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy customers' needs. Such infrastructure expansion may be complex, and unanticipated delays in completing these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of Luckbox's offerings. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after Luckbox has started to fully use the underlying equipment or software, that could further degrade the customer experience or increase its costs. As such, Luckbox could fail to continue to effectively scale and grow its technical infrastructure to accommodate increased demands.

Failure to Retain or Add Customers

The financial performance of Luckbox will be significantly determined by its success in adding, retaining, engaging and monetizing active customers of its product offerings, in particular high-value, net-depositing customers (primarily recreational players). If people do not perceive Luckbox's product offerings as enjoyable, reliable, relevant and trustworthy it may be unable to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. A number of other online gaming companies that achieved early popularity have since seen their active customer bases or levels of engagement decline. Any number of factors could potentially negatively affect customer retention, growth and engagement, including if:

- Luckbox fails to introduce, or delays the introduction of, new products or services (whether developed internally, licensed or otherwise obtained or developed in conjunction with third parties) that customers find engaging or that work with a variety of operating systems or networks, or if it introduces new products or services, including using technologies with which it has little or no prior development or operating experience, or changes to its existing products or services, that are not favorably received by customers;
- customers have difficulty installing, updating or otherwise accessing Luckbox's product offerings on desktops or mobile devices as a result of actions by it or third parties that it relies on to distribute and deliver its product offerings, or Luckbox fails to price its product offerings competitively or provide adequate customer service;
- there are decreases in customer sentiment about the quality of Luckbox's product offerings or concerns related to privacy, safety, security or other factors, or technical or other problems prevent Luckbox from delivering its product offerings in a rapid and reliable manner or otherwise affecting the customer experience, such as security breaches or failure to prevent or limit spam or similar content;
- new industry standards or games are adopted or customers adopt new technologies where Luckbox's product offerings may be displaced in favor of other products or services, may not be featured or otherwise available, or may otherwise be rendered obsolete and unmarketable;
- there are adverse changes in Luckbox's product offerings that are mandated by legislation, regulatory authorities or litigation, including settlements, or Luckbox does not obtain applicable regulatory or other approvals or renewals of such approvals to offer, directly or indirectly, its product offerings in new or existing jurisdictions;
- Luckbox adopts policies or procedures related to areas such as customer data and information that are perceived negatively by its customers or the general public;

- Luckbox elects to focus its customer growth and engagement efforts more on longer-term initiatives, or if initiatives designed to attract and retain customers and engagement are unsuccessful or discontinued, whether as a result of actions by Luckbox, third parties or otherwise;
- customers increasingly engage with the products or services of Luckbox's competitors; or
- Luckbox or other companies in the industries in which it operates are the subject of adverse media reports or other negative publicity.

If Luckbox is unable to maintain or increase its customer base or engagement, or effectively monetize its customer base's use of its product offerings, its revenue and financial results may be adversely affected. Any decrease in customer retention, growth or engagement could render Luckbox's products less attractive to customers.

Reliance on Third-Party Networks

The delivery of Luckbox's offerings and a significant portion of Luckbox's revenues will be dependent on the continued use and expansion of third-party-owned communication networks, including wireless networks and the Internet. No assurance can be given as to the continued use and expansion of these networks as a medium of communications for Luckbox.

As it relates to its mobile platforms, Luckbox will be dependent on the interoperability of such platforms with popular mobile operating systems, technologies, networks and standards that it does not control, such as the Android and iOS operating systems, and any changes, bugs, technical or regulatory issues in such systems, Luckbox's relationships with mobile partners, manufacturers and carriers, or in their terms of service or policies that degrade Luckbox's product offerings' functionality, may reduce or eliminate its ability to distribute its product offerings, give preferential treatment to competitive products, limit its ability to deliver high quality product offerings, or impose fees or other charges related to delivering its product offerings. The foregoing may adversely affect its product usage and monetization on mobile devices. If it is difficult or unfavorable for Luckbox's customers to access and use its product offerings on their mobile devices, or if its customers choose not to access or use its product offerings on their mobile devices or use mobile products that do not offer access to its product offerings, its customer growth and engagement could be harmed, which could adversely affect its results of operation.

In addition, increasing traffic, customer numbers or bandwidth requirements may result in a decline in Internet (or a subset thereof, including in particular mobile Internet) performance and/or Internet reliability. Internet outages or delays or loss of network connectivity may result in partial or total failure of Luckbox's offerings, additional and unexpected expenses to fund further development or to add programming personnel to complete a development project, loss of revenue which could have a material adverse effect on Luckbox's prospects, business, financial condition or results of operations.

Litigation

Luckbox may be subject to litigation claims through the ordinary course of its business operations or otherwise, regarding, among other things, employment matters, tax matters, security of customer and employee personal information, third-party contracts, marketing, intellectual property right infringement, its current and former operations and the operations of businesses it may acquire in the future prior to their respective acquisitions. Litigation to defend Luckbox against claims by third parties, or to enforce any rights that it may have against third parties, may be necessary, which could result in substantial costs and diversion of its resources, causing a material adverse effect on its business, financial condition and results of operations. Given the nature of Luckbox's business, it may from time to time in the future be, party to various, and at times numerous, legal, administrative and regulatory inquiries, investigations, proceedings and claims that arise in the ordinary course of business, as well as potential class action lawsuits. Because the outcome of such legal matters is inherently uncertain, if one or more of such legal matters were to be resolved against Luckbox for amounts in excess of management's expectations or any applicable insurance coverage or indemnification right, or if such legal matters result in decrees or orders preventing it from offering certain features, functionalities, products or services, or requires that it changes its development process or other business practices, its results of operations and financial condition could be materially adversely affected. Any litigation to

which Luckbox may be a party may result in an onerous or unfavourable judgment that may not be reversed upon appeal, or in payments of substantial monetary damages or fines, the posting of bonds requiring significant collateral, letters of credit or similar instruments.

Intellectual Property may be Insufficient

Luckbox's success may depend on its ability to obtain trademark protection for the names or symbols under which it markets its product offerings and to obtain copyright protection of its proprietary technologies, other game innovations and creative assets. Luckbox may not be able to build and maintain goodwill in its trademarks or obtain trademark protection. There can be no assurance that any trademark or copyright will provide competitive advantages for Luckbox or that its intellectual property will not be successfully challenged or circumvented by competitors.

Source codes for Luckbox's technology may receive protection under international copyright laws. However, for many third parties who intend to use Luckbox source codes without its consent, the presence of copyright protection in the source codes alone may not be enough of a deterrent to prevent such use. As such Luckbox may need to initiate legal proceedings following such use to obtain orders to prevent further use of the source code.

Luckbox may also rely on trade secrets and proprietary know-how. Although Luckbox will generally require its employees and independent contractors to enter into confidentiality and intellectual property assignment agreements, it cannot be assured that the obligations therein will be maintained and honoured. If these agreements are breached, it is unlikely that the remedies available to Luckbox will be sufficient to compensate it for the damages suffered even if it promptly applies for injunctive relief. In spite of confidentiality agreements and other methods of protecting trade secrets, Luckbox's proprietary information could become known to or independently developed by competitors. If Luckbox fails to adequately protect its intellectual property and confidential information, its business may be harmed and its liquidity and results of operations may be materially adversely impacted.

Risk of Intellectual Property Infringement or Invalidity Claims

If the registration and enforcement policies regarding Luckbox's intellectual property portfolios are inadequate to deter unauthorized use or appropriation by third parties, the value of Luckbox's brands and other intangible assets may be diminished and competitors may be able to more effectively mimic its brands, products, services and methods of operations. Such events could adversely affect Luckbox's business and financial results. At the same time, Luckbox has to be mindful of how it will be perceived by its customers and potential customers if it deploys an unduly strict enforcement policy; an overly aggressive position may deter its customers from supporting the brands and therefore damage not only the brands' reputation in the market place but also negatively impact financial results.

Moreover, due to the differences in foreign patent, trademark, copyright and other laws concerning proprietary rights, Luckbox's intellectual property may not receive the same degree of protection in each jurisdiction where it operates. Luckbox's failure to possess, obtain or maintain adequate protection of its intellectual property rights for any reason in these jurisdictions could have a material adverse effect on its business, results of operations and financial condition.

Furthermore, infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and Luckbox may not have the financial and human resources to defend itself against any infringement suits that may be brought against it. Litigation can also distract management from day-to-day operations of the business.

In addition, Luckbox's future success may depend upon its ability to obtain licences to use new marks and its ability to retain or expand existing licences for certain products. If Luckbox is unable to obtain new licences or renew or expand existing licences, it may be required to discontinue or limit its use of such products that use the licensed marks and its financial condition, operating results or prospects may be harmed.

Luckbox may also infringe other intellectual property rights belonging to third parties, such as trademarks, copyrights and confidential information. The infringement of trademarks, copyrights and confidential information involve complex legal and factual issues and Luckbox's products, branding or associated marketing materials may be found to have infringed existing third-party rights. When any third-party infringement occurs, Luckbox may be required to

stop using the infringing intellectual property rights, pay damages and, if it wishes to keep using the third-party intellectual property, purchase a licence or otherwise redesign the product, branding or associated marketing materials to avoid further infringement. Such a licence may not be available or may require Luckbox to pay substantial royalties.

Risk of Failing to Adapt to Changing Technology and Industry Standards

Luckbox's future success depends on its ability to adapt and enhance its suite of technology and software, such as its platforms, as well as its product offerings. To attract new customers, Luckbox will need to enhance and improve its platforms, product offerings, features and enhancements to meet customer needs at competitive prices. Such efforts will require adding new functionality and responding to technological advancements or disruptive technologies, which will increase Luckbox's research and development costs. If Luckbox is unable to develop technology and products that address customers' needs, or enhance and improve its platforms and product offerings in a timely manner, that could have a material adverse effect on its business, revenues, operating results and financial condition. Luckbox's ability to grow is also subject to the risk of future disruptive technologies. If new and/or disruptive technologies emerge that are able to deliver online betting and gaming and/or entertainment products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely affect Luckbox's ability to compete.

Risks Factors Related to Luckbox as Foreign Incorporated Entity

Revenue from Foreign Jurisdictions

In certain jurisdictions, online gaming is either not regulated at all, is subject to very limited regulation, or its legality is unclear. These jurisdictions are commonly referred to in the gaming industry as "unregulated" or "grey" jurisdictions. There is a risk that such jurisdictions may enact regulations relating to gaming and that Luckbox may be required to register its activities or obtain licences (or obtain further registrations or licences, as applicable), pay taxes, royalties or fees, or that the operation of online gaming businesses in such jurisdictions may be prohibited entirely. The implementation of additional regulatory requirements or payments in such jurisdictions may have an adverse effect on the viability of Luckbox's operations, business, or financial performance. Where Luckbox or its partners fail to obtain the necessary registrations or licences, make the necessary payments, or operate in a jurisdiction where online gaming is deemed to be or becomes prohibited, Luckbox or its partners may be subject to investigation, penalties or sanctions, or be forced to discontinue operations entirely, which may negatively impact Luckbox's business, prospects, revenues, operating results and financial condition.

Certain of Luckbox's technology providers, payment processing partners, or other suppliers of content or services (collectively, "**Infrastructure Services**") may cease to provide, or limit the availability of, such Infrastructure Services to the extent Luckbox derives revenue from, or makes such Infrastructure Services available to customers in, unregulated jurisdictions. Were Luckbox's access to such Infrastructure Services to become unavailable or limited as a result of operations servicing customers located in unregulated jurisdictions, Luckbox's business, prospects, revenues, operating results and financial condition may be adversely affected. There is also a risk that they may not be able to source suitable or economical replacements if such Infrastructure Services becomes unavailable.

Unregulated jurisdictions may lack or have diminished regulations relating to, amongst other things, consumer protection, the prevention of money-laundering, game fairness and technology or data security which may be detrimental to customers. There is a risk that unscrupulous online gaming operators that actually operate from within unregulated jurisdictions may fail to maintain effective policies, procedures and safeguards in the aforementioned areas and that the actions or omissions of such unscrupulous operators may damage the reputation of all online gaming businesses operating in unregulated jurisdictions or lead to the adoption of new regulations. This may negatively impact Luckbox's business, prospects, revenues, operating results and financial condition.

Impact of Currency Fluctuations

Luckbox reports its results in Pound Sterling (and may continue to do so in the future) while a significant portion of its revenues are generated in other currencies. Fluctuations in the cross exchange rates between the Pound Sterling and

other currencies, particularly United States Dollars and the Euro, could have a material adverse effect on Luckbox's results of operations and financial condition. In addition, Luckbox is exposed to a degree of foreign exchange transactional risk at the time a wager is placed. The rate is fixed at the time the wager is placed, but crystallizes at the prevailing rate at the time of settlement, which is generally a matter of hours, but can be weeks or months.

Luckbox is Isle of Man Company

Luckbox is subject to the Isle of Man Companies Act 2006, as amended. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of Luckbox's directors are to the extent governed by the common law of the Isle of Man. The common law of the Isle of Man is derived in part from comparatively limited judicial precedent in the Isle of Man as well as from English common law, which has persuasive, but not binding, authority on a court in the Isle of Man. The rights of Luckbox's shareholders and the fiduciary responsibilities of its directors under Isle of Man law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in Canada and the United States. In particular, the Isle of Man has a less developed body of securities laws and corporate laws than Canada and the United States. As a result, shareholders may have more difficulties in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a Canadian or a United States company.

Judgments Against Luckbox may not be Enforceable

Luckbox is an Isle of Man company and substantially all of its assets are located outside of the Canada and the United States. A substantial part of Luckbox's current operations are conducted outside of Canada and the United States. In addition, substantially all of Luckbox's directors and executive officers are nationals and residents of countries other than Canada and the United States and Luckbox believes that a substantial portion of the assets of these persons may be located outside Canada and the United States. As a result, it may be difficult for anyone to effect service of process within Canada or the United States upon these persons. It may also be difficult for you to enforce in Canadian courts or United States courts, judgments obtained in those courts based on the civil liability provisions of those jurisdictions' securities laws against Luckbox or its officers and directors. There is uncertainty as to whether the courts of the Isle of Man would recognize or enforce judgments of Canadian or United States courts against Luckbox or such persons predicated upon the civil liability provisions of the securities laws of Canada or the United States or any province or state. In addition, there is uncertainty as to whether such Isle of Man courts would be competent to hear original actions brought in the Isle of Man against Luckbox or such persons predicated upon the securities laws of Canada the United States or any province or state

15.2 Risks Related to the Proposed Qualifying Transaction

Risk Factor Relating to Exchange Approval

The Closing is subject to the final approval of Exchange, which approval may not be obtained.

Risk Factor Relating to Earnings and Dividend Record

Neither the Company nor Luckbox has any earnings or dividend record. Neither the Company nor Luckbox has paid any dividends on its shares since incorporation and the Resulting Issuer does not anticipate doing so in the foreseeable future.

GENERAL MATTERS

1. Sponsorship and Agent Relationship

Sponsor

No Sponsor has been retained in connection with the Proposed Qualifying Transaction as the Exchange has granted the Company a waiver from sponsorship requirements.

2. Experts

2.1 *Opinions*

There are no persons or companies whose professional business gives authority to a statement made by the person or company who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described in this Filing Statement, other than the reports of the auditors of the Company and Luckbox, respectively, whose reports accompany the audited financial statements of the Company and the audited combined financial statements of Luckbox set forth in Appendices “A” and “B” hereto, respectively.

2.2 *Interests of Experts*

As at the date hereof, partners and associates of Manning Elliott LLP, Chartered Accountants, the Company’s current auditors, who were directly involved in services provided to the Company own, respectively, directly or indirectly, in the aggregate, none of the securities of either the Company or Luckbox. No partner or associate of Manning Elliott LLP, Chartered Accountants is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

As at the date hereof, partners and associates of Baker Tilly Isle of Man LLC, the current auditor of Luckbox, who are directly involved in services provided to Luckbox or the Company own, respectively, directly or indirectly, in the aggregate, none of the securities of either the Company or Luckbox. No partner or associate of Baker Tilly Isle of Man LLC, is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

At the date hereof, lawyers with Tingle Merrett LLP, counsel to the Company, own, directly or indirectly, in the aggregate, less than 1% of the Company Shares. No lawyer with Tingle Merrett LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

3. Other Material Facts

There are no other material facts about the Company, Luckbox, the Resulting Issuer or the Proposed Qualifying Transaction that are not elsewhere disclosed herein and which are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to the Company, Luckbox and the Resulting Issuer, assuming Completion of the Proposed Qualifying Transaction.

4. Board Approval

The contents and the filing of this Filing Statement have been approved by the board of directors of each of the Company and Luckbox. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than the Company or Luckbox, each of the Company and Luckbox has relied upon information furnished by such person.

APPENDIX “A”

FINANCIAL STATEMENTS FOR ELEPHANT HILL CAPITAL INC.

1. Unaudited Financial Statements (restated) for the three and six months ended June 30, 2020.
2. Audited Financial Statements for the year ended December 31, 2019.

Restated Condensed Interim
Financial Statements of:
**Elephant Hill Capital
Inc.**
June 30, 2020
(Unaudited)

Elephant Hill Capital Inc.

Condensed Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

As at	Note	June 30, 2020	December 31, 2019
		(restated – Note 10)	(audited)
ASSETS			
Current assets			
Cash and cash equivalents	5	\$ 309,957	\$ 378,271
Other receivables		-	3,042
TOTAL ASSETS		\$ 309,957	\$ 381,313
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 51,071	\$ 15,832
TOTAL LIABILITIES		51,071	15,832
EQUITY			
Share capital	7	455,489	455,489
Reserves		92,082	92,082
Deficit		(288,685)	(182,090)
TOTAL EQUITY		258,886	365,481
TOTAL LIABILITIES AND EQUITY		\$ 309,957	\$ 381,313

Going concern (Note 2)

Subsequent event (Note 11)

Approved on behalf of the Board on November 27, 2020:

“Mo Fazil” _____ Director

“Eamon Hurley” _____ Director

Elephant Hill Capital Inc.
Condensed Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2020 (restated – Note 10)	2019	2020 (restated – Note 10)	2019
EXPENSES				
General and administration	\$ 4,667	1,709	\$ 16,863	\$ 10,373
Professional fees	55,083	3,738	84,295	7,213
Travel	-	3,839	7,560	10,457
Other income	(932)	(660)	(2,123)	(660)
Net loss and comprehensive loss	\$ 58,818	\$ 8,626	\$ 106,595	\$ 27,383
Weighted average number of common shares outstanding	5,000,000	5,000,000	5,000,000	5,000,000
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ 0.01

Elephant Hill Capital Inc.

Condensed Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Number of common shares	Share capital	Reserves	Deficit (restated – Note 10)	Total equity (restated – Note 10)
For the six months ending June 30, 2019					
Balance at January 1, 2019	7,000,000	\$ 455,489	\$ 92,082	\$ (130,983)	\$ 416,588
Net loss for the period	-	-	-	(27,383)	(27,383)
Balance at June 30, 2019	7,000,000	\$ 455,489	\$ 92,082	\$ (158,366)	\$ 389,205
For the six months ending June 30, 2020					
Balance at January 1, 2020	7,000,000	\$ 455,489	\$ 92,082	\$ (182,090)	\$ 365,481
Net loss for the period	-	-	-	(106,595)	(106,595)
Balance at June 30, 2020	7,000,000	\$ 455,489	\$ 92,082	\$ (288,685)	\$ 258,886

Elephant Hill Capital Inc.
Condensed Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Six months ended June 30,	
	2020 (restated - Note 10)	2019
OPERATING ACTIVITIES		
Net loss	\$ (106,595)	\$ (27,383)
Items not affecting cash		
Accrued professional fees	50,770	-
Changes in non-cash working capital		
Other receivables	3,042	(1,356)
Accounts payable	(15,531)	(9,496)
Cash used in operating activities	(68,314)	(38,235)
NET DECREASE IN CASH	(68,314)	(38,235)
CASH AND CASH EQUIVALENTS, BEGINNING	378,271	431,257
CASH AND CASH EQUIVALENTS, ENDING	\$ 309,957	\$ 393,022

Elephant Hill Capital Inc.

Notes to the Condensed Interim Financial Statements

(Express in Canadian dollars)

For the six months ended June 30, 2020 and 2019

(Unaudited)

1. NATURE OF BUSINESS

Elephant Hill Capital Corp. (the “Company”) was incorporated under the Business Corporations Act of Alberta on January 15, 2018 and is classified as a Capital Pool Company (“CPC”), as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Company is the identification and evaluation of a Qualifying Transaction (“QT”). Once identified or evaluated, the Company will negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities and complete a QT within 24 months of listing on the Canadian stock exchange. The principal office is located at 122, 234 – 5149 Country Hills Blvd., Calgary, Alberta, T3A 5K8 and the registered office of the Company is located at 1250, 639 – 5th Ave. SW, Calgary, Alberta, T2P 0M9.

On June 15, 2018, the Company announced the completion of its initial public offering (the “IPO”) of 5,000,000 common shares at the price of \$0.10 per common share. The common shares of the Company commenced trading on June 20, 2018 under the trading symbol EH.P.

COVID-19

The recent outbreak of the coronavirus, also known as “COVID-19”, has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

These condensed interim financial statements were authorized for issue by the board of directors of the Company on November 27, 2020.

2. GOING CONCERN

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The proposed business of the Company, and the completion of a QT, involves a high degree of risk. There is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment within the requisite time period. Additional funds will be required to enable the Company to pursue such an initiative, and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

Elephant Hill Capital Inc.

Notes to the Condensed Interim Financial Statements

(Express in Canadian dollars)

For the six months ended June 30, 2020 and 2019

(Unaudited)

These condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these condensed interim financial statements, adjustments would be necessary to the statement of financial position. Such adjustments could be material.

3. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements do not include all of the information and disclosures required to be included in annual financial statements prepared in accordance with IFRS.

These condensed interim financial statements should be read in conjunction with the Corporation's audited financial statements for the year ended December 31, 2019, which includes information necessary or useful to understanding the Corporation's business and financial statement presentation. In particular, the Corporation's significant accounting policies, use of judgements and estimates were presented in Note 3 and Note 4 of those audited financial statements and have been consistently applied in the preparation of these condensed interim financial statements.

Basis of Presentation

These condensed interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars which is the functional currency of the Company. All amounts are rounded to the nearest dollar. The condensed interim financial statements of the Company have been prepared on an accrual basis, except for cash flow information.

Critical Accounting Estimates and Judgments

The preparation of these condensed interim financial statements require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the audited financial statements for the year ended December 31, 2019.

4. SIGNIFICANT ACCOUNTING POLICIES

Elephant Hill Capital Inc. applies the same accounting policies and methods of computation in its condensed interim financial statements as in its audited financial statements for the period for the year ended December 31, 2019. No new standards, interpretations and amendments, effective on January 1, 2020 had a material effect on the financial statements.

Elephant Hill Capital Inc.

Notes to the Condensed Interim Financial Statements

(Express in Canadian dollars)

For the six months ended June 30, 2020 and 2019

(Unaudited)

5. CASH AND CASH EQUIVALENTS

On May 11, 2020, the Company opened a one-year cashable Guaranteed Investment Certificate ("GIC") for \$300,000. The GIC has a maturity date of May 11, 2021, with an interest rate of 1.25% per annum. As at June 30, 2020, the principal balance of \$300,000 and accrued interest of \$514 is included in cash and cash equivalents.

6. EQUITY INSTRUMENTS

(a) Common shares

The Company did not issue any common shares during the six months ended June 30, 2020.

(b) Stock options

The Company has a stock option plan to purchase the Company's common shares, under which it may grant stock options of up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to directors, officers, and employees, and to persons providing investor relations or consulting services, the limits being based on the Company's total number of issued and outstanding shares per year. The stock options vest on the date of grant. The option price must be greater than or equal to the discounted market price on the grant date, and the option term cannot exceed five years from the grant date.

A summary of changes in stock options were as follows:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2019 and 2018	1,200,000	\$ 0.10
Expired	(500,000)	0.10
Outstanding and exercisable, June 30, 2020	700,000	\$ 0.10

At June 30, 2020, the following stock options were outstanding:

Numbers of options outstanding	Exercise price	Expiry date
700,000	\$ 0.10	June 15, 2023

At June 30, 2020, the weighted average remaining contractual life of the outstanding options is 2.96 years.

Elephant Hill Capital Inc.

Notes to the Condensed Interim Financial Statements

(Express in Canadian dollars)

For the six months ended June 30, 2020 and 2019

(Unaudited)

7. LOSS PER SHARE

The following reflects the loss and unit data used in the basic and diluted loss per share computations:

	For the six months ended June 30, 2020 (restated)	For the six months ended June 30, 2019
Issued common shares at open	7,000,000	7,000,000
Effect of common shares issued during the period	-	-
Effect of escrowed shares	(2,000,000)	(2,000,000)
	5,000,000	5,000,000
	\$	
Net loss	106,595	\$ 27,383
Loss per share – basic and diluted	\$ (0.02)	\$ 0.01

Basic loss per share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the Company by the weighted average number of common shares outstanding during the period.

Removed from the effect of the per share amounts are shares held in escrow. The Company's shareholders are subject to the TSX's Capital Pool Companies Policy 2.4 whereby 2,000,000 shares issued are held in escrow until the issuance of the Final Exchange Bulletin. Under the Seed Share Escrow Agreement, 10% of the escrowed Seed Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

8. FINANCIAL INSTRUMENTS

Fair value hierarchy

As at June 30, 2020, the Company held the following financial instruments measured at fair value: cash and cash equivalents (level 1).

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Elephant Hill Capital Inc.

Notes to the Condensed Interim Financial Statements

(Express in Canadian dollars)

For the six months ended June 30, 2020 and 2019

(Unaudited)

Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the six months ended June 30, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the identification and evaluation of a QT and continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company's QT.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Company as defined under the policies of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval to list its shares on the Exchange.

10. RESTATEMENT

The figures for the three and six months ended June 30, 2020 have been restated for adjustments reflecting the correction of an error which is summarized below.

Condensed Interim Statement of Financial Position:

For the six months ended June 30, 2020	As previously reported \$	Adjustment \$	As Restated \$
Liabilities			
Accounts payable and accrued liabilities	301	50,770	51,071
Total liabilities	301	50,770	51,071

Elephant Hill Capital Inc.

Notes to the Condensed Interim Financial Statements

(Express in Canadian dollars)

For the six months ended June 30, 2020 and 2019

(Unaudited)

Condensed Interim Statements of Changes in Equity:

For the six months ended June 30, 2020	As previously reported \$	Adjustment \$	As Restated \$
Deficit	(237,915)	(50,770)	(288,685)
Total equity	309,656	(50,770)	258,886

Condensed Interim Statement of Loss and Comprehensive Loss:

For the three months ended June 30, 2020	As previously reported \$	Adjustment \$	As Restated \$
Expenses			
Professional fees	4,313	50,770	55,083
Net loss and comprehensive loss for the period	(8,048)	(50,770)	(58,818)
Loss per share, basic and diluted	(0.00)		(0.01)

For the six months ended June 30, 2020	As previously reported \$	Adjustment \$	As Restated \$
Expenses			
Professional fees	33,525	50,770	84,295
Net loss and comprehensive loss for the period	(55,825)	(50,770)	(106,595)
Loss per share, basic and diluted	(0.01)		(0.02)

Condensed Interim Statement of Cash Flows:

For the six months ended June 30, 2020	As previously reported \$	Adjustment \$	As Restated \$
Operating activities			
Net loss and comprehensive loss for the period	(55,825)	(50,770)	(106,595)
Items not affecting cash			
Accrued professional fees	-	50,770	50,770
Net cash used in operating activities	(68,314)	-	(68,314)

Elephant Hill Capital Inc.

Notes to the Condensed Interim Financial Statements

(Express in Canadian dollars)

For the six months ended June 30, 2020 and 2019

(Unaudited)

The \$50,770 restatement adjustment represents a correction to record an accrued liability for professional services rendered and received by the Company during the three-month period ended June 30, 2020 and is accordingly reflected in both the three and six-month periods ended June 30, 2020. This adjustment does not have any impact on the comparative statement of financial position as at December 31, 2019 or the financial statement figures presented in the financial statements for the year ended December 31, 2019.

11. SUBSEQUENT EVENT

On November 2, 2020, the Company entered into a binding merger agreement (the “Business Combination Agreement”) with Esports Limited (operating as “Luckbox”) and EH SubCo Limited (“EH”), a subsidiary of the Company, incorporated under the laws of the Isle of Man. Under the proposed transaction, the Company will acquire all the outstanding shares of Luckbox in exchange for the Company’s common shares that will constitute a reverse takeover of the Company.

The proposed transaction is expected to be affected by way of a three-cornered amalgamation under the laws of the Isle of Man. Luckbox will amalgamate with EH and become a wholly owned subsidiary of the Company on completion of the proposed transaction. Shareholders of Luckbox will exchange their shares in Luckbox for common shares of the Company. Upon completion of the proposed transaction, the resulting issuer will continue on with the business of Luckbox.

The Company’s shares are expected to be consolidated on a 4.2:1 basis immediately before the completion of the share exchange. Each shareholder of Luckbox will receive one post-consolidation common share of the Company in exchange for each common share of Luckbox and each outstanding Luckbox stock option and warrant outstanding shall be exchanged for a stock option and warrant of the Company on the same terms. It is anticipated that this transaction will constitute the Company’s QT which is subject to regulatory approval prior to closing.

Financial Statements of:
Elephant Hill Capital Inc.
Years ended December 31, 2019 and 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of
Elephant Hill Capital Inc.

Opinion on the Financial Statements

We have audited the accompanying financial statements of Elephant Hill Capital Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in equity and cash flows for the periods ended December 31, 2019 and 2018, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our reports. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indicators that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

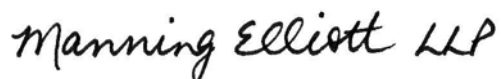
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joseph Bonvillain.

A handwritten signature in cursive script that reads "Manning Elliott LLP".

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
March 20, 2020

Elephant Hill Capital Inc.
Statements of Financial Position
(Expressed in Canadian dollars)

As at December 31	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	\$ 378,271	\$ 431,257
Other receivables	3,042	128
TOTAL ASSETS	\$ 381,313	\$ 431,385
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	\$ 15,832	\$ 14,797
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	\$ 455,489	\$ 455,489
Reserves (Note 7)	92,082	92,082
Deficit	(182,090)	(130,983)
TOTAL SHAREHOLDERS' EQUITY	365,481	416,588
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 381,313	\$ 431,385

Going concern (Note 2)

Approved on behalf of the Board on March 20, 2020:

"Mo Fazil" (Signed)	Director
"Eamon Hurley" (signed)	Director

Elephant Hill Capital Inc.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31, 2019	January 15 to December 31, 2018
EXPENSES		
General and administration	\$ 12,944	\$ 22,195
Professional fees	24,451	31,242
Share-based payments (Note 7 and 9)	-	59,922
Travel	16,754	17,624
Other income	(3,042)	-
Net loss and comprehensive loss (note 8)	\$ 51,107	\$ 130,983
Weighted average number of common shares outstanding	5,000,000	2,842,857
Basic and diluted loss per common share	\$ (0.01)	\$ (0.05)

Elephant Hill Capital Inc.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

For the period from incorporation on January 15, 2018 to December 31, 2018

	Number of common shares	Share capital	Reserves	Deficit	Total shareholder's equity
Balance at January 15, 2018	-	\$ -	\$ -	\$ -	\$ -
Private placement	2,000,000	100,000	-	-	100,000
Initial public offering	5,000,000	500,000	-	-	500,000
Share issuance costs					(112,351)
	-	(144,511)	32,160	-	
Share-based payments	-	-	59,922	-	59,922
Net loss for the period	-	-	-	(130,983)	(130,983)
Balance at December 31, 2018	7,000,000	\$ 455,489	\$ 92,082	\$ (130,983)	\$ 416,588

For the year ended December 31, 2019

Balance at January 1, 2019	7,000,000	\$ 455,489	\$ 92,082	\$ (130,983)	\$ 416,588
Net loss for the year		-	-	(51,107)	(51,107)
Balance at December 31, 2019	7,000,000	\$ 455,489	\$ 92,082	\$ (182,090)	\$ 365,481

Elephant Hill Capital Inc.
Statements of Cash Flows
(Expressed in Canadian dollars)

	For the year ended December 31, 2019	January 15 to December 31, 2018
OPERATING ACTIVITIES		
Net loss	\$ (51,107)	\$ (130,983)
Adjustment for non-cash items		
Share-based payments	-	59,922
Changes in non-cash working capital		
Other receivables	(2,914)	(128)
Accounts payable and other liabilities	1,035	14,797
Cash used in operating activities	(52,986)	(56,392)
FINANCING ACTIVITIES		
Share issuance	-	600,000
Share issuance costs	-	(112,351)
Cash provided by financing activities	-	487,649
NET CHANGE IN CASH	(52,986)	431,257
CASH AND CASH EQUIVALENTS, BEGINNING	431,257	-
CASH AND CASH EQUIVALENTS, END ING	\$ 378,271	\$ 431,257

Elephant Hill Capital Inc.

Notes to the Financial Statements

(Express in Canadian dollars)

For the years ended December 31, 2019 and 2018

1. NATURE OF BUSINESS

Elephant Hill Capital Corp. (the “Company”) was incorporated under the Business Corporations Act of Alberta on January 15, 2018 and is classified as a Capital Pool Company (“CPC”), as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Company is the identification and evaluation of a Qualifying Transaction (“QT”). Once identified or evaluated, the Company will negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities and complete a QT within 24 months of listing on the Canadian stock exchange. The head office, principal address and registered office of the Company are located at 1250, 639-5 Avenue SW, Calgary, Alberta T2P 0M9.

On June 15, 2018, the Company announced the completion of its initial public offering (the “IPO”) of 5,000,000 common shares at the price of \$0.10 per common share. The common shares of the Company commenced trading on June 20, 2018 under the trading symbol EH.P.

These financial statements were authorized for issue by the board of directors of the Company on March 20, 2020.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The proposed business of the Company, and the completion of a QT, involves a high degree of risk. There is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment within the requisite time period. Additional funds will be required to enable the Company to pursue such an initiative, and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the statement of financial position. Such adjustments could be material

Elephant Hill Capital Inc.
Notes to the Financial Statements
(Express in Canadian dollars)
For the years ended December 31, 2019 and 2018

3. BASIS OF PRESENTATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Presentation

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars which is the functional currency of the Company. All amounts are rounded to the nearest dollar. The financial statements of the Company have been prepared on an accrual basis, except for cash flow information.

Critical Accounting Estimates and Judgments

The preparation of these financial statements require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Significant estimates and judgments made by the Company that have the most significant risk of causing material misstatement to the carrying amounts of assets and liabilities are discussed below. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ.

Estimates:

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Corporation’s stock options have characteristics significantly different from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Elephant Hill Capital Inc.
Notes to the Financial Statements
(Express in Canadian dollars)
For the years ended December 31, 2019 and 2018

3. BASIS OF PRESENTATION (cont'd)

Critical Accounting Estimates and Judgments (cont'd)

Judgments:

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the assessment of the Company's ability to continue as a going concern.

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. The Company recognizes deferred tax assets only to the extent it is probable that future taxable profit will be realized against which a deferred tax asset can be applied.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash is comprised of cash on hand, cash held in trust accounts and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities within one year when acquired. Included in the Company's cash equivalents is a 1-year cashable \$350,000 GIC with a maturity of May 10, 2020, refer to note 5.

Financial instruments

Recognition, classification and measurement

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Elephant Hill Capital Inc.

Notes to the Financial Statements

(Express in Canadian dollars)

For the years ended December 31, 2019 and 2018

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd) The Company has classified its other receivables, accounts payable and other liabilities as financial assets and liabilities measured at amortized cost. Such assets and liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. The Company has classified its cash and cash equivalents as a financial asset measured at fair value through profit and loss.

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

The Company's derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Changes in the fair values of derivative financial instruments are reported in the statements of loss and comprehensive loss.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in the statements of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss.

Elephant Hill Capital Inc.

Notes to the Financial Statements

(Express in Canadian dollars)

For the years ended December 31, 2019 and 2018

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accounts receivable

Accounts receivable, net of allowances, are stated at the amount the Company expects to collect. When required, an allowance for doubtful accounts is recorded based on information on the collectability of specific accounts. Accounts are considered past due or delinquent based on contractual terms and how recently payments have been received and the Company's judgment of collectability. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity, net of tax.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options granted to employees is measured on the date of grant using the Black-Scholes option pricing model and is recognized over the vesting period. Share-based payments are initially recorded to reserves. Subsequently, consideration paid for the shares on the exercise of share-based payments is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding and reduced by any shares held in escrow during the reporting period. Diluted earnings (loss) per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding, all additional common shares that would have been outstanding if potentially dilutive instruments were converted and reduced by any shares held in escrow. Seed shares which are held in escrow are contingently cancellable pursuant to policies of the TSX for CPCs and are therefore excluded from the calculation of EPS.

Elephant Hill Capital Inc.
Notes to the Financial Statements
(Express in Canadian dollars)
For the years ended December 31, 2019 and 2018

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting.

The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

Recently Adopted Accounting Standards

IFRS 16 'Leases':

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Under IFRS 16, lessees assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to use an identified asset for a period of time in exchange for consideration. With the exception of leases with a lease term of 12 months or less and leases of low value assets, IFRS 16 requires the recognition of a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee.

The Company is classified as a CPC with a limited number of transactions and has not entered into any agreements which are leases as defined in IFRS 16. As a result, the adoption of IFRS 16 on January 1, 2019 had no material impact on the financial statements of the Company.

Elephant Hill Capital Inc.

Notes to the Financial Statements

(Express in Canadian dollars)

For the years ended December 31, 2019 and 2018

5. CASH AND CASH EQUIVALENTS

On May 10, 2019, the Company opened a one-year cashable Guaranteed Investment Certificate (“GIC”) for \$350,000. The GIC has a maturity date of May 10, 2020, with an interest rate of 1.35% per annum. As at December 31, 2019, accrued interest of \$3,042 is included in other receivables (2018 - \$128).

6. EQUITY INSTRUMENTS

(a) Common shares

Year ended December 31, 2019

The Company did not issue any common shares during the year ended December 31, 2019.

Period from incorporation on January 15, 2018 to December 31, 2018

On January 15, 2018, the Company issued 2,000,000 common shares at the price of \$0.05 per common share.

On June 15, 2018, the Corporation issued 5,000,000 common shares at the price of \$0.10 per common share pursuant to the IPO for gross proceeds of \$500,000.

(b) Share issuance costs

Share issuance costs for the period from incorporation January 15, 2018 to December 31, 2018 were \$144,511 in relation to the initial public offering (“IPO”) which occurred on June 15, 2018. Included in \$144,511 in share issuance costs was \$32,160 in fair value of 500,000 non-transferable options issued to the agent of the IPO (see below).

(c) Stock options

The Company has a stock option plan to purchase the Company’s common shares, under which it may grant stock options of up to 10% of the Company’s total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to directors, officers, and employees, and to persons providing investor relations or consulting services, the limits being based on the Company’s total number of issued and outstanding shares per year. The stock options vest on the date of grant. The option price must be greater than or equal to the discounted market price on the grant date, and the option term cannot exceed five years from the grant date.

Elephant Hill Capital Inc.

Notes to the Financial Statements

(Express in Canadian dollars)

For the years ended December 31, 2019 and 2018

6. EQUITY INSTRUMENTS (cont'd)

A summary of changes in stock options were as follows:

	Number of options	Weighted average exercise price
		\$
Outstanding, January 15, 2018	-	-
Granted	1,200,000	0.10
Exercised	-	-
Outstanding and exercisable, December 31, 2018	1,200,000	0.10
Granted	-	-
Exercised	-	-
Outstanding and exercisable, December 31, 2019	1,200,000	\$ 0.10

At December 31, 2019, the following stock options were outstanding:

Numbers of options outstanding	Exercise price	Expiry date
500,000	\$ 0.10	June 15, 2020
700,000	\$ 0.10	June 15, 2023
1,200,000		

At December 31, 2019, the weighted average remaining contractual life of the outstanding options is 2.21 years.

The fair value of options granted was determined based on the Black-Scholes Option Pricing Model using the weighted average assumptions set out as follows:

Assumptions	Granted	June 15, 2018	June 15, 2018
Option volume		500,000	700,000
Risk-free interest rate		1.88%	1.86%
Expected volatility		128%	128%
Dividend yield		0%	0%
Expected life		2 years	5 years
Share price		\$0.10	\$0.10
Fair value of option at grant date		\$0.10	\$0.10

Elephant Hill Capital Inc.

Notes to the Financial Statements

(Express in Canadian dollars)

For the years ended December 31, 2019 and 2018

7. RESERVES

	December 31, 2019	December 31, 2018
Balance, beginning of period	\$ 92,082	\$ -
Share-based payments	-	59,922
Broker options issued for the IPO	-	32,160
Balance, end of period	\$ 92,082	\$ 92,082

During the period from incorporation on January 15, 2018 to December 31, 2018, the Company granted 500,000 non-transferable options to the agent on the IPO offering and 700,000 options to directors and officers of the Company with a fair value of \$32,160 and \$59,922, respectively.

8. LOSS PER SHARE

The following reflects the loss and unit data used in the basic and diluted loss per share computations:

	For the year ended December 31, 2019	January 15 to December 31, 2018
Issued common shares at open	7,000,000	-
Effect of common shares issued during the period	-	4,842,857
Effect of escrowed shares	(2,000,000)	(2,000,000)
	5,000,000	2,842,857
Net loss	\$ 51,107	\$ 130,983
Loss per share – basic and diluted	\$ (0.01)	\$ (0.05)

Basic loss per share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the Company by the weighted average number of common shares outstanding during the period. The Company has excluded common share purchase warrants and potential common share equivalents, comprised of incremental shares from stock options calculated using the treasury method from the loss per share calculation, as they were anti-dilutive.

Removed from the effect of the per share amounts are shares held in escrow. The Company's shareholders are subject to the TSX's Capital Pool Companies Policy 2.4 whereby all 7,000,000 shares issued are held in escrow until the issuance of the Final Exchange Bulletin. Under the Seed Share Escrow Agreement, 10% of the escrowed Seed Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release

Elephant Hill Capital Inc.

Notes to the Financial Statements

(Express in Canadian dollars)
For the years ended December 31, 2019 and 2018

9. RELATED PARTY DISCLOSURES

Key management personnel compensation

All related party transactions are carried out in the normal course of operation.

The Company has identified its directors and certain officers as its key management personnel. There was no key management compensation or other related party transactions during the year ended December 31, 2019.

For the period from incorporation on January 15, 2018 to December 31, 2018, the Company incurred \$59,922 in share-based payments related to stock options issued as total compensation to directors and officers of the Company.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other receivables, accounts payables and other liabilities. Cash and cash equivalents are measure at FVTPL. The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Other receivables and accounts payable and other liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and maturities.

Fair value hierarchy

As at December 31, 2019, the Company held the following financial instruments measured at fair value: cash and cash equivalents (level 1).

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Elephant Hill Capital Inc.

Notes to the Financial Statements

(Express in Canadian dollars)

For the years ended December 31, 2019 and 2018

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

During the year ended December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's financial assets consist of cash and cash equivalents and other receivables. The Company's maximum exposure to credit risk, as at period-end, is the carrying value of its financial assets. The company mitigates credit risk by holding financial instruments within financial institutions of high creditworthiness.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had cash and cash equivalents of \$378,271 to satisfy accounts payable and other liabilities of \$15,832.

Other risks

None of the Company's future cash flows of financial instruments are subject to change from other price changes and currency risks.

11. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its equity.

The Company's primary source of capital is through the issuance of common shares. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

Elephant Hill Capital Inc.

Notes to the Financial Statements

(Express in Canadian dollars)

For the years ended December 31, 2019 and 2018

12. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2019 \$	2018 \$
Loss before tax per financial statements	(51,107)	(130,983)
Canadian statutory income tax rate	27%	27%
Income tax recoverable at statutory rates	13,799	35,365
Permanent differences	720	13,852
Change in unrecognized tax assets	(13,079)	(49,217)
Income tax recoverable	—	—

The tax effects of temporary differences that give rise to significant portions of the potential deferred tax assets are as follows:

	2019 \$	2018 \$
Deferred income tax assets		
Non-capital losses carried forward	44,095	24,949
Share issuance costs	18,201	24,268
Unrecognized deferred tax assets	(62,296)	(49,217)
Net deferred income tax assets	-	-

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

The Company has losses carried forward of approximately \$163,316 available to reduce income taxes in future years which begin to expire starting in 2038.

APPENDIX “B”

FINANCIAL STATEMENTS AND MD&A FOR ESPORTS LIMITED

1. Unaudited Financial Statements for the three and six months ended June 30, 2020.
2. Management’s Discussion and Analysis for the three and six months ended June 30, 2020.
3. Audited Financial Statements for the year ended December 31, 2019.
4. Management’s Discussion and Analysis for the year ended December 31, 2019.

Registration number: 017048V

Esports Limited

Interim Unaudited Consolidated Financial Statements

For the period ended 30 June 2020

Esports Limited

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Esports Limited

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2020

	Note	30 June 2020 £	30 June 2019 £	31 Dec 2019 £
Turnover	4	13,975	1,153	2,376
Cost of sales	5	<u>(64,045)</u>	<u>(4,850)</u>	<u>(47,937)</u>
Gross loss		(50,070)	(3,697)	(45,561)
Administrative expenses	6	<u>(1,244,587)</u>	<u>(1,466,587)</u>	<u>(2,921,325)</u>
Operating loss		(1,294,657)	(1,470,284)	(2,966,886)
Other income	7	2,236	17,719	12,695
Interest payable and similar expenses	8	<u>(41,051)</u>	<u>(39,498)</u>	<u>(15,327)</u>
Loss before tax		(1,333,472)	(1,492,063)	(2,969,518)
Tax		<u>(933)</u>	<u>-</u>	<u>(1,345)</u>
Loss after tax		(1,334,405)	(1,492,063)	(2,970,863)
Loss is attributable to:				
Owners of Esports Limited		(1,182,908)	(1,195,562)	(2,697,291)
Non-controlling interests		<u>(151,497)</u>	<u>(296,501)</u>	<u>(273,572)</u>
		(1,334,405)	(1,492,063)	(2,970,863)
The above results were derived from continuing operations.				
Other Comprehensive Income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		<u>11,546</u>	<u>(4,330)</u>	<u>(5,236)</u>
Other comprehensive income for the period, net of tax		<u>11,546</u>	<u>(4,330)</u>	<u>(5,236)</u>
Non-controlling interests		<u></u>	<u></u>	<u></u>
Total comprehensive loss		(1,322,859)	(1,496,393)	(2,976,099)
Total comprehensive income is attributable to:				
Owners of Esports Limited		(1,171,362)	(1,199,026)	(2,701,480)
Non-controlling interests		<u>(151,497)</u>	<u>(297,367)</u>	<u>(274,619)</u>
		(1,322,859)	(1,496,393)	(2,976,099)
The Group has no recognised gains or losses for the period other than the results above				
Earnings per Share				
Basic		(0.069)	(748,196.50)	(0.538)
Weighted average number of shares outstanding				
Basic		19,233,014	2	5,524,298

The notes on pages 9 to 31 form an integral part of these financial statements.

Esports Limited

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2020

		Three months ended 30 June 2020	Three months ended 30 June 2019
	Note	£	£
Turnover	4	14,578	1,153
Cost of sales	5	<u>(30,759)</u>	<u>(4,850)</u>
Gross loss		(16,181)	(3,697)
Administrative expenses	6	<u>(603,439)</u>	<u>(630,369)</u>
Operating loss		(619,620)	(634,049)
Other income	7	913	36,901
Interest payable and similar expenses	8	<u>(59,191)</u>	<u>(894)</u>
Loss before tax		(677,898)	(598,059)
Tax		388	-
Loss after tax		<u>(677,510)</u>	<u>(598,059)</u>
Loss is attributable to:			
Owners of Esports Limited		(609,759)	(539,537)
Non-controlling interests		<u>(67,751)</u>	<u>(58,522)</u>
		<u>(677,510)</u>	<u>(598,059)</u>
The above results were derived from continuing operations.			
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		<u>(1,614)</u>	<u>(4,330)</u>
Other comprehensive income for the period, net of tax		<u>(1,614)</u>	<u>(4,330)</u>
Non-controlling interests			
Total comprehensive loss		<u>(679,124)</u>	<u>(602,389)</u>
Total comprehensive income is attributable to:			
Owners of Esports Limited		(611,373)	(543,001)
Non-controlling interests		<u>(67,751)</u>	<u>(59,388)</u>
		<u>(679,124)</u>	<u>(602,389)</u>
The Group has no recognised gains or losses for the period other than the results above			
Earnings per Share			
Basic		(0.035)	(299,034.50)
Weighted average number of shares outstanding			
Basic		19,233,014	2

Esports Limited

Interim Consolidated Statement of Financial Position as at 30 June 2020

	Note	30 June 2020 £	30 June 2019 £	31 Dec 2019 £
Assets				
Non-current assets				
Right of use	10	59,248	107,724	89,177
Tangible fixed assets	11	72,635	113,909	90,742
Intangibles assets	12	7,793	7,793	7,793
Deferred tax assets		3,266	2,750	3,480
Other Receivables	13	20,140	-	20,140
Total non-current assets		163,082	232,176	211,332
Current assets				
Debtors	13	101,590	84,644	207,543
Intangible assets	12	-	36,568	10,639
Cash at bank and in hand	15	295,462	389,496	1,232,485
Total current assets		397,052	510,708	1,450,667
Total assets		560,134	742,884	1,661,999
Equity and Liabilities				
Capital and reserves				
Called up share capital	16	218,719	2	158,129
Share Premium	16	938,535	-	787,447
Treasury shares	16	(786)	-	-
Share based payment reserve	16	947	-	32,190
Capital Contribution	18	6,041,535	4,833,228	4,833,228
Retained losses		(8,399,772)	(4,471,165)	(5,734,915)
Currency translation reserve		6,310	(3,464)	(4,189)
Capital and reserves attributable to owners of Esports Limited		(1,194,512)	358,601	71,890
Non-controlling interest		-	94,039	(121,192)
Total Equity		(1,194,512)	452,640	(49,302)
Current Liabilities				
Trade and other payables	14	52,300	9,687	34,221
Other liabilities	14	303,456	170,999	280,567
Lease liabilities	10	22,393	26,587	25,665
Convertible Loan Note	14	1,336,843	-	1,304,726
Total current liabilities		1,714,992	207,273	1,645,179

The notes on pages 9 to 31 form an integral part of these financial statements.

Esports Limited

Interim Consolidated Statement of Financial Position as at 30 June 2020 (continued)

	Note	30 June 2020 £	30 June 2019 £	31 Dec 2019 £
Non-Current Liabilities				
Lease liabilities	10	39,654	82,971	66,122
		39,654	82,971	66,122
Total Liabilities		1,754,646	290,244	1,711,301
Total Equity and Liabilities		560,134	742,884	1,661,999

Approved and authorised by the Board on November 27, 2020, and signed on its behalf by:

(signed) "Michael Jon Stevens"

Michael Jon Stevens
Director

(signed) "Quentin Colin Martin"

Quentin Colin Martin
Director

Esports Limited

Interim Consolidated Statement of Changes in Equity for the period ended 30 June 2020

	Share capital £	Share premium £	Treasury shares £	Share based payment reserve £	Capital Contribution £	Currency translation £	Retained earnings £	Total £	Non- controlling interests £	Total equity £
As at 1 January 2020	158,129	787,447	-	32,190	4,833,228	(4,189)	(5,734,915)	71,890	(121,192)	(49,302)
Loss for the period	-	-	-	-	-	-	(1,182,908)	(1,182,908)	(151,497)	(1,334,405)
Currency translation	-	-	-	-	-	11,546	-	11,546	-	11,546
Total comprehensive income						11,546	(1,182,908)	(1,171,362)	(151,497)	(1,322,859)
Acquisition of shares from Non-controlling interest									(2,000)	2,000
Non-controlling interest acquired	-	-	-		1,208,307	(1,047)	(1,481,949)	(274,689)	274,689	-
	158,129	787,447	-	32,190	6,041,535	6,310	(8,399,772)	(1,374,161)	-	(1,374,161)
Transactions with owners recognised directly in equity									-	
Issue of shares	60,590	151,088	-	-	-	-	-	211,678	-	211,678
Acquisition of Treasury shares			(786)	-				(786)		(786)
Value of share based payments	-	-	-	(31,243)	-	-	-	(31,243)	-	(31,243)
At 30 June 2020	218,719	938,535	(786)	947	6,041,535	6,310	(8,399,772)	(1,194,712)	-	(1,194,512)

The notes on pages 9 to 31 form an integral part of these financial statements.

Esports Limited

Interim Consolidated Statement of Changes in Equity for the period ended 30 June 2019

	Share capital £	Share premium £	Treasury shares £	Share based payment reserve £	Capital contribution £	Currency translation £	Retained earnings £	Total £	Non-controlling interests £	Total equity £
As at 1 January 2019	10,000	-	-	-	-	-	(4,094,504)	(4,084,504)	-	(4,084,504)
Change of controlling entity										
Acquisition of shares	(10,000)	-	-	-	-	-	-	(10,000)	2,000	(8,000)
Reserves allocated to non-controlling interest	-	-	-	-	-	-	1,056,880	1,056,880	(1,056,880)	-
	-	-	-	-	-	-	(3,037,624)	(3,037,624)	(1,054,880)	(4,092,504)
Loss for the period	-	-	-	-	-	-	(1,433,541)	(1,433,541)	(58,522)	(1,492,063)
Currency translation	-	-	-	-	-	(3,464)	-	(3,464)	(866)	(4,330)
Total comprehensive income	-	-	-	-	-	(3,464)	(1,433,541)	(1,437,005)	(59,388)	(1,496,393)
Transactions with owners recognised directly in equity										
Issue of shares	2	-	-	-	-	-	-	2	-	2
Conversion of loan	-	-	-	-	4,833,228	-	-	4,833,228	1,208,307	6,041,535
At 30 June 2019	2	-	-	-	4,833,228	(3,464)	(4,471,165)	358,601	94,039	452,640

The notes on pages 9 to 31 form an integral part of these financial statements.

Esports Limited

Interim Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Share capital £	Share premium £	Treasury shares £	Share based payment reserve £	Capital contribution £	Currency translation £	Retained earnings £	Total £	Non- controlling interests £	Total equity £
As at 1 January 2019	10,000	-	-	-	-	-	(4,094,504)	(4,084,504)	-	(4,084,504)
Change of reporting entity										
Acquisition of shares of Real Time Games Holdings Limited	(10,000)	-	-	-	-	-	-	(10,000)	2,000	(8,000)
Reserves allocated to non-controlling interest	-	-	-	-	-	-	1,056,880	1,056,880	(1,056,880)	-
	-	-	-	-	-	-	(3,037,624)	(3,037,624)	(1,054,880)	(4,092,504)
Loss for the year	-	-	-	-	-	-	(2,697,291)	(2,697,291)	(273,572)	(2,970,863)
Currency translation	-	-	-	-	-	(4,189)	-	(4,189)	(1,047)	(5,236)
Total comprehensive income	-	-	-	-	-	(4,189)	(2,697,291)	(2,701,480)	(274,619)	(2,976,099)
Transactions with owners recognised directly in equity										
Issue of shares in Esports Limited	158,129	787,447	-	-	-	-	-	945,576	-	945,576
Value of share based payments	-	-	-	32,190	-	-	-	32,190	-	32,190
Conversion of loan	-	-	-	-	4,833,228	-	-	4,833,228	1,208,307	6,041,535
At 31 December 2019	158,129	787,447	-	32,190	4,833,228	(4,189)	(5,734,915)	71,890	(121,192)	(49,302)

The notes on pages 9 to 31 form an integral part of these financial statements.

Esports Limited

Interim Consolidated Statement of Cash Flows for the period ended 30 June 2020

	Note	30 June 2020 £	30 June 2019 £	31 Dec 2019 £
Cash flows from operating activities				
Operating loss for the period		(1,294,657)	(1,470,284)	(2,966,886)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortisation		29,045	25,914	57,769
Loss on disposal of assets		1,057	879	3,121
Share based payments		3,012	-	175,840
Impairment charge		16,014	-	-
Changes in:				
Decrease in other debtors	13	105,953	7,121	(135,918)
Increase/(Decrease) in trade creditors	14	18,079	(15,978)	8,556
Increase/(Decrease) in other liabilities	14	875	(79,350)	70,312
(Decrease)/Increase in lease liabilities	10	(29,740)	19,071	1,300
Tax expense		(933)	-	(2,001)
Net cash used in operating activities		<u>(1,151,295)</u>	<u>(1,512,627)</u>	<u>(2,787,907)</u>
Cash flows from investing activities				
Interest received	7	2,236	14	623
Acquisition of Non-controlling interest		(18,014)	-	-
Acquisition of tangible assets	11	-	(92,719)	(91,286)
Acquisition of intangible assets	12	-	(1,162,470)	(681,384)
Acquisition of right of use	10	-	(29,475)	(29,034)
Disposal of tangible assets	11	4,125	1,407	6,922
Disposal of intangible assets	12	10,509	1,284,659	823,684
Disposal of right of use assets	10	24,725	-	-
Net cash inflows from investing activities		<u>23,581</u>	<u>1,416</u>	<u>29,525</u>
Cash flows from financing activities				
Finance costs	8	(1,341)	(1,786)	(4,035)
Issue of ordinary shares and other equity securities		208,666	2	791,926
Loans repaid	14	(10,176)	(2,000)	(42,094)
Issue of convertible loan note	14	-	-	1,304,726
Net cash inflows/(outflows) from financing activities		<u>197,149</u>	<u>(3,784)</u>	<u>2,050,523</u>
Net (decrease) in cash and cash equivalents		(930,565)	(1,514,995)	(707,859)
Effects of exchange and revaluation differences		<u>(6,458)</u>	<u>(52,225)</u>	<u>(16,372)</u>
Cash and cash equivalents at start of period		<u>1,232,485</u>	<u>1,956,716</u>	<u>1,956,716</u>
Cash and cash equivalents at end of period	15	<u>295,462</u>	<u>389,496</u>	<u>1,232,485</u>

The notes on pages 9 to 31 form an integral part of these financial statements.

Esports Limited

Notes to the Interim Consolidated Financial Statements for the period ended 30 June 2020

1 General information

Esports Limited (the 'Company') is a private company limited by share capital incorporated and domiciled in the Isle of Man.

The address of its registered office is:

First Floor, Millennium House
Victoria Road
Douglas
Isle of Man
IM2 4RW

Nature of Operations

Esports Limited (ESL) (the 'Company') was incorporated in the Isle of Man on 25 April 2019 and commenced its operations on that date. On 13 May 2019 the Company took a controlling interest in Real Time Games Holdings Limited (RTGH) an existing Isle of Man incorporated company engaged in the provision of a licensed egaming betting platform.

By taking control of RTGH the Company took a controlling interest in the following subsidiaries:

- Real Time Games Holdings Limited, incorporated in the Isle of Man in 2016.
- Real Times Games Services Limited (RTGS). Incorporated in the Isle of Man in 2017 and providing supports services to RTGH.
- Real Time Games Developments Limited (RTGD). Incorporated in Bulgaria in 2017 and providing research and development to RTGS.

The Company also has control of one wholly owned subsidiary:

- Esports Tech Limited (ETL). Incorporated in the Isle of Man on 25 April 2019 and inactive to 31 December 2019.

Significant events and transactions

On 15 May 2020 the Group acquired the 20% of Real Time Games Holdings Limited (RTGH) that it did not already own. The acquisition was made via the issue of 1,801,394 Ordinary shares (par value 0.01) in Esports Limited. The cost to the Company was £18,014. As part of this transaction Luckbox Limited left its Capital Contribution of £6,041,535 within RTGH (see note 18). As a result of the above share acquisition, all companies within the Group became wholly owned by ESL and we have consolidated the results as at 30 June 2020.

2 Basis of presentation

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries as listed in note 1 at the period end date of 30 June 2020 and also reported for the full year ended to 31 December 2019.

Basis of preparation

These Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The disclosures contained in these interim consolidated financial statements do not contain all requirements of IFRS for annual financial statements and should be read in conjunction with the combined financial statements for the year end 31 December 2019.

.Esports Limited

Notes to the Interim Consolidated Financial Statements for the period ended 30 June 2020 (continued)

2 Basis of presentation (continued)

The combined financial statements for the year ended 31 December 2019 combined the results of all the above entities (the 'Group') to illustrate the position of the Group under common control, for the whole period 1 January to 31 December 2019, even though they were not yet a legal Group until part-way through the period ended 31 December 2019. Esports Limited was acting as the reporting entity for the Group being the ultimate parent Company, even though it did not come in to existence until part-way through the year ended 31 December 2019.

The Group produced Combined Financial Statements for the year ended 31 December 2019 as ESL, RTGH, RTGS, RTGD and ETL were considered to be under common control during that year as the controlling shareholders of both ESL and RTGH were, Michael Jon Stevens and Lars-Kristian Engum Lien, whom at the point of ESL's incorporation were directors of both the Company and RTGH. Following the 31 December 2019 year end, Michael Jon Stevens and Lars-Kristian Engum Lien were not considered to exercise control as further share issues have reduced the percentage of ordinary shares held by them.

As control of RTGH had remained constant, being held by Michael Jon Stevens and Lars-Kristian Engum Lien as explained above, and for the purposes of the transaction with Elephant Hill Capital Inc. referenced in note 22, ESL presented combined financial statements for the year ended 31 December 2019. The consolidation consists of a combination of RTGH consolidated financials for the year ended 31 December 2019 combined with ESL's financial results for the period from 25 April to 31 December 2019 and were prepared on accounting policies based on the principles of IFRS as adopted by the European Union.

The interim consolidated financial statements for the period from 1 January 2020 to 30 June 2020 are prepared on accounting policies based on the principles of IFRS as adopted by the European Union and presented by virtue of ESL being the legal owner of RTGH and its subsidiary companies during the entire reporting period.

Summary of significant accounting policies

The interim Financial Statements have been prepared in accordance with accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2019 except for the adoption of new and amended standards as set out below. The framework adopted is International Financial Reporting Standards (IFRS) as adopted by the European Union. For the purpose of these financial statements there are no differences between IFRS as adopted by the EU and IFRS issued by the IASB.

Statement of going concern

The financial statements are prepared on a going concern basis, which assumes the Group will be able to continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations

The proposed transaction with Elephant Hill Capital Inc (see note 22). involves a high degree of risk of non-completion. If the transaction does not complete the Group may not be able to fund its future operations. Additional funds will be required to enable the Group to continue, and the Group may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Should the Group be unable to continue as a going concern, the net realisable value of its assets may be materially less than the amounts on its statement of financial position.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the statement of financial position. Such adjustments could be material.

Esports Limited

Notes to the Interim Consolidated Financial Statements for the period ended 30 June 2020 (continued)

2 Basis of presentation (continued)

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors": Definition of Material (in force for annual periods beginning on or after 1 January 2020).

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (in force for annual periods beginning on or after 1 January 2020).

Amendments to IFRS 3 "Business Combinations" (in force for annual periods beginning on or after 1 January 2020).

Use of estimates and judgements

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the Groups' financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates in the Group's financial statements include amortisation of intangible assets, depreciation of tangible assets and recoverability of debtors. By their nature, estimates and assumptions are subject to measurement uncertainty and the effect on the Company's financial statements of changes in estimates in future periods could be significant.

The estimates and assumptions applied in the Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2019.

3 Segmental reporting

The Group operates under one operating segment being that of an online esports betting company.

The Groups assets and liabilities can be split geographically between the Isle of Man and Bulgaria as follows

	June 2020		December 2019	
	Isle of Man	Bulgaria	Isle of Man	Bulgaria
Non-current assets	96,586	66,496	108,670	102,662
Current assets	350,400	46,652	1,379,761	70,906
Current liabilities	(1,615,158)	(99,834)	(1,524,683)	(120,496)
Non-current liabilities	-	(39,654)	-	(66,122)
	<u>(1,168,172)</u>	<u>(26,340)</u>	<u>(36,252)</u>	<u>(13,050)</u>

All of the Group's revenues are from international sources.

Esports Limited

Notes to the Interim Consolidated Financial Statements for the period ended 30 June 2020 (continued)

4 Revenue

Revenue is derived from the provisions of services for the running of an egaming betting platform. Betting revenue is made up of the net of bets placed less winning bets returned. The analysis of the Group's revenue for the period from continuing operations is as follows:

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 Dec 2019
	£	£	£
Bets placed	498,327	18,052	111,582
Winning bets returned	(484,352)	(16,899)	(109,206)
Betting revenue	<u>13,975</u>	<u>1,153</u>	<u>2,376</u>

	Three months to 30 June 2020	Three months to 30 June 2019
	£	£
Bets placed	412,811	18,052
Winning bets returned	(398,233)	(16,899)
Betting revenue	<u>14,578</u>	<u>1,153</u>

5 Cost of Sales

Cost of service providers relates to expenditure within the gaming operations for gaming taxes, licensing fees to gaming providers, costs for payments services via bank and credit cards for deposited bets and payment of winnings and cost of credit card chargebacks. Costs of sales includes:

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 Dec 2019
	£	£	£
Platform and service provider fees	(34,915)	(1,225)	(35,488)
Payment service provider fees	(12,139)	(3,625)	(2,964)
Free bets	(16,991)	-	(9,485)
Total costs of sales	<u>(64,045)</u>	<u>(4,850)</u>	<u>(47,937)</u>

	Three months to 30 June 2020	Three months to 30 June 2019
	£	£
Platform and service provider fees	(13,804)	(1,225)
Payment service provider fees	(5,001)	(3,625)
Free bets	(11,954)	-
Total costs of sales	<u>(30,759)</u>	<u>(4,850)</u>

Esports Limited

Notes to the Interim Consolidated Financial Statements for the period ended 30 June 2020 (continued)

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 Dec 2019
6 Administrative expenses			
Employment Costs	£	£	£
Directors remuneration	(94,843)	(24,500)	(53,499)
Salaries	(309,820)	(563,564)	(984,649)
Tax and National Insurance	(44,593)	(61,420)	(108,721)
Pension costs	(532)	(1,585)	(2,585)
Share based payments – Note 17	(1,982)	-	(175,840)
	(451,770)	(651,069)	(1,325,294)
Establishment Costs			
Rent	(2,275)	(7,019)	(15,089)
Insurance	(6,266)	(11,900)	(11,900)
Light & Heat	(1,541)	(422)	(1,761)
Office repairs & renewals	(44)	(494)	(573)
	(10,126)	(19,835)	(29,323)
General administrative expenses			
Consultancy	(157,940)	(212,326)	(334,756)
Hosting costs	(17,064)	(16,000)	(33,129)
Contracted services	(44,818)	(68,001)	(109,949)
Software development	(58,097)	(143,142)	(85,326)
Advertising and marketing	(98,685)	(107,349)	(240,528)
IT and computer expenses	(9,000)	(23,675)	(23,685)
Printing and stationery	(534)	(1,134)	(2,083)
Telephone	(423)	(1,748)	(2,564)
Subscriptions	(40,193)	(8,541)	(52,969)
Sundry	(3,455)	(10,187)	(29,364)
Legal and professional fees	(246,159)	(73,649)	(350,840)
Audit fees	(20,944)	-	(31,000)
Travel and accommodation	(7,748)	(43,486)	(102,418)
License fees	(16,861)	(17,996)	(35,640)
Expenses paid for related party	-	(2,216)	(6,420)
Bad and doubtful debts	-	(22,295)	(28,019)
Share based payments – Note 17	(1,030)	-	-
Impairment	(16,014)	-	-
Amortisation of lease	(11,916)	(11,918)	(25,554)
Depreciation	(17,129)	(13,996)	(32,215)
Loss on disposal of tangible assets	(1,057)	(879)	(3,121)
	(769,067)	(778,538)	(1,529,580)
Finance charges			
Bank charges	(12,730)	(10,446)	(37,128)
Variable lease expenses	(894)	(6,699)	-
	(13,624)	(17,145)	(37,128)

Esports Limited
Notes to the Interim Consolidated Financial Statements
for the period ended 30 June 2020 (continued)

	Three months to 30 June 2019	Three months to 30 June 2019
6 Administrative expenses		
Employment Costs	£	£
Directors remuneration	(28,188)	(13,045)
Salaries	(135,583)	(257,378)
Tax and National Insurance	(21,511)	(29,058)
Pension costs	(278)	(887)
Share based payments	(1,831)	-
	<u>(187,391)</u>	<u>(300,368)</u>
Establishment Costs		
Rent	-	(4,188)
Insurance	(4,808)	(-)
Light & Heat	(756)	(422)
Office repairs & renewals	(44)	(300)
	<u>(5,608)</u>	<u>(4,910)</u>
General administrative expenses		
Consultancy	(77,271)	(104,887)
Hosting costs	(8,532)	(13,888)
Contracted services	(17,326)	(32,575)
Software development	-	(12,511)
Advertising and marketing	(20,531)	(53,914)
IT and computer expenses	(9,000)	(10,990)
Printing and stationary	-	(610)
Telephone	(198)	(7,130)
Subscriptions	(18,174)	(1,684)
Sundry	(2,025)	(4,145)
Legal and professional fees	(205,407)	(21,027)
Audit and accountancy fee	(9,535)	-
Travel and accommodation	-	(21,814)
License fees	(8,590)	(9,246)
Expenses paid for related party	-	(159)
Share based payments	(1,030)	-
Impairment	(16,014)	
Amortisation of lease	(1,191)	(11,893)
Depreciation	(7,318)	(9,683)
Loss on disposal of tangible assets	(13)	(879)
	<u>(402,155)</u>	<u>(317,035)</u>
Finance charges		
Bank charges	(7,831)	(5,816)
Variable lease expenses	(454)	(2,240)
	<u>(8,285)</u>	<u>(8,056)</u>

Esports Limited

Notes to the Interim Consolidated Financial Statements for the period ended 30 June 2020 (continued)

7 Other income

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 Dec 2019
	£	£	£
Interest receivable	2,235	14	623
Cryptographic assets revaluation gains	-	17,705	12,072
	<u>2,236</u>	<u>17,719</u>	<u>12,695</u>
		Three months to 30 June 2020	Three months to 30 June 2019
		£	£
Interest receivable		913	14
Foreign exchange gains		-	3,910
Cryptographic assets revaluation gains		-	32,977
		<u>913</u>	<u>36,901</u>

8 Interest payable and similar expenses

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 Dec 2019
	£	£	£
Interest payable	(1,341)	(1,786)	(4,035)
Foreign exchange losses	(39,580)	(37,712)	(11,292)
Cryptographic assets revaluation losses	(130)	-	-
	<u>(41,051)</u>	<u>(39,498)</u>	<u>(15,327)</u>
		Three months to 30 June 2020	Three months to 30 June 2019
		£	£
Interest payable		(460)	(894)
Foreign exchange losses		(58,670)	-
Cryptographic assets revaluation losses		(61)	-
		<u>(59,191)</u>	<u>(894)</u>

Esports Limited

Notes to the Interim Consolidated Financial Statements for the period ended 30 June 2020 (continued)

9 Directors' remuneration

Directors' remuneration for the period was as follows

	Six months to 30 June 2020 £	Six months to 30 June 2019 £	Year to 31 Dec 2019 £
Directors remuneration	<u>94,843</u>	<u>24,500</u>	<u>53,499</u>

Directors' remuneration for the period was as follows

	Three months to 30 June 2020 £	Three months to 30 June 2020 £
Directors remuneration	<u>28,188</u>	<u>13,045</u>

During the period to 30 June 2020 Michael Jon Stevens was issued with 106,278 ordinary shares (par value £0.01) and Lars-Kristian Engum Lien was issued 178,278 ordinary shares (par value £0.01) at nil consideration.

During 2019 Michael Jon Stevens was issued with 6,144,000 ordinary shares (par value £0.01) and Lars-Kristian Engum Lien was issued 6,072,000 ordinary shares (par value £0.01) at nil consideration.

The total charge taken to profit and loss in relation to these issues was as follows;

Share based payments

	Six months to 30 June 2020 £	Six months to 30 June 2019 £	Year to 31 Dec 2019 £
Value	<u>2,846</u>	<u>-</u>	<u>122,160</u>
Number of shares	<u>284,556</u>	<u>-</u>	<u>12,216,000</u>

	Three months to 30 June 2020 £	Three months to 30 June 2019 £
Value	<u>2,846</u>	<u>-</u>
Number of shares	<u>284,556</u>	<u>-</u>

Esports Limited

Notes to the Interim Consolidated Financial Statements for the period ended 30 June 2020 (continued)

10 Leases

10.1 Right of use offices	Six months to 30 June 2020 £	Six months to 30 June 2019 £	Year to 31 Dec 2019 £
Right-of-use of offices under Lease contract from Jan 2018			
– Lease Contract 1 (LC1)	29,961	42,077	42,077
Depreciation	(5,132)	(5,192)	(10,495)
Currency translation	2,695	704	(1,621)
Right-of-use of office under LC1 at 30 June	27,524	37,589	29,961
Right-of-use offices under Lease contract from May 2018 - Lease Contract 2 (LC2)	34,289	47,053	47,053
Depreciation	(5,598)	(5,654)	(10,952)
Currency translation	3,033	774	(1,812)
Right-of-use of office under LC2 at 30 June	31,724	42,173	34,289
Right-of-use offices under Lease contract from May 2019 - Lease Contract 3 (LC3)	24,927	29,034	29,034
Depreciation	(933)	(1,072)	(4,107)
Termination of lease (write off of right of use)	(24,725)	-	-
Currency translation	731	-	-
Right-of-use of office under LC3 at 30 June	-	27,962	24,927
Carrying amount of right-of-use assets at 30 June	59,248	107,724	89,177
10.2 Lease liabilities	30 June 2020 £	30 June 2019 £	31 Dec 2019 £
Lease Contract 1	28,458	38,505	31,756
Lease Contract 2	33,589	43,089	36,106
Lease Contract 3	-	27,964	23,925
Total	62,047	109,558	91,787
Current	22,393	26,587	25,665
Non-current	39,654	82,971	66,122

Esports Limited

Notes to the Interim Consolidated Financial Statements for the period ended 30 June 2020 (continued)

10.3 Lease contracts

	Contract 1	Contract 2	Contract 3
Category of asset	Land and Buildings	Land and Buildings	Land and Buildings
Annual interest rate	4%	4%	4%
Monthly instalment	978	1,030	551
Periodicity of instalments	monthly	monthly	monthly
Starting period	1 st Feb 2018	1 st May 2018	1 st April 2019
Lease duration	12 months	12 months	12 months
Extension period	48 months	48 months	48 months
Duration including extension period	60 months	60 months	60 months
Terminated lease contract	-	-	March 2020
	£	£	£
Lease Liability at 31 December 2019	31,756	36,106	23,925
Interest expense on lease liabilities for the period	467	933	467
Expenses relating to lease of low value assets	466	-	(24,725)-
Translation reserve	2,300	2,615	1,733
	34,989	39,654	1,400
Total cash outflow for leases	(6,531)	(6,065)	(1,400)
 Lease liability at 30 June 2020	 28,458	 33,589	 -

10.4 Significant estimates

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Esports Limited

Notes to the Interim Consolidated Financial Statements for the period ended 30 June 2020 (continued)

11 Tangible fixed assets

	Computer & office equipment	Total
30 June 2020	£	£
Cost		
At 1 January 2020	125,736	125,736
Additions	-	-
Disposals	(4,125)	(4,125)
Currency translation	1,848	1,848
As at 30 June 2020	123,459	123,459
Accumulated depreciation		
At 1 January 2020	34,994	34,994
Charge for the period	17,129	17,129
Disposals	(2,418)	(2,418)
Currency translation	1,119	1,119
As at 30 June 2020	50,824	50,824
Net book value	72,635	72,635
	Computer & office equipment	Total
30 June 2019	£	£
Cost		
At 1 January 2019	42,539	42,539
Additions	92,719	92,719
Disposals	(1,407)	(1,407)
Currency translation	289	289
As at 30 June 2019	134,140	134,140
Accumulated depreciation		
At 1 January 2019	6,699	6,699
Charge for the period	13,996	13,996
Disposals	(528)	(528)
Currency translation	64	64
As at 30 June 2019	20,231	20,231
Net book value	113,909	113,909

Esports Limited

Notes to the Interim Consolidate Financial Statements for the period ended 30 June 2020 (continued)

11 Tangible fixed assets (continued)

	Computer & office equipment	Total
31 December 2019	£	£
Cost		
At 1 January 2019	42,539	42,539
Additions	91,286	91,286
Disposals	(6,922)	(6,922)
Currency translation	(1,167)	(1,167)
As at 31 December 2019	<u>125,736</u>	<u>125,736</u>
Accumulated depreciation		
At 1 January 2019	6,699	6,699
Charge for the year	32,215	32,215
Disposals	(3,850)	(3,850)
Currency translation	(70)	(70)
As at 31 December 2019	<u>34,994</u>	<u>34,994</u>
Net book value	<u>90,742</u>	<u>90,742</u>

12 Intangible assets

	Domains	Software	Cryptographic assets	Total
30 June 2020	£	£	£	£
Cost				
At 1 January 2020	7,793	-	10,639	18,432
Additions	-	-	-	-
Disposals	-	-	(10,509)	(10,509)
Revaluations	-	-	(130)	(130)
Currency translation	-	-	-	-
At 30 June 2020	<u>7,793</u>	<u>-</u>	<u>-</u>	<u>7,793</u>

Esports Limited

Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2020 (continued)

12 Intangible assets (continued)

Accumulated amortisation	Domains	Software	Cryptographic assets	Total
Cost	£	£	£	£
At 1 January 2020	-	-	-	-
Charge for the period	-	-	-	-
Disposals	-	-	-	-
At 30 June 2020	-	-	-	-
Net book value	7,793	-	-	7,793
Non Current assets	7,793	-	-	7,793
Current assets	-	-	-	-
Total	7,793	-	-	7,793

30 June 2019	Domains	Internally generated software	Cryptographic assets	Total
Cost	£	£	£	£
At 1 January 2019	7,793	21,717	119,856	149,366
Additions	-	-	1,162,470	1,162,470
Disposals	-	(21,196)	(1,263,463)	(1,284,659)
Revaluations	-	-	17,705	17,705
Currency translation	-	(521)	-	(521)
At 30 June 2019	7,793	-	36,568	44,361

Accumulated amortisation	Domains	Internally generated software	Cryptographic assets	Total
Cost	£	£	£	£
At 1 January 2019	-	-	-	-
Charge for the period	-	-	-	-
Disposals	-	-	-	-
At 30 June 2019	-	-	-	-

Net book value	7,793	-	36,568	44,361
Non Current assets	7,793	-	-	7,793
Current assets	-	-	36,568	36,568
Total	7,793	-	36,568	44,361

**Notes to the Condensed Consolidated Financial Statements
for the period ended 30 June 2020 (continued)**

	Domains	Internally generated software	Cryptographic assets	Total
	£	£	£	£
31 December 2019				
Cost				
At 1 January 2019	7,793	21,717	119,856	149,366
Additions	-	-	681,384	681,384
Disposals	-	(21,011)	(802,673)	(823,684)
Revaluations	-	-	12,072	12,072
Currency translation	-	(706)	-	(706)
At 31 December 2019	7,793	-	10,639	18,432

Net book value	7,793	-	10,639	18,432
Non Current assets	7,793	-	-	7,793
Current assets	-	-	10,639	10,639
Total	7,793	-	10,639	18,432

	30 June 2020	30 June 2019	31 Dec 2019
	£	£	£
Unpaid share capital	-	-	46,806
Directors loan account - non- current	20,140	5,223	23,241
Prepayments and other debtors	101,590	79,421	104,495
VAT	-	-	53,141
	121,730	84,644	227,683
Current	101,590	84,644	207,543
Non-current	20,140	-	20,140
	121,730	84,644	227,683

Esports Limited

Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2020 (continued)

14 Creditors; Amounts falling due within one year

	30 June 2020	30 June 2019	31 Dec 2019
	£	£	£
Trade creditors	52,300	9,687	34,221
Player accounts	23,204	1,784	4,578
Accrued expenses	165,074	17,099	160,521
Payroll liabilities and taxes	89,344	91,880	88,126
Other creditors	1,864	2,292	10,150
VAT	18,196	2,833	-
Bulgarian tax	933	-	2,175
Loan from Luckbox Limited	4,841	55,111	15,017
Convertible loan note	<u>1,336,843</u>	<u>-</u>	<u>1,304,726</u>
	<u>1,692,599</u>	<u>180,686</u>	<u>1,619,514</u>

14a Borrowings

The loan from Luckbox Limited is interest free and only repayable if the financial position of the Group allows.

The parent entity, Esports Limited issued 2,250,000 0% convertible loan notes of one Canadian dollar each. Agreement was reached in the second quarter of 2020 that the loan will convert at 0.21 cents per share, for a total of 10,714,246 shares at a date prior to the completion of the transaction with Elephant Hill Capital Inc. referenced in note 22.

15 Cash at bank and in hand

	30 June 2020	30 June 2019	31 Dec 2019
	£	£	£
Cash at bank	<u>295,462</u>	<u>389,496</u>	<u>1,232,485</u>
	<u>295,462</u>	<u>389,496</u>	<u>1,232,485</u>

Included in the Group's cash at bank are amounts of £34,979 (30 June 2019 £146,014) that are held in a fiduciary capacity and represent customer monies whose use is restricted in accordance with the terms of the Online Gambling Regulation Act 2001.

Esports Limited

Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2020 (continued)

16 Share Capital

	30 June 2020	30 June 2019	31 Dec 2019
	£	£	£
Authorised			
The company has no limit to the amount of share capital it can issue.			
Ordinary shares of GBP 0.01 each			
Issued			
Fully paid	21,871,863	2	15,732,872
Unpaid	-	-	80,000
21,871,863 ordinary share of GBP 0.01 each	<u>21,871,863</u>	<u>2</u>	<u>15,812,872</u>
	30 June 2020	30 June 2019	31 Dec 2019
	£	£	£
Issued			
Fully paid	218,719	2	157,329
Unpaid	-	-	800
21,871,863 ordinary share of GBP 0.01 each	<u>218,719</u>	<u>2</u>	<u>158,129</u>

Ordinary shares have a par value of £0.01. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

On 2 September 2019 the company split its shares from par value £1 to par value £0.01. Each single share in issue became 100 shares.

During the period the Company issued 3,200 ordinary shares (par value £0.01) as a finder's fee in relation to the share issue undertaken in November 2019. These shares were valued at CAD1 for a total consideration of CAD 3,200 (GBP 1,884) with the charge being taken to profit and loss as a finder's fee.

During the period 1,720,672 shares (par value £0.01) were issued to shareholders who partook in the fundraising on 4 November 2019.

During the period 68,827 shares (par value £0.01) were issued to shareholders who received their shares as a finders fees for the fundraising on 4 November 2019.

During the period 110,476 shares (par value £0.01) were issued to shareholders who partook in the fundraising on 21 December 2019.

For the above three share issues It was agreed by the Company that if the fundraising in connection with the Elephant Hill Capital Inc. transaction (see note 22) successfully raised more than CAD 3.5 million then shares issued in November 2019 would be repriced as if they had been issued at CAD 0.42 not CAD 1. This has resulted in a further issue of shares on 1.38 to 1 basis. A total of 1,899,975 ordinary shares (par value £0.01) were issued by the Company and the company has taken a charge of £19,000 to profit and loss.

During the period the Company issued 90,000 ordinary shares (par value £0.01) in relation to finder's fee in connection with the Convertible Loan note. These shares were at a price of CAD 0.41 for a total consideration of CAD 36,900 (GBP21,490) with the charge being taken to profit and loss as a finder's fee.

Esports Limited

Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2020 (continued)

16 Share Capital (continued)

During the period the Company issued Michael Jon Stevens, 106,278 shares (par value £0.01) and Lars-Kristian Engum Lien, 178,278 shares (par value £0.01). These shares were issued at nil consideration and the company has taken a charge of £2,846 to profit and loss for the issue of these shares.

On 14 May 2020 the company issued 116,226 shares (par value £0.01) to an employee of the company for £0.01 each, for a total consideration of £1,162.

On 15 May 2020, Luckbox Ltd wished to purchase 1,801,394 ordinary ESL shares in exchange for the 2,000 ordinary RTGH shares they owned. As the company did not wish to issue new shares, it was decided that Lars Lien and Mike Stevens would gift some of their ordinary ESL shares back to the Company to facilitate the share purchase. On 14 May 2020 the Company received a total of 1,880,020 ordinary shares (par value £0.01) from Michael Jon Stevens, 900,697 ordinary shares and Lars-Kristian Engum Lien 979,323 ordinary shares. Of these shares on the 15 May 2020, a total of 1,801,394 shares (par value £0.01) were issued to Luckbox Limited to acquire the 20% of Real Times Games Holdings Limited that Esports Limited did not already hold. The balance of 78,626 ordinary shares (par value 0.01) are held by the company as Treasury shares..

During the period a total of 3,121,002 shares (par value £0.01) have been issued to employees and consultants from the share pool made available for such purpose on 1 May 2019. These shares were issued for nil consideration by the Company and a charge of £106 taken to profit and loss, with the balance being charged to the Share based payment reserve.

During June 2020 a total of 544,032 shares (par value £0.01) have been issued in relation to fees in connection with the proposed transaction with EHCL. (see note 22). These shares were issued at a value of CAD 0.42 per share for a total consideration of CAD228,493 (GBP128,646).

The Company issued convertible loan notes to the value of CAD 2,250,000 in September 2019. Under the terms of the agreement upon completion of the transaction with EHCL. (see note 22) the loan notes will convert at CAD 0.21 per share for a total issue of 10,714,298 ordinary shares

Under the terms of a share issue by the Company on 4 November 2019 each ordinary share purchased for CAD 1 also came with a warrant for one half (1/2) of an ordinary share. These warrants can be exercised within two years of the date of the share issue at an exercise price of CAD 1.50 per share. There are 1,295,840 warrants in issue for a total of 647,920 shares. As part of a repricing exercise as part of the transaction with EHCL. (see note 22) the warrants were repriced to have an exercise price of CAD 0.42 instead of CAD 1.50. There were a total of 3,085,339 warrants in issue for a total of 1,542,670 shares.

Under the terms of a share issue by the Company on 21 December 2019 each ordinary share purchased for CAD 1 also came with a warrant for one half (1/2) of an ordinary share. These warrants can be exercised within two years of the date of the share issue at an exercise price of CAD 1.50 per share. There are 80,000 warrants in issue for a total of 40,00 shares. As part of a repricing exercise as part of the transaction with EHCL. (see note 22) the warrants were repriced to have an exercise price of CAD 0.42 instead of CAD 1. There were a total of 190,476 warrants in issue for a total of 95,238 shares

16b Share Premium

The share premium account includes any premiums received on issue of share capital, being the difference between the par value of the share and the amount received for the share. Any transaction costs associated with the issuing of shares are deducted from share premium.

Esports Limited

Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2020 (continued)

16 Share Capital (continued)

16c Translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

16d Treasury Shares

Treasury shares are the Group's own shares that it has acquired. The Group acquired 78,626 of its own shares in the period to 30 June at a value £0.01 a share for a total of £786.

16e Share based payment reserve

The share based payment reserve is used to recognise the grant date of the fair value of shares vested (see note 17).

17 Share based payments

On 1 May 2019 the Company established an employee share pool. Employees and consultants working for the Group could be issued ordinary shares (par value £0.01) from this pool for nil consideration. The total numbers of shares made available to the pool was 10,000,000. Shares are issued according to the contract of the employee but can also be issued at the discretion of management from this pool.

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 Dec 2019
Number of shares issued	3,121,002	-	2,149,032

At the 30 June 2020 a further 90,282 shares had vested under the employee share pool but had not been issued. All shares vesting at 30 June 2020 had vested as per the conditions of certain employee and consultancy contracts or discretionary bonus awards of shares that were awarded to some employees in December 2019.

The total expense arising from the share based payment transactions during the period was as follows:

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 Dec 2019
	£		£
Employees pool – shares vesting in the period	1,084	-	53,680
Employee pool – Adjustment to previous periods	(1,162)	-	-
Shares issued to directors – Note 9	2,846	-	122,160
Shares returned by directors held as Treasury shares – Note 16	(786)	-	-
Total for employees and directors	1,982		175,840
Shares issued to pay fees	1,030		
Cost of shares issued	3,012	-	175,840

Esports Limited

Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2020 (continued)

18 Capital Contribution

Luckbox Limited was an Isle of Man ("IOM") registered company and registered as a Designated Business in the IOM under the Designated Business Act. Luckbox Limited redomiciled to the Cayman Islands in April 2019. Luckbox Limited conducted an Initial Coin Offering ("ICO") beginning in September 2017 and concluding in April 2018. From the proceeds of the ICO Luckbox Limited agreed to lend funds to Real Times Games Holdings Limited (RTGH) to enable RTGH to develop Luck Tokens as a method of deposit and withdrawal on the egaming betting platform it operates. The total value of the loan made to RTGH was £6,098,646.

In May 2019 Luckbox Limited agreed to convert its loan into a equity holding in RTGH and the loan was converted to equity and classified as Capital Contribution. The total value of the loan converted to Capital Contribution was £6,041,535.

On 15 May 2020 Luckbox Limited transferred to ESL its 20% holding in RTGH in exchange for 1,801,394 Ordinary shares (par value £0.01). As part of that transaction the capital contribution remained within RTGH.

	30 June 2020	30 June 2019	31 Dec 2019
	£		£
Capital Contribution from loan conversion	<u>6,041,535</u>	<u>6,041,535</u>	<u>6,041,535</u>

19 Fair Values

i) Financial assets and financial liabilities at amortised cost

The carrying amounts of the Group's financial assets and financial liabilities, including cash equivalents, trade receivables, long term receivables and trade and other payables approximate their fair value.

ii) Financial assets at fair value through profit or loss

Level 1 is based on the fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period for identical assets.

Level 2 is based on the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of financial assets held and considered to represent a level 1 fair value measurement, at the end of each reporting period is as follows:

	30 June 2020	30 June 2019	31 Dec 2019
Cryptographic assets	<u>-</u>	<u>36,568</u>	<u>10,639</u>

Esports Limited

Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2020 (continued)

20 Interests in other entities

The Group's subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/Country of incorporation	Ownership interest %	Principal activities
Esports Tech Limited	Isle of Man	100	Inactive
Real Time Games Holdings Limited	Isle of Man	100	egaming licensed operator
Real Time Games Services Limited*	Isle of Man	100	Gaming services provision
Real Time Games Developments Limited**	Bulgaria	100	Software development

* Held through Real Time Games Holdings Limited

** Held through Esports Tech Limited

20a. Business combination

These combined financial statements combine the results of all the above entities to illustrate the position of the group through the period to 30 June 2020. The comparative for 2019 also illustrates the position of the Group under common control throughout the period to 30 June 2019, even though they were not yet a legal group until part-way through the period to 31 December 2019.

The fair value of identifiable assets and liabilities assumed at each acquisition was as follows

	Date of acquisition	Assets acquired	Liabilities assumed	Total net assets/(liabilities)
Esports Tech Limited	25 April 2019	1	-	1
Real Time Games Holdings Limited	13 May 2019	847,176	(263,447)	583,729
Real Time Games Services Limited	13 May 2019	437,722	(131,470)	306,252
Real Time Games Development Limited	13 May 2019	234,601	(282,227)	(47,626)

The Company issued 1,801,394 shares (par value £0.01) to Luckbox Limited in consideration for 2,000 RTGH shares. The Company booked a cost to this transaction of the par value of the share issued £18,014. This investment has been impaired during the period by £16,014.

The fair value of identifiable assets and liabilities assumed at each acquisition was as follows

	Date of acquisition	Assets acquired	Liabilities assumed	Total net liabilities
Real Time Games Holdings Limited	15 May 2020	67,314	(220,020)	(152,706)

Esports Limited

Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2020 (continued)

21 Related parties

i) Parent and ultimate controlling party

The Parent Company is Esports Limited, a Company registered and incorporated in the Isle of Man. There is no one single controlling beneficial owner of Esports Limited. However, it is considered that control is held by Michael Jon Stevens and Lars-Kristian Engum Lien acting in unison at the year end date. This control is no longer considered effective since the year end as the issue of further shares has reduced the percentage of ordinary shares held by them.

The Group has a debtor balance with Lars-Kristian Engum Lien, who was a director of the Company in the year under, review of £20,447 (2018: £Nil). Included within the balance is a loan advance for £20,000 on 8 October 2019 plus accrued interest of £140. The loan is repayable no later than 7 October 2022 with interest charged at 3% per annum in arrears. The loan is secured against 33,000 shares of Esports Limited. The remainder of the balance is interest free and repayable upon demand.

ii) Directors' Remuneration and Salaries

The directors' remuneration and salaries for the year was as follows:

	30 June 2020	30 June 2019	31 Dec 2019
	£		£
Remuneration and salaries	<u>94,843</u>	<u>24,500</u>	<u>53,499</u>

During the period the Company issued the following shares to, Michael Jon Stevens, 106,278 shares (par value £0.01) and Lars-Kristian Engum Lien, 178,278 shares (par value £0.01). These shares were issued at nil consideration and the company has taken a charge of £2,846 to the income statement for the issue of these shares.

ii) Directors' Remuneration and Salaries

During the period a total of 67,032 ordinary shares (par value £0.01) vested to Quentin Martin. 508,500 ordinary shares (par value £0.01) were issued to Quentin Martin in the period to 30 June 2020 under the terms of the employee share pool (note 17) which had vested in periods up to 31 December 2019.

During the period a total of 41,250 ordinary share (par value £0.01) vested to Lee Hills. A total of 360,000 ordinary shares (par value £0.01) were issued to Lee Hills in the period to 30 June 2020 under the terms of the employee share pool (note 17) which had vested in periods up to 31 December 2019.

22 Significant Event

Transaction with Elephant Hill Capital Inc.

On 11 May 2020 the Company entered into a non-binding Letter of Intent with Elephant Hill Capital Inc. (EHCI), a Capital Pool Company listed on the Toronto Stock Exchange Venture (TSXV) market. The Letter of Intent outlined the general terms and conditions of a proposed transaction that will result in EHCI acquiring all of the issued and outstanding share capital of the Company.

Esports Limited

Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2020 (continued)

22 Significant Event (continued)

In connection with the proposed transaction the Company and EHCI agreed to complete a brokered private placement of subscription receipts. This placement closed on 19 June 2020 having raised CAD 4,505,874. This has been placed in escrow pursuant to a subscription for 10,728,271 common shares at a price of CAD 0.42 per share and 5,364,136 warrants at CAD 0.63.

The acceptance of this subscription for CAD 4,505,874 by the Company is conditional upon EHCI obtaining acceptance for the conditional listing of the common shares issuable in connection with the Proposed Qualifying Transaction.

Additionally, 544,032 shares as well as 858,211 warrants at CAD 0.42 and 429,101 warrants at CAD 0.63 were issued resulting from agents' fees.

23 Subsequent Events

i) Covid 19

The COVID-19 pandemic has developed rapidly in 2020 with a significant number of cases. Measures taken by various government to contain the virus have affected economic activity. The Group has taken a number of measures to monitor and mitigate the effects of COVID-19 for Group personnel, including safety and health measures, such as social distancing and facilitating working from home.

As the Group operates in the egaming sector where all activity takes places remotely and online, COVID-19 has to date not negatively affected the Group; however, this may not be the case in the event of a prolonged economic recession.

ii) Convertible Loan Notes

On 10 July 2020, the Company signed a non-interest-bearing CAD 500,000 convertible note with Gundyco ITF Expoworld Ltd. This will convert at the same terms as the subscription raise that was completed with EHCI. If the note does not convert it will be repaid on 31 December 2020. A further 95,238 shares were issued as per a finder's fee arrangement.

On 20 November 2020 the Company signed a non-interest-bearing CAD 1,000,000 convertible note with Gundyco ITF Expoworld Ltd. This convertible note will convert at the same terms as the subscription raise that was completed with EHCI. If the note does not convert it will be repaid on 31 December 2020. A further 125,000 shares will be issued, as per a finder's fee arrangement, upon completion.

Esports Limited

Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2020 (continued)

23 Subsequent Events (continued)

iv) New agreements

On 10 November 2020, ESL entered into an investor relations agreement with Sophic Capital Inc. ("Sophic"). Pursuant to the terms of the agreement, Sophic receives a fee of CAD 8,000 per month for ongoing investor relations services to the Group. In addition, Sophic was granted 300,000 options to acquire ESL shares at a price of CAD 0.42 that vest in four equal tranches every quarter over 12 months commencing on the date of the Proposed Qualifying Transaction. These options will expire on the date that is 36 months following the closing of the Proposed Qualifying Transaction with EHCL.

On 16 November 2020, Ran Kaspi joined the Group as CFO. As part of his employment contract, they will receive 832,500 options to acquire ESL shares at a price of CAD 0.42 that vest in equal tranches every six months over 36 months commencing 16 November 2020.

On 20 November 2020, ESL entered into a service agreement with Native Ads Inc. ("Native"). Pursuant to the terms of the agreement, Native perform strategic digital media services, marketing and data analytics services. Native receives a fee, including advertising costs, for the six month period starting 1 December 2020 of CAD 250,000.

ESPORTS LIMITED

Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2020

1. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is management's assessment of the results and financial condition of Esports Limited (collectively, "**Luckbox**" or "**we**").

The following information should be read in conjunction with Luckbox's combined interim financial statements for the three and six months ended June 30, 2020 and the audited consolidated financial statements for the year ended December 31, 2019 and the notes to those financial statements.

The date of this management's discussion and analysis ("**MD&A**") is November 27, 2020. Luckbox's comparative amounts in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are stated in Pound sterling, which is Luckbox's functional currency, unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation ("**forward-looking information**"). Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Luckbox to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under **RISKS AND UNCERTAINTIES** in this MD&A.

Although Luckbox has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is given as of the date of this MD&A and Luckbox disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

2. DESCRIPTION OF BUSINESS

Luckbox was incorporated under the *Companies Act 2006* (Isle of Man) on April 25, 2019. Luckbox's Articles of Association were replaced in their entirety on October 30, 2019, and they were amended on June 26, 2020 eliminating any specific founder rights and protections.

Luckbox is an emerging esports betting company. The registered and principal office of Luckbox is located at First Floor, Millenium House, Victoria Road, Douglas, Isle of Man, IM2 4RW.

General Description of the Business

Luckbox is a fully licenced, global online esports betting platform. Esports are professional video game competitions and Luckbox offers users the opportunity to bet on the outcome of these matches much as users bet on traditional sports events such as soccer or tennis. Similarly, Luckbox's business model is the same as any traditional fixed odds sportsbook - users place bets and Luckbox's revenue is defined as bets minus wins.

Luckbox, headquartered on the Isle of Man, was awarded a full Isle of Man Gambling Licence ("**IOM Licence**") by the Isle of Man Gambling Supervision Commission (the "**IOM Regulator**") on April 26, 2018. The IOM Licence is valid until April 25, 2023.

Luckbox has two wholly-owned subsidiaries, both incorporated under the *Companies Act 2006* (Isle of Man): Esports Tech Limited ("**ETL**") incorporated on April 25, 2019 and Real Time Games Holdings Limited ("**RTGH**") incorporated on September 4, 2016. RTGH holds the current IOM Licence utilized in the business of Luckbox issued by the IOM Regulator pursuant to the *Online Gambling Regulation Act 2001* (Isle of Man), as amended.

Real Time Games Services Ltd. ("**RTGS**") was incorporated under the *Companies Act 2006* (Isle of Man) on October 26, 2017. RTGS is a wholly-owned subsidiary of RTGH and provides marketing, operational, and development services to RTGH.

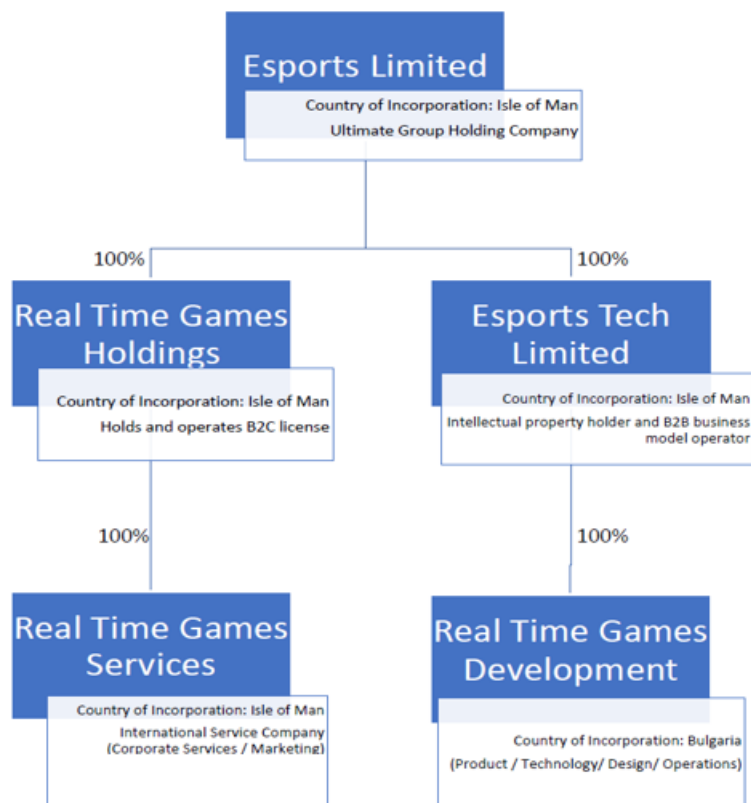
ETL will be the company that manages the future the Business-to-Business (B2B) business once this is launched, likely in 2021. It has a wholly-owned subsidiary Real Time Games Development Limited ("**RTGD**") which was incorporated under the *1991 Commerce Act of Bulgaria* (Bulgaria) on November 22, 2017, which provides operational and development services for RTGH and RTGS having developed the group's technology platform ("**Platform**"). RTGD was initially wholly owned by RTGS; its sale to ETL occurred on 30th August 2019 and was finally ratified by the Bulgarian Trade Registry on 15th April 2020.

On January 1, 2018, RTGH signed an intercompany agreement with RTGS for the latter to provide accounting and finance services, legal support, human resources, marketing services, administrative services and other services as may be required from time to time and requested or required by RTGH. These services are provided by RTGS to RTGH on a cost plus 5% basis.

On August 1, 2018, RTGS signed an intercompany agreement with RTGD for RTGD to provide software development services, information technology infrastructure services, network management services, and other services as may be required from time to time and requested or required by RTGS. These services are provided by RTGD to RTGS on a cost plus 5% basis, other than with respect to services provided under the intercompany agreement by third parties, which are charged at market rates.

On May 14, 2020, Luckbox purchased 2,000 Ordinary shares in the capital of RTGH from Luckbox Ltd (“LBX”), a company outside of the Luckbox group, in exchange for the issuance to LBX of 1,801,394 Luckbox Shares. The result of this share exchange made RTGH a wholly-owned subsidiary of Luckbox.

Intercompany Relationships



Significant developments during the period

Luckbox’s Platform and their live esports betting site, www.luckbox.com (the “Website”), have been in soft-launch for the duration of this period, spending only £33,678 on user acquisition, focusing instead on further research and development to improve the Website. Despite this, for the period, Luckbox accepted customers in over 80 countries on both mobile and desktop and took EUR €828,193 in bets.

On November 30, 2019 and December 20, 2019, Luckbox, in conjunction with a brokered private placement of 3,085,339 units and a concurrent non-brokered private placement of 190,476 units, each of which closed in two tranches, issued 3,275,815 units with an issue price of \$0.42 per unit for aggregate gross proceeds to Luckbox of \$1,326,000 (the “Unit Offering”). The units were comprised of 3,275,815 Luckbox Shares and 1,637,907 whole warrants to purchase Luckbox Shares at an exercise price of \$0.63 for a period of 24 months from the closing (each, a “Luckbox Subscriber Warrant”). In connection with the brokered portion of the Unit Offering, Luckbox: (i) entered into an agency agreement dated November 29, 2019 with the broker, Gravitas Securities Inc. (“Gravitas”); and (ii) paid Gravitas a cash commission of \$87,220 (equal to 7% of the gross proceeds of the brokered portion of the Unit Offering); and (iii) issued to Gravitas a further 119,048 Luckbox Shares and 221,000 broker warrants (each, a “Unit Broker Warrant”) equal to 7% of the aggregate number of units sold pursuant to the brokered portion of the Unit Offering. Each Unit Broker Warrant will entitle the holder thereof to acquire one unit of Luckbox at an

exercise price per Unit Broker Warrant equal to \$0.42 for a period of 24 months from the closing, and each such unit is comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing. These financings were initially priced at \$1.00 per unit, with Luckbox Subscriber Warrants having an exercise price of \$1.50 and Broker Warrants of \$1.00; however these were repriced as described above on 8th June 2020 as part of the RTO Offering discussed below.

On March 9, 2020, Lars Lien resigned as Chief Executive Officer of Luckbox and Quentin Martin was promoted to the role internally (from Chief Operating Officer).

On May 20, 2020, Luckbox announced a 500% increase in bets wagered since November 2019, as well as similar uplift of other key performance indicators (“KPIs”). This increase was attributed to recent changes in strategic direction, personnel changes, the start of marketing spend and the impacts of the outbreak of the novel coronavirus (“COVID-19”) and the subsequent global COVID-19 pandemic. As at the date hereof, the number of new customer registrations to the Platform has returned to pre-COVID-19 levels; however, the increase in new customers, and increased betting activity from existing customers, during the COVID-19 pandemic has been sustained and retained.

Financings

On June 19, 2020 and September 28, 2020, Luckbox, in conjunction with a brokered private placement of 9,866,187 subscription receipts and a concurrent non-brokered private placement 981,133 subscription receipts, each of which closed in two tranches, issued 10,847,320 subscription receipts (each, a “**Subscription Receipt**” and, collectively, the “**Subscription Receipts**”) for aggregate gross proceeds to Luckbox of \$4,555,874 (collectively, the “**RTO Offering**”). The RTO Offering was completed in connection with the Proposed Qualifying Transaction between Luckbox and the Company, previously announced in a press release of the Company dated May 13, 2020, which transaction is intended to constitute the Company’s “Qualifying Transaction” pursuant to the CPC Policy. In connection with the brokered portion of the RTO Offering, Luckbox entered into an agency agreement dated June 9, 2020 (the “**RTO Agency Agreement**”) with Gravitas and Beacon Securities Limited.

Under the terms of the RTO Offering, Luckbox issued the Subscription Receipts at a price of \$0.42 per Subscription Receipt (the “**RTO Offering Price**”), and the completion of the RTO Offering is a condition precedent to the Proposed Qualifying Transaction. Each Subscription Receipt entitles the holder thereof to receive, upon satisfaction of the Escrow Release Conditions (as defined below) on or before the Escrow Release Deadline (as defined below), and without payment of additional consideration, one unit of Luckbox (each, a “**Sub Receipt Unit**” and, collectively, the “**Sub Receipt Units**”). Each Sub Receipt Unit will consist of one Luckbox Share (each, an “**Underlying Unit Share**” and, collectively, the “**Underlying Unit Shares**”) and one-half of one Luckbox Share purchase warrant (each whole warrant, an “**Underlying Unit Warrant**” and, collectively, the “**Underlying Unit Warrants**”), with each Underlying Unit Warrant being exercisable into one Luckbox Share at a price of \$0.63 for a period of 24 months from the date of the satisfaction of the Escrow Release Conditions.

Pursuant to the Proposed Qualifying Transaction, each Underlying Unit Share and Underlying Unit Warrant will be exchanged on an equivalent basis, without further consideration, for Common shares and warrants in the capital of the Company. The gross proceeds of the RTO Offering, less: (i) 50% of the Agents’ Fee (as defined below), which was paid to the agents on the brokered portion of the RTO Offering; and (ii) the expenses of the agents incurred in connection with the brokered portion of the RTO Offering, which were paid to the agents (collectively, the “**Escrowed Proceeds**”) were delivered to and

held by Computershare Trust Company (the “**Escrow Agent**”), and invested pursuant the terms of a subscription receipt agreement (the “**Subscription Receipt Agreement**”), entered into by and between Luckbox, the agents, and the Escrow Agent on the closing date of the RTO Offering. The Escrowed Proceeds, together with all interest and other income earned thereon, are referred to herein as the “**Escrowed Funds**”. The remaining 50% of the Agents’ Fee will be released from escrow to the agents from the Escrowed Funds and the balance of the Escrowed Funds will be released from escrow to Luckbox upon satisfaction of escrow release conditions customary in a business combination transaction such as the Proposed Qualifying Transaction, including the following conditions: (i) the satisfaction or waiver of all conditions to the completion of the Proposed Qualifying Transaction (other than the release of the Escrowed Funds); (ii) conditional approval of the listing of the Resulting Issuer Shares on the Exchange; (iii) the receipt of all regulatory, shareholder and third-party approvals required in connection with the Proposed Qualifying Transaction; and (iv) the delivery of a release notice and direction to the Escrow Agent confirming that the escrow release conditions have been satisfied or waived (the “**Escrow Release Conditions**”) on or before 5:00 pm (Calgary time) on December 31, 2020 (the “**Escrow Release Deadline**”).

In the event that: (i) the Escrow Release Conditions are not satisfied on or before the Escrow Release Deadline; or (ii) if prior to such time, Luckbox advises the agents or announces to the public that it does not intend to satisfy the Escrow Release Conditions, the Escrow Agent will return to holders of Subscription Receipts an amount equal to the aggregate RTO Offering Price of the Subscription Receipts held by them and their pro rata portion of any interest earned thereon. Luckbox will be responsible and liable to the holders of Subscription Receipts for any shortfall between the aggregate RTO Offering Price and the Escrowed Funds.

Pursuant to the terms of the RTO Agency Agreement, the agents on the brokered portion of the RTO Offering have received: (i) a cash commission equal to 8.0% of the aggregate gross proceeds from the brokered portion of the RTO Offering (together with cash commission equal to 6.0% of the aggregate number of Subscription Receipts sold pursuant to the second-tranche of the non-brokered portion of the RTO Offering) (the “**Agents’ Fee**”); (ii) 865,354 broker warrants (each, an “**RTO Broker Warrant**” and, collectively, the “**RTO Broker Warrants**”) equal to 8.0% of the aggregate number of Subscription Receipts sold pursuant to the brokered portion of the RTO Offering (together with an issuance of RTO Broker Warrants equal to 6.0% of the aggregate number of Subscription Receipts sold pursuant to the non-brokered portion of the RTO Offering). Each RTO Broker Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per RTO Broker Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). Additionally, Luckbox issued 544,032 Luckbox Shares to the agent in consideration for corporate finance fees payable to the agent in connection with the brokered portion of the RTO Offering. Pursuant to the Proposed Qualifying Transaction, each RTO Broker Warrant will be exchanged on an equivalent basis, without further consideration, for Common shares and warrants in the capital of the Resulting Issuer.

On July 10, 2020, Luckbox issued to Expoworld Ltd. a non-interest-bearing \$500,000 convertible note (the “**Expoworld Note**”). The Expoworld Note will convert upon the same terms as the Subscription Receipts upon the closing of Proposed Qualifying Transaction and, upon conversion of the Expoworld Note, the noteholder will receive units of Luckbox. Each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.42 for a period of 24 months from the Closing). If the Proposed Qualifying Transaction does not close by the Escrow Release Deadline, the Expoworld Note will continue to be outstanding as a

debt owed by Luckbox to the noteholder. In connection with a finder's fee arrangement with respect to the Expoworld Note, Luckbox issued to Gravitas a further 59,524 Luckbox Shares and 29,762 Luckbox Subscriber Warrants (exercisable at \$0.42 for a period of 24 months from the Closing) and 95,238 Luckbox share purchase warrants (each, an "**Luckbox Advisory Warrant**" and, collectively, the "**Luckbox Advisory Warrants**"), each Luckbox Advisory Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per Luckbox Advisory Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). Pursuant to the Proposed Qualifying Transaction, each Luckbox Advisory Warrant will be exchanged on an equivalent basis, without further consideration, for warrants in the capital of the Company.

On November 20, 2020, Luckbox issued to Expoworld Ltd. a non-interest-bearing \$1,000,000 convertible note (the "**Expoworld2 Note**"). The Expoworld2 Note will convert upon the same terms as the Subscription Receipts upon the closing of Proposed Qualifying Transaction and, upon conversion of the Expoworld2 Note, the noteholder will receive units of Luckbox. Each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.42 for a period of 24 months from the Closing). If the Proposed Qualifying Transaction does not close by the Escrow Release Deadline, the Expoworld2 Note will continue to be outstanding as a debt owed by Luckbox to the noteholder. In connection with a finder's fee arrangement with respect to the Expoworld2 Note, Luckbox issued to Gravitas a further 125,000 Luckbox Shares and 62,500 Luckbox Subscriber Warrants (exercisable at \$0.42 for a period of 24 months from the Closing) and 192,857 Luckbox share purchase warrants (each, an "**Luckbox Advisory Warrant**" and, collectively, the "**Luckbox Advisory Warrants**"), each Luckbox Advisory Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per Luckbox Advisory Warrant equal to \$0.42 for a period of 24 months from the Closing, and each such unit will be equivalent to a Sub Receipt Unit (being comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing). Pursuant to the Proposed Qualifying Transaction, each Luckbox Advisory Warrant will be exchanged on an equivalent basis, without further consideration, for warrants in the capital of the Company.

In connection with the Proposed Qualifying Transaction it is intended, among other things, that: (i) the Subscription Receipts will be converted, without additional consideration or further action, into Sub Receipt Units, with each Sub Receipt Unit consisting of one Underlying Unit Share and one-half of one Underlying Unit Warrant; (ii) all outstanding securities of Luckbox, including the Underlying Unit Shares and Underlying Unit Warrants, will be exchanged, without additional consideration or further action, for equivalent securities of the Resulting Issuer on a 1:1 basis, and, the Company will change its name to "Esports Holdings Limited" or such other name as the Company and Luckbox may determine. The Underlying Unit Warrants will be issued pursuant to the terms of a warrant indenture (the "**Warrant Indenture**") entered into on June 9, 2020 between Luckbox and Odyssey Trust Company (the "**Warrant Agent**").

Operations

Luckbox has several operation teams: (i) product; (ii) development; (iii) customer relationship management; (iv) user acquisition; (v) risk management; and (vi) operations (customer support, fraud prevention, payments, responsible gaming and verifications). Luckbox also has central corporate services functions such as compliance, human resources, legal, payroll and finance.

Luckbox product and development teams operate according to robust best-practice digital development methodologies. Luckbox's product development pipeline is managed in accordance with the overall company strategy and is expected to exceed 10% of the cost base going forward as Luckbox continues to update and improve its product offering.

The product and customer relationship management ("**CRM**") teams closely monitor retention and monetization KPIs to ascertain how to retain, reactivate, and upsell customers through a combination of lifecycle communications, always-on anti-churn campaigns, live operation promotions and VIP programs.

The user acquisition team focuses on acquiring new customers (those who make a first deposit), evaluating each marketing channel to ascertain cost per acquisition ("**CPA**") and contrasts it to the segment's lifetime value ("**LTV**") to continually optimise and enhance positive return on investment channels and to discontinue channels that are underperforming. This team works closely with the product and CRM teams to ensure end-to-end campaign management.

The operations team covers a wide variety of tasks such as customer support, fraud prevention, payments, responsible gaming and verifications. Many of these functions are directly linked to meeting compliance requirements associated with being licenced by the IOM Regulator. These include ensuring that Luckbox is fully compliant with responsible gaming regulation, which also includes preventing under-age people from gaming, combating the financing of terrorism ("**CFT**") and meeting all anti-money-laundering requirements ("**AML**"). The operations team also is responsible for full customer due diligence functions.

The payments, fraud prevention and verification teams are interlinked. These teams monitor all new registrations that are flagged as a result of Luckbox's internal security algorithms as well as all first time depositing customers and for any deposits and withdrawals that are flagged by Luckbox's payments algorithms.

Our head of compliance and money-laundering reporting officer ("**MLRO**") reviews all suspicious activity reports, many of which concern either AML or CFT reports, reviews all customers that have been flagged as a politically-exposed person or are on a sanctions list, as well as all escalations concerning responsible gaming. The Luckbox head of compliance and MLRO works closely with the IOM Regulator in this regard.

The Luckbox group's human resources, legal, payroll and finance functions are similar to all businesses, and are performed by a combination of in-house administration and accounting resources and outsourced services to meet the Luckbox group's needs.

Products

In conjunction with the application for the IOM License in September 2017, the board and management of RTGH determined that the development of its betting platform would be built on a strategic vision stated simply as 'esports betting done right'. In addition, the RTGH board identified three key requirements early (relying on market research) for its betting platform, which are: (i) esports bettors wanted a dedicated, modern user experience and user interface; (ii) in order to succeed it would be necessary to offer betting on as close to 100% of all esports matches as possible; and (iii) the platform needed to support multiple-currencies.

None of the standard B2B esports betting platforms available for Luckbox to consider as suppliers at the time could meet all three requirements. After a lengthy due diligence and business development period, the board of RTGH determined that the best solution for each element could be achieved through either commercial arrangements with third party suppliers or through developing bespoke solutions in house. RTGH retained the services of a best-of-breed third party supplier to develop the Platform's player account management system (the "**PAM**") on August 15, 2018. RTGH retained the services of a best-of-breed third party supplier to develop the Platform's payments and sportsbook solution on November 1, 2018. RTGH, for its contribution to achieving the best solution for each element, focused on developing the underlying Platform itself as well as a fully bespoke user interface.

The Platform's current infrastructural setup is the result of two years of iterative improvements, a steady increase in automation and continuous monitoring and inspection. In production, the Platform now has a fully-featured and self-hosted private cloud, running on Luckbox's own hardware servers, located in a best-of-breed third party datacenter on The Isle of Man. It is composed of two server clusters. The first being a Kubernetes-based compute cluster, and the second being a Ceph-based storage cluster.

The Luckbox custom-built proprietary software stack consists of a number of inter-connected, fully autonomous microservices, orchestrated in a dynamic information network that can easily be scaled to accommodate various usage patterns. Considered as a whole, the collection of microservices is consumed through the facade of a unified back-end information and data service by the front-end. This culminates in a single-page web application with full mobile support and rich customer user interface.

Luckbox's proprietary software enables the usage of external third-party data and service providers in a way, which prevents vendor lock-in and allows for straightforward service interchangeability.

Luckbox currently only offers its Esportsbook, fixed odds esports betting, as its sole product vertical on the Platform. Luckbox routinely has one of the broadest offerings, if not the broadest among its competitors, with respect to the number of matches that can be bet upon, and the number of betting markets for each match. This broad offering is coupled with the ability for participants to watch the streams, chat and bet on 80%+ of in-play (meaning they are being played live) matches in real time on both desktop and mobile.

Luckbox offers fixed odds esports betting. Fixed odds means that at the time the bet is placed, there is an exact probability, provided by Luckbox, and thus an exact payout. The risk is taken by Luckbox and is managed in-house by Luckbox's risk management team.

Luckbox conducts its own risk management and has two primary risk management strategies. The first is player profiling. For example, customers who have a long history of betting with Luckbox on a variety of events tend to have higher betting limits, whereas a brand new customer who deposits \$10,000 and tries to bet it all on an obscure third tier qualifier league in Vietnam would be treated as highly suspicious and their bet amounts would be limited by the Platform. Along these lines, Luckbox will also manage player limits of players who abuse information that is not publicly available or, simply put, win too frequently. Secondly, risk is managed at an event level. For large events, where there is a lot of data available to ensure more robust odds and where the prize pools are large enough to ensure few, if any, integrity issues, Luckbox uses its highest betting limits; for smaller events, like regional qualifiers, where data is sparse and prize pools small, Luckbox uses much lower limits to mitigate risk.

The Esportsbook is fully bespoke, built by RTGD. It has been translated into six languages (English, German, Portuguese, Russian, Spanish and traditional Chinese). It uses third party services that provide

the esports data from which Luckbox built all of its esports statistic widgets, as well as the live streams. Luckbox uses the IOM Licence to operate the Esportsbook. Various third parties are used to meet the IOM Regulator's ongoing customer verification ("KYC") requirements.

There are four key parts of the existing B2C Esportsbook and Platform that are outsourced. The Esportsbook outsources the PAM, the payment platform, the sportsbook engine, and the odds creation. With the exception of odds creation, and to a certain extent the sportsbook engine, Luckbox management believes the outsourcing of these elements is prudent. There is nothing unique to esports regarding the PAM needs, hence the decision by Luckbox to outsource to a best-of-breed third party supplier rather than to focus efforts on building out PAM functionality itself. Likewise for the Esportsbook's payment platform, Luckbox has retained the services a best-of-breed third party supplier.

Industry Overview

In 2019, global esports revenue totalled \$1.4 billion and esports betting revenue, the largest revenue stream in all of esports, was \$1.25 billion globally and growing at a rapid 44% CAGR as the Generation-XYZ demographic gains disposable income. So far in 2020, due to the COVID-19 related lockdown and the cancellation of many traditional sporting events, the growth in esports and esports betting has been even higher. In 2019, there were 225 million esports viewers in 2019 and this was expected to grow to 276 million by 2022.

Esports betting benefits from underlying industry trends, while remaining game and publisher agnostic and, therefore, it is immune to title-specific popularity shifts. Esports betting is the single biggest category in esports today, with revenues greater than the total remaining esports revenue. In most jurisdictions, esports betting uses the same licencing and infrastructure as the existing traditional sports betting industry.

In 2019, the global esports audience was forecast to have grown to 453.8 million (representing +15%YoY growth); Newzoo estimate the average annual revenue per fan will grow to \$7.95 by 2022; there were 885 major esports events in 2019 alone. The number of pro athletes in esports has been growing at a rate of 43% per year since 1998. Esports is proving resilient to COVID-19 - Popular esports streaming platform Twitch is showing growth 67% YoY viewership growth in July 2020, while a similar streaming site, Facebook Gaming, has grown 215% YoY. 18-25 year olds watch more computer games than traditional sports – the esports industry is growing rapidly and is already more popular than traditional sports among the younger generations. It is Luckbox management's belief that the natural progression is, like in traditional sports, people can bet on the outcomes of these events and, as esports gains popularity and as more esports events take place each year, so also does the amount of esports betting.

Regulatory Overview

There are broadly two types of gaming licences in the world: (i) local; and (ii) multi-jurisdictional (or point-of-supply). Local licences are jurisdiction-specific and permit holders to offer gaming services to residents of that jurisdiction while preventing unlicensed entities from doing so. Currently there are over 30 jurisdictions which require a licence to provide gaming services to their respective residents, including the United Kingdom and Nevada. Multi-jurisdictional licences enable gaming companies to operate in territories which do not expressly prohibit offshore gaming operators by relying on the well-established general principle of e-commerce and Internet law that deems online product offerings to take place where the operator's server and/or the operator itself is established and located. This

principle is widely relied upon by offshore online gaming operators as well as by many other e-commerce businesses.

In general, local licences are costly (can be many millions of dollars per year). The benefits to local licences include strong player protections, good access to marketing channels and regulated mandatory payment processors. Also, the large upfront costs of acquiring a local licence, as well as the high maintenance costs, provide a substantial barrier to entry for competitors of incumbent licenced operators.

In contrast, multi-jurisdictional licences offer faster access to the market. In some jurisdictions such as Curaçao, a licence may be acquired in as little as two weeks with relatively little compliance and regulatory measures. At the other end of the spectrum, licences from Malta and Isle of Man are similar to the strictest of local licences such as in the United Kingdom in the amount of compliance required, as well as player protections.

Luckbox chose to start with an IOM Licence for a number of reasons, including its reputation, legitimacy and its focus on player protections.

As Luckbox expands its business, it intends to enter multiple additional licenced jurisdictions and has built its Platform with a view to facilitating the addition of new licences. Coupled with Luckbox's management team's experience working with over 20 regional licences, management believes the IOM Licence provides Luckbox with a key competitive advantage in being to add new licences more easily and more quickly than many of its competitors.

Acquisition of assets

Luckbox has not completed any significant acquisitions or dispositions during the Period from January 1, 2020 to June 30, 2020.

Reverse takeover

Luckbox signed a non-binding indicated term sheet with Elephant Hill Capital Corp. ("**EH**"), a capital pool company listed on the TSX Venture Exchange (the "**Exchange**"), dated May 11, 2020, to effect a business combination of the two companies (the "**Proposed Transaction**"). The Proposed Transaction will be a reverse takeover of EH by Luckbox and its shareholders. Subject to the approval of the Exchange, the Proposed Transaction will constitute EH's Qualifying Transaction under Exchange Policy 2.4 — *Capital Pool Companies*. The resulting issuer intends to list its common shares on the Exchange as a Tier 2 Technology Issuer upon completion of the Proposed Transaction.

Financial Review

The following financial data prepared in accordance with IFRS in Pound sterling is presented for the three and six months ended June 30, 2020 and 2019.

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	£	£	£	£
Revenue	14,578	1,153	13,975	1,153
Cost of Sales	(30,759)	(4,850)	(64,045)	(4,850)
Gross Margin	(16,181)	(3,697)	(50,070)	(3,697)
Expenses				
Administrative expenses	£ (603,439)	£ (630,369)	£ (1,244,587)	£ (1,466,587)
Other income	913	36,901	2,236	17,719
Interest payable and similar expenses	(59,191)	(894)	(41,051)	(39,498)
Tax payable	388	-	(933)	-
Total expenses	£ (661,329)	£ (594,362)	£ (1,284,335)	£ (1,488,366)
Net loss for the period	£ (677,510)	£ (598,059)	£ (1,334,405)	£ (1,492,063)

Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Revenues

For the three and six months ended June 30, 2020, revenues amounted to £13,975 as compared to £1,153 for the three and six months ended June 30, 2019. The revenue increased by £12,822 (1,112%) due to the significant increase in the number of bets placed in 2020. The analysis of the Group's revenue for the period from continuing operations is as follows:

	Six months to 30 June 2020	Six months to 30 June 2019
	£	£
Bets placed	498,327	18,052
Winning bets returned	(484,352)	(16,899)
Betting revenue	13,975	1,153

Cost of sales

For the three and six months ended June 30, 2020, cost of sales amounted to £64,045 as compared to £4,850 for the three and six months ended June 30, 2019. There was an increase of £59,195 (1,220%) similarly to the increase in revenue due to the increased number of bets being placed.

Costs of sales includes:

	Six months to 30 June 2020	Six months to 30 June 2019
	£	£
Platform and service provider fees	(34,915)	(1,225)
Payment service provider fees	(12,139)	(3,625)
Free bets	(16,991)	-

Total costs of sales	<u>(64,045)</u>	<u>(4,850)</u>
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Expenses

For the three and six months ended June 30, 2020, expenses amounted to (£1,284,335) as compared to £(1,488,366) for the three and six months ended June 30, 2019. Expenses decreased by £204,031 (13.7%) with the major reductions being a decrease in salaries of £253,744 (45%) consultancy fees of £27,616 (26.3 %) and software development costs of £85,045 (59.4%). There was however, an increase on expenditure relating to legal fees of £172,510 (234%).

Net loss for the period

For the three and six months ended June 30, 2020, the net loss amounted to £(1,334,405) as compared to £(1,492,063) for the three and six months ended June 30, 2019. The loss decreased by £157,658 (10.6%) as per the explanations above regarding the variances in revenue, costs of sales and expenses.

3. LIQUIDITY

The financial statements have been prepared on a going concern basis which assumes that Luckbox will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of Luckbox are dependent upon its ability to continue to raise adequate financing and to increase revenues until our operations are profitable.

As at June 30, 2020, Luckbox has total assets of £560,134 and negative working capital of £(1,317,940).

Period ended June 30, 2020

During the period ended June 30, 2020, Luckbox's overall position of cash and cash equivalents **decreased** by £(937,023). This **decrease** in cash can be attributed to the following:

Luckbox's net cash used in operating activities during the period ended June 30, 2020 was £ (1,151,295). The main contributor to the negative net cash used in operating activities is due to the operating loss for the period detailed above of £1,294,657. The net cash used in operating activities is broken down as follows:

Operating loss for the period	(1,294,657)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortisation	29,045
Loss on disposal of assets	1,057
Share based payments	3,012
Impairment charge	16,014
Changes in:	
Decrease in other debtors	105,953
Increase/(Decrease) in trade creditors	18,079

Increase/(Decrease) in other liabilities	875
(Decrease)/Increase in lease liabilities	(29,740)
Tax expense	(933)
Net cash used in operating activities	<u>(1,151,295)</u>

Cash used in investing activities for the period ended June 30, 2020 was £23,581. The net cash used in investing activities is broken down as follows:

Interest received	2,236
Acquisition of Non-controlling interest	(18,014)
Acquisition of tangible assets	-
Acquisition of intangible assets	-
Acquisition of right of use	-
Disposal of tangible assets	4,125
Disposal of intangible assets	10,509
Disposal of right of use assets	<u>24,725</u>
Net cash inflows from investing activities	<u>23,581</u>

Cash generated by financing activities during the period ended June 30, 2020 was £198,066. The main contributing factors to the cash generated by financing activities related to the issue of £ 209,583 ordinary shares. The net cash generated by financing activities is broken down as follows:

Finance costs	(1,341)
Issue of ordinary shares and other equity securities	209,583
Loans repaid	(10,176)
Issue of convertible loan note	-
Net cash inflows/(outflows) from financing activities	<u>198,066</u>

In addition to the above there was also (£7,375) in relation to the effects of exchange and revaluation differences.

4. CAPITAL RESOURCES

The Company is almost wholly dependent on equity or debt financing to operate until it becomes cashflow positive. There can be no assurance that financing, whether debt or equity, will be available to Luckbox in the amount required at any particular time or for any particular period, or, if available, that such financing can be obtained on terms satisfactory to Luckbox (see *Section 13 – Risks & Uncertainties*).

At June 30, 2020, Luckbox's capital resources consisted primarily of \$2,250,000 debt from the Avatar note on September 8, 2019 and \$1,326,000 equity from the Unit Offering received on November 30, 2019 and December 20, 2019.

On 11 May 2020 the Company entered into a non-binding Letter of Intent with Elephant Hill Capital Inc. (EHCI), a Capital Pool Company listed on the Toronto Stock Exchange Venture (TSXV) market. The Letter of Intent outlined the general terms and conditions of a proposed transaction that will result in EHCI acquiring all of the issued and outstanding share capital of the Company.

In connection with the proposed transaction the Company and EHCI agreed to complete a brokered private placement of subscription receipts. This placement closed on 19 June 2020 having raised CAD 4,505,874. This has been placed in escrow pursuant to a subscription for 10,728,271 common shares at a price of CAD 0.42 per share and 5,364,136 warrants at CAD 0.63. The acceptance of this subscription for CAD 4,505,874 by the Company is conditional upon EHCI obtaining acceptance for the conditional listing of the common shares issuable in connection with the Proposed Qualifying Transaction.

5. OFF BALANCE SHEET ARRANGEMENTS

Luckbox has not entered into any off-Balance Sheet arrangements.

6. TRANSACTIONS BETWEEN RELATED PARTIES

Key Management Personnel

Luckbox's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of Luckbox. Key management personnel include members of the Board of Directors, Chief Executive Officer and Chief Financial Officer. Compensation of key management personnel may include short-term and long-term benefits. Short-term benefits include salaries, bonuses and consulting fees. Long-term benefits include stock options vesting. Compensation provided to current and former key management are as follows:

	June 30, 2020	June 30, 2019
	£	£
Remuneration and salaries	94,843	24,500

Quentin Martin is the CEO of Luckbox and the proposed Chief Executive Officer and a director of the Resulting Issuer. Mr. Martin has over a decade of experience in digital leadership across e-commerce, betting, and mobile gaming. Most recently as general manager at PokerStars (TSX: TSGI) and previously as CEO of PSW Ventures, a successful e-commerce site. His experience is reinforced with a past life as a professional gamer in early esports, poker and Magic the Gathering. Mr. Martin holds a Bachelor's degree from University College London and an MBA from the University of Warwick.

Ran Kaspi is the Chief Financial Officer of Luckbox and the proposed Chief Financial Officer of the Resulting Issuer. Mr. Kaspi has over 15 Years of experience in corporate finance, business analytics and financial planning in various roles with international listed companies. Up until recently served as the Chief Financial Officer of an ASX listed company, ParaZero Ltd., which develops drone safety solutions. Prior to his role at ParaZero Ltd., Mr. Kaspi served as Finance Director of Global-e, a top European provider of seamless cross-border e-commerce solutions. Mr. Kaspi brings substantial online gaming experience following five and a half years at the London Stock Exchange listed 888.com where he led the economic and performance team. Mr. Kaspi holds an MBA degree in Finance from Tel-Aviv University in Israel and a BA in Economics and Management. Mr. Kaspi is licensed by the Israeli Securities Authority.

Michael Stevens is currently the Corporate Secretary and a director of the Resulting Issuer. Mr. Stevens is a professional poker player, crypto trader and investor. Mr. Stevens is also a gambling focussed entrepreneur who co-founded GambleGeek: a UK sports-centric affiliate marketing website. Formerly Operations Manager at PokerStars (TSX: TSGI) covering poker, game integrity, customer support and product launches.

Drew Green is a proposed director of the Resulting Issuer. Mr. Green is Chief Executive Officer of Indochino Inc., one of the top 500 e-Commerce companies in North America; founder and chairman of Emerge; and was selected as Entrepreneur of the Year 2018 by Ernst and Young. It is expected that, following completion of the Proposed Qualifying Transaction, Mr. Green will devote 5% of his working time towards the affairs of the Resulting Issuer.

Maruf Raza is a proposed director of the Resulting Issuer. Mr. Raza is the National Director of MNP LLP's Public Companies practice and an Assurance Partner in the Toronto office. Mr. Raza serves as an advisor to public companies and private companies planning on going public through direct initial public offerings or reverse mergers. Mr. Raza currently serves on the PDAC-CPA Canada joint Mining Task Force. Mr. Raza also serves as a director to a TSX listed company and has been a past board chair of a TSX-V listed company. It is expected that, following completion of the Proposed Qualifying Transaction, Mr. Raza will devote 5% of his working time towards the affairs of the Resulting Issuer.

Mr. Melnick is a proposed director of the Resulting Issuer. Mr. Melnick is the Executive Vice President, Casino at VGW Holdings Ltd., leading the Chumba Casino team – a North American focused social casino company. A serial builder of businesses (senior leadership on three exits worth over \$700 million), successful in big (Disney (NYSE: DIS), Stars Group (LON: FLTR), Zynga (NASDAQ: ZNGA)) and small companies (Merscom LLC., Spooky Cool Labs LLC.) with over 20 years' experience in the gaming and casino space. It is expected that, following completion of the Proposed Qualifying Transaction, Mr. Melnick will devote 5% of his working time towards the affairs of the Resulting Issuer.

Transactions with related parties

The Group has a debtor balance with Lars-Kristian Engum Lien, who was a director of the Company in the period under review of £20,140 (2019: £5,223). Included within the balance is a loan advance for £20,000 on 8 October 2019 plus accrued interest of £140. The loan is repayable no later than 7 October 2022 with interest charged at 3% per annum in arrears. The loan is secured against 33,000 shares of Esports Limited. The remainder of the balance is interest free and repayable upon demand.

During the period the Company issued the following shares to Michael Jon Stevens, 106,278 shares (par value £0.01) and Lars-Kristian Engum Lien, 178,278 shares (par value £0.01). These shares were issued at nil consideration and the company has taken a charge of £2,846 to the income statement for the issue of these shares.

During the period a total of 67,032 ordinary shares (par value £0.01) vested to Quentin Martin. 508,500 ordinary shares (par value £0.01) were issued to Quentin Martin in the period to 30 June 2020 under the terms of the employee share pool which had vested in periods up to 31 December 2019.

During the period a total of 41,250 ordinary share (par value £0.01) vested to Lee Hills. A total of 360,000 ordinary shares (par value £0.01) were issued to Lee Hills in the period to 30 June 2020 under the terms of the employee share pool which had vested in periods up to 31 December 2019.

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES

Luckbox's financial instruments consist of cash and cash equivalents, short term deposits, accounts receivables, other receivables and inventory and trade payables and other accounts payable. Unless otherwise noted, it is management's opinion that Luckbox is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Management understands that Luckbox is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates as its operations are located in the Isle of Man, and Luckbox's functional and presentation currency is the Pound sterling. Luckbox does not use derivative instruments to reduce its exposure to foreign currency risk.

Luckbox is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objectives of the Board are to set policies that seek to reduce risk as far as possible without unduly affecting Luckbox's competitiveness and flexibility.

The type of risk exposure and the way in which such exposure is managed is as follows:

- a) Credit risk

Luckbox has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments is remote.

b) Liquidity Risk

Luckbox's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its financial obligations as they fall due. Luckbox's major exposure relates to trade payables and amounts owed to users of its gaming betting platform. The latter are fully supported by segregated cash balances. Management controls and monitors the Group's cash flow on a regular basis, including forecasting future cash flows.

As at June 30, 2020, Luckbox had a negative working capital balance, on a consolidated basis, of £(1,317,940) (June 30, 2019 - positive £303,435). To further clarify, the reason working capital is negative is due to (£1,336,843) from the Avatar Note. As a result, Luckbox currently has little exposure to liquidity risk.

c) Market Risk

Market segment risk may arise due to adverse changes in legislation relating to internet payment processing or online gambling. The Group is exposed to market segment risk to the extent that legislation impacts operational presence and related revenue streams, which may be significant. The Group manages this exposure through geographical diversification and participation in sources of revenue. The Group closely monitors local legislation in key markets (new or existing) and the Group does not have economic reliance on any one company.

d) Interest rate risk

Luckbox has cash and short-term investments and no interest-bearing debt. Luckbox's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. Luckbox periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

e) Foreign currency risk

Luckbox is exposed to foreign exchange risk as its operations are conducted primarily in Euro.

Foreign Exchange Risk (FX Risk, Exchange Rate Risk or Currency Risk) is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the Group. The Group is exposed to the following types of risk:

- Transaction exposure – Arising from revenues and expenses in foreign currency
- Translation exposure from the revaluation of foreign assets and liabilities

Transaction exposure

It is Group policy to ensure that foreign currency denominated liabilities are broadly matched by foreign currency denominated assets, primarily cash deposits. This is generally achieved by sales currency into the functional currency required by the operating companies at spot rates. Foreign exchange impacts therefore arise on the retranslation of their income and expense into their functional currency for Group reporting purposes.

While the Group generally maintained a naturally hedged balance sheet, as described in the preceding paragraph, it remains exposed to exchange rate risk in respect of its expected future foreign currency denominated income and expenses in its operations.

Translation exposure

Is balance sheet exposure that results from the consolidation of financial statements of foreign entities into the reporting currency of the group. The Group does not hedge these risks as there is no expectation that these foreign entities will not remain part of the Group.

f) Fair Values

The carrying values of short term deposits, trade account receivable other receivables, inventory, trade accounts payable and other accounts payables approximate their fair values due to their short terms to maturity.

The cash, short term investments and investments are valued using quoted market prices in active markets.

8. CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of Luckbox's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of Luckbox's financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates in Luckbox's financial statements include amortisation of intangible assets. By their nature, estimates and assumptions are subject to measurement uncertainty and the effect on Luckbox's financial statements of changes in estimates in future periods could be significant.

9. NEW ACCOUNTING POLICIES ADOPTED

During the three and six months ended June 30, 2020, Luckbox has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors": Definition of Material (in force for annual periods beginning on or after 1 January 2020).

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (in force for annual periods beginning on or after 1 January 2020).

Amendments to IFRS 3 "Business Combinations" (in force for annual periods beginning on or after 1 January

10. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

In the current year, Luckbox has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") that are mandatorily effective for an accounting period that begins on or after December 31, 2018 - including but not limited to Amendments to IAS 1 Classification of liabilities as Current or Non-Current, Amendments to IAS 3 Reference to the Conceptual Framework, and

Annual Improvements to IFRSs - Standards 2018-2020 cycle. The application of these amendments has had no material impact on the disclosures in Luckbox's financial statements.

11. COMMITMENTS

Luckbox is committed under a lease agreement with respect to its office premises located in Plovdiv, Bulgaria, with no expiration date. The commitment for the period ended June 30, 2020 was £62,047. The commitment for the period ended June 30, 2019 was £109,558.

12. OTHER INFORMATION

Luckbox has 34,202,061 ordinary shares, 3,795,222 warrants, 10,847,320 subscription receipts (with 5,423,660 underlying warrants) and 1,132,500 stock options outstanding as of the date of this MD&A. In addition to CAD \$1,500,000 of convertible notes that will convert as part of the anticipated merger with EHCI for a further 3,571,428 ordinary shares and 1,785,714 warrants.

13. RISKS AND UNCERTAINTIES

Risk Factors Relating to Luckbox

Luckbox has a Limited Operating History

Luckbox began carrying on business in its current capacity on April 25, 2019 and has not yet generated material income. Luckbox is, therefore, subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that Luckbox will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations. Luckbox's lack of operating history may also make it difficult for investors to evaluate Luckbox's prospects for success and there is no guarantee that Luckbox's business model will continue to achieve its strategic objectives.

Negative Cash Flow from Operations

During the interim period ended June 30, 2020, Luckbox had negative cash flows from operating activities. Although Luckbox anticipates it will have positive cash flows from operating activities in future periods, to the extent that Luckbox has negative cash flows in any future period, certain of the net proceeds from the financing may be used to fund such negative cash flows from operating activities, if any.

Uncertainty of Luckbox's Future Revenues

Although management is optimistic about Luckbox's prospects, there is no guarantee that expected outcomes and sustainable revenue streams will be achieved. Luckbox faces risks frequently encountered by early-stage companies. In particular, its growth and prospects depend on its ability to expand its operation and grow its revenue streams, whilst at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on Luckbox's business, financial condition and results.

Global Economic Risk

The ongoing economic slowdown and downturn of global capital markets (in particular as a result of the current outbreak of the novel coronavirus (“**COVID-19**”) and the global COVID-19 pandemic) has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, Luckbox is subject to liquidity risks in meeting development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact Luckbox’s ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to Luckbox. If uncertain market conditions persist, Luckbox’s ability to raise capital could be jeopardized, which could have an adverse impact on Luckbox’s business and operations.

COVID-19 Risk

Luckbox’s business could be significantly and adversely affected by the effects of any widespread global outbreak of contagious disease. A significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn and cancellation of esports events that could affect demand for Luckbox’s services and likely impact operating results. In particular, the recent outbreak of COVID-19 has had a negative impact on global financial conditions. Luckbox cannot accurately predict the impact COVID-19 will have on Luckbox’s ability to remain open for business in response to government public health efforts to contain COVID-19 and to obtain financing or third parties’ ability to meet their obligations with Luckbox, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries, and future demand of Luckbox’s products and services. In the event that the prevalence of the coronavirus continues to increase (or fears in respect of the coronavirus continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and Luckbox’s operations, suppliers, customers and distribution channels, and ability to advance its projects, could be adversely affected. In particular, should any employees or consultants of Luckbox become infected with COVID-19 or similar pathogens, it could have a material negative impact on Luckbox’s operations and prospects.

Changing Economic Conditions

The demand for entertainment and leisure activities, including esports betting and gaming, more generally, can be highly sensitive to changes in consumers’ disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond Luckbox’s control. Unfavourable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and increasing fuel or transportation costs or the perception by customers of weak or weakening economic conditions, may reduce customers’ disposable income or result in fewer individuals engaging in entertainment and leisure activities, such as esports betting or online gaming. As a result, Luckbox cannot ensure that demand for its product and service offerings will remain constant. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities, such as esports betting and gaming. Any significant or prolonged decrease in consumer

spending on entertainment or leisure activities could adversely affect the demand for Luckbox's product offerings, reducing its cash flows and revenues. If Luckbox experiences a significant unexpected decrease in demand for its product offerings, its business may be harmed.

Risks Associated with Acquisitions

As part of Luckbox's overall business strategy, Luckbox may pursue select strategic acquisitions, which would provide additional product and service offerings, vertical integrations, additional industry expertise and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from Luckbox's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions, in particular where cost synergies are not achieved or where significant additional regulatory risk or costs are associated with the entry into new jurisdictions as a result of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing customers resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Operational Risks

Luckbox will be affected by a number of operational risks and Luckbox may not be adequately insured for certain risks, including labour disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, difficulty obtaining banking and payment processing for companies involved in online gambling, difficulty in obtaining gaming licences for gaming platforms, changing online gaming regulatory environment with previously open markets becoming closed, or adopting prohibitive regulations, markets adopting point of consumption tax regimes that can render some markets less lucrative over time, cost of player acquisition and likelihood to recoup value based on player lifetime values, impact of non-compliance with laws and regulations, natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in personal injury or death, environmental damage, adverse impacts on Luckbox's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on Luckbox's future cash flows, earnings and financial condition. Also, Luckbox may be subject to or affected by liability or sustain loss for certain risks and hazards against which Luckbox cannot insure or which Luckbox may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on Luckbox's future cash flows, earnings, results of operations and financial condition.

Cybersecurity Risks

Luckbox's operations involve the storage and transmission of customer data, including personally identifiable information, and security incidents could result in unauthorized access to, the loss of, or unauthorized disclosure of such information. To mitigate cybersecurity risks, Luckbox has built a technical team headed by Alexander Ivanov which has designed and maintains Luckbox's technology platform from a security perspective. Luckbox does not currently have cybersecurity insurance.

Although Luckbox has security systems in place and what it deems sufficient security around its system to prevent unauthorized access, it must ensure that it continually enhances security and fraud protection within its platform, and if Luckbox is unable to do so it may become subject to liability for privacy breaches or consequences that result from any unanticipated incident. As a result of advances in computer

capabilities, new discoveries in the field of cryptography or other developments, a compromise or breach of Luckbox's security precautions may occur. The techniques used to obtain unauthorized, improper or illegal access to Luckbox's systems, data or customers' data and to sabotage its system are constantly evolving and may be difficult to detect quickly. An information breach in Luckbox's system and loss of confidential information such as credit card numbers and related information, or interruption in the operation of the Luckbox applications, could have a longer and more significant impact on Luckbox's business operations than any hardware failure. A compromise in Luckbox's security system could severely harm its business by the loss of its customers' confidence in it and thus the loss of their business. Luckbox may be required to spend significant funds and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. However, protection may not be available at a reasonable price, or at all. Any failure to adequately comply with necessary protective measures could result in fees, penalties and/or litigation. Concerns regarding the security of e-commerce and the privacy of customers may also inhibit the growth of the Internet as a means of conducting commercial transactions. This may result in a reduction in revenues and increase operating expenses, which would prevent Luckbox from achieving profitability.

Financial Projections May Prove Materially Inaccurate or Incorrect

Luckbox's financial estimates, projections and other forward-looking information accompanying this MD&A were prepared by Luckbox without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking statements. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should inquire of Luckbox and become familiar with the assumptions underlying any estimates, projections or other forward-looking statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events.

There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operational expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results Luckbox and its subsidiaries might achieve.

Difficulty to Forecast

Luckbox must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the esports betting and gaming industries. A failure in the demand for its services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of Luckbox.

Industry Competition Generally

There is potential that Luckbox will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than Luckbox. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of Luckbox. To remain competitive, Luckbox will require a continued high level of investment in marketing, sales and customer relationship management and support.

Competition in Esports Betting Industry

The industry within which Luckbox operates is rapidly evolving and intensely competitive, and is subject to changing technology, shifting customer needs and frequent introductions of new offerings. Luckbox's potential competitors include large and established companies as well as other start-up companies. Such competitors may spend more money and time on developing and testing products and services, undertake more extensive marketing campaigns, adopt more aggressive pricing or promotional policies or otherwise develop more commercially successful products or services than Luckbox, which could negatively impact its business. Furthermore, new competitors, whether licenced or not, may enter Luckbox's key product and/or geographic markets. There is no assurance that Luckbox will be able to maintain or grow its position in the marketplace.

As a result of the foregoing, among other factors, Luckbox will have to continually introduce and successfully market new and innovative technologies, product and service offerings and product and service enhancements to remain competitive and effectively stimulate customer demand, acceptance and engagement. The process of developing new product and service offerings and systems is inherently complex and uncertain, and new product and service offerings may not be well received by customers, even if well-reviewed and of high quality. Furthermore, Luckbox may not recover the often substantial up-front costs of developing and marketing new technologies and product and service offerings, or recover the opportunity cost of diverting management and financial resources away from other technologies and product or service offerings. Additionally, if Luckbox cannot efficiently adapt its processes and infrastructure to meet the needs of its product and service offering innovations, its business could be negatively impacted.

Reliance on Third Parties

Luckbox is reliant to an extent on third parties, including information technology service providers. Luckbox's success is partially dependent on its ability to attract and retain quality service providers. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships or failure to engage third party service providers could be detrimental to the future business, operating results and/or profitability of Luckbox. Moreover, Luckbox's financial performance will be significantly determined by its success in adding, retaining and engaging information technology service providers, which could adversely affect the business of Luckbox.

Management of Growth

Luckbox may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Luckbox to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of Luckbox to deal with this growth may have a material adverse effect on Luckbox's business, financial condition, results of operations and prospects.

Reliance on Management

The success of Luckbox will be dependent upon the ability, expertise, judgment, discretion and good faith of its key executives, including the directors and officers of Luckbox and a small number of highly skilled and experienced executives and personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the

continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Luckbox's business, operating results, or financial condition. The competition for highly skilled technical, management and other employees in Luckbox's industry is high and there can be no assurance that Luckbox will be able to engage or retain the services of such qualified personnel in the future.

Risks Relating to Insurance

Luckbox intends to insure its operations in accordance with technology industry practice. However, given the novelty of esports gambling and associated businesses, such insurance may not be available, uneconomical for Luckbox, or the nature or level may be insufficient to provide adequate insurance cover. Further, Luckbox intends to insure against cyber-theft or hacking attacks. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on Luckbox.

Brand development

The brand identity that Luckbox has developed has significantly contributed to the success of its business. Maintaining and enhancing the "Luckbox" brand is critical to expanding Luckbox's customer base and potential B2B clients. Luckbox believes that the importance of brand recognition will increase due to the relatively low barrier to entry in the industry. The "Luckbox" brand may be negatively impacted by a number of factors, including software malfunctions, and data privacy and security issues. If Luckbox fails to maintain and enhance its brand, or if Luckbox incurs excessive expenses in this effort, it could have a material adverse effect on Luckbox's prospects, business, financial condition, and results of operations. Maintaining and enhancing the "Luckbox" brand will depend largely on Luckbox's ability to continue to provide high-quality products and services, which Luckbox may not continue to do successfully.

Risks Relating to Cryptocurrency Transactions

As it is currently intended that Luckbox will accept cryptocurrencies such as Bitcoin and Ethereum as a payment for certain products or services on its platform, the risks associated with participating in cryptocurrency transactions should be discussed here. Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred tokens may be irretrievable. Coin transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of a coin or a theft of coin generally will not be reversible and Luckbox may not be capable of seeking compensation for any such transfer or theft. Although Luckbox's transfers of tokens will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft or criminal action, cryptocurrencies could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect Luckbox's operations. The factors affecting the further development of the industry, include, but are not limited to:

- the continued worldwide growth in the adoption and use of cryptocurrencies;
- governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- negative consumer sentiment and perception of cryptocurrencies.

Risks Factors Related to Regulation of Luckbox's Business

Esports Betting Industry is Heavily Regulated

Luckbox and its officers, directors, major shareholders, key employees and business partners will generally be subject to the laws and regulations relating to online gaming of the jurisdictions in which Luckbox may conduct business, as well as the general laws and regulations that apply to all e-commerce businesses, such as those related to privacy and personal information, tax and consumer protection. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on Luckbox's operations and financial results. In particular, some jurisdictions have introduced regulations attempting to restrict or prohibit online gaming, while others have taken the position that online gaming should be licenced and regulated and have adopted or are in the process of considering legislation to enable that to happen. Even where a jurisdiction purports to licence and regulate online gaming, the licencing and regulatory regimes can vary considerably in terms of their business-friendliness and at times may be intended to provide incumbent operators with advantages over new licencees. As such, some "liberalized" regulatory regimes are considerably more commercially attractive than others.

Regulatory regimes imposed upon gaming providers vary by jurisdiction. Typically, however, most regulatory regimes include the following elements:

- a requirement for gaming license applicants to make detailed and extensive disclosures as to their beneficial ownership, their source of funds, the probity and integrity of certain persons associated with the applicant, the applicant's management competence and structure and business plans, the applicant's proposed geographical territories of operation and the applicant's ability to operate a gaming business in a socially responsible manner in compliance with regulation;
- interviews and assessments by the relevant gaming authority intended to inform a regulatory determination of the suitability of applicants for gaming licenses;
- ongoing reporting and disclosure obligations, both on a periodic and ad hoc basis in response to material issues affecting the business;

- the testing and certification of software and systems, generally designed to confirm such things as the fairness of the gaming products offered by the business, their genuine randomness and ability to accurately generate settlement instructions and recover from outages;
- the need to account for applicable gaming duties and other taxes and levies, such as fees or contributions to bodies that organize the sports on which bets are offered, as well as contributions to the prevention and treatment of problem gaming; and
- social responsibility obligations.

Any gaming licence may be revoked, suspended or conditioned at any time, and the industry has recently experienced significantly more enforcement actions, particularly in the United Kingdom, where the Gambling Commission has issued fines against numerous operators for regulatory failings. The loss of a gaming licence in one jurisdiction could trigger the loss of a gaming licence or affect Luckbox's eligibility for such a licence in another jurisdiction, and any of such losses, or potential for such loss, could cause Luckbox to cease offering some or all of its product offerings in the impacted jurisdictions. Luckbox may be unable to obtain or maintain all necessary registrations, licences, permits or approvals, and could incur fines or experience delays related to the licencing process, which could adversely affect its operations. The determination of suitability process may be expensive and time-consuming. Luckbox's delay or failure to obtain gaming licences in any jurisdiction may prevent it from distributing its product offerings, increasing its customer base and/or generating revenues. A gaming regulatory body may refuse to issue or renew a gaming licence if Luckbox, or one of its directors, officers, employees, major shareholders or business partners: (a) are considered to be a detriment to the integrity or lawful conduct or management of gaming; (b) no longer meet a licencing or registration requirement; (c) have breached or are in breach of a condition of licensure or registration or an operational agreement with a regulatory authority; (d) have made a material misrepresentation, omission or mis-statement in an application for licensure or registration or in reply to an inquiry by a person conducting an audit, investigation or inspection for a gaming regulatory authority; (e) have been refused a similar gaming licence in another jurisdiction; (f) have held a similar gaming licence in that province, state or another jurisdiction which has been suspended, revoked or cancelled; or (g) has been convicted of an offence, inside or outside of a particular jurisdiction that calls into question the honesty or integrity of Luckbox or any of its directors, officers, employees or associates.

Additionally, Luckbox's product and service offerings must be approved in most regulated jurisdictions in which they are offered and will likely need to undergo third party testing by a certified testing lab. Such testing can be costly and time consuming, and this process cannot be assured or guaranteed. Obtaining these approvals is a time-consuming process that can be extremely costly. A developer and provider of online gaming products may pursue corporate regulatory approval with regulators of a particular jurisdiction while it pursues technical regulatory approval for its product offerings by that same jurisdiction. It is possible that after incurring significant expenses and dedicating substantial time and effort towards such regulatory approvals, Luckbox may not obtain either of them. If Luckbox fails to obtain the necessary gaming licence in a given jurisdiction, it would likely be prohibited from distributing and providing its product offerings in that particular jurisdiction altogether. If Luckbox fails to seek a licence, does not receive a licence, or receives a suspension or revocation of a licence in a particular jurisdiction for its product offerings (including any related technology and software) then it cannot offer the same in that jurisdiction and its gaming licences in other jurisdictions may be impacted. Furthermore, some jurisdictions require licence holders to obtain government approval before engaging in some transactions, such as business combinations, reorganizations, stock offerings and repurchases. Luckbox may not be able to obtain all necessary gaming licences in a timely manner, or at all. Delays in regulatory approvals

or failure to obtain such approvals may also serve as a barrier to entry to the market for Luckbox's product offerings. If Luckbox is unable to overcome the barriers to entry, it will materially affect its results of operations and future prospects.

There can be no assurance that legally enforceable prohibiting legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to Luckbox's business to prohibit, legislate or regulate various aspects of the Internet, e-commerce, payment processing, or the online gaming industries. Compliance with any such legislation may have a material adverse effect on Luckbox's business, financial condition and results of operations.

Complex and Evolving Regulatory Environment for Online Gaming Industry

In addition to regulations governing online gaming, Luckbox will be subject to a variety of laws and regulations domestically and abroad that involve the Internet, e-commerce, privacy and protection of data and personal information, rights of publicity, acceptable content, intellectual property, advertising, marketing, distribution, data and information security, electronic contracts and electronic communications, competition, protection of minors, consumer protection, unfair commercial practices, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance and online payment and payment processing services. Luckbox may introduce new products or services, expand its activities in certain jurisdictions, or take other actions that may subject it to additional laws, regulations or other government scrutiny. For example, Luckbox will handle, collect, store, retrieve, transmit and use confidential, personal information relating to its customers and personnel for various business purposes, including marketing and financial purposes. Luckbox may share this personal or confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of its business, combating fraud or for marketing purposes.

These laws, regulations and legislation, along with other applicable laws and regulations, which in some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations, including pre-existing laws regulating communications and commerce in the context of the Internet and e-commerce, are often uncertain, particularly in the new and rapidly evolving industry in which Luckbox operates, and may be interpreted and applied inconsistently across jurisdictions and inconsistently with its future policies and practices.

Legislators and regulators also look beyond online gaming regulations specifically to implement restrictive measures on online gaming. In certain jurisdictions, this has included restrictions on payment processing, internet blocking, account and identity verification requirements, and similar measures. For example, in June 2010, Norway enacted a law prohibiting the remittance of monies from Norwegian bank accounts to gaming operators and in November 2017, a Russian bill requiring certain banks and payment processors within Russia to block transactions between Russian-based customers and off-shore online gaming operators became law. Furthermore, restrictions on gambling advertising have been recently introduced in various jurisdictions. In July 2018, Italy passed legislation banning gambling advertising in various forms, with the ban extending to in-game advertising and sponsorships of sports or cultural events beginning on July 1, 2019. Such regulations, if not appropriately mitigated, could materially adversely affect Luckbox's business, results of operations or financial condition.

In addition, such restrictive measures may impact the ability or desire of third-party suppliers, including payment processors, to provide services to Luckbox globally or in certain jurisdictions. A supplier could require Luckbox, as a condition of its continued use of the supplier's products and services, to restrict

access from customers in certain jurisdictions. Such third-party restrictions could affect the manner in which Luckbox provides its products or services in certain jurisdictions and adversely affect its financial results due to, among other things, the potential need to determine whether to change suppliers, which may not be on as favorable terms, or comply with the supplier's requested restrictions.

Luckbox is also vulnerable to developments in intellectual property laws and/or political, legislative, regulatory developments that may seek further liability to pay royalties, integrity fees or other types of levy to the organizers of esports events or data right owners, which arise from the concept of the so-called "right-to-bet", where the organizers of sporting events and competitions and those claiming to have data rights in relation to such events seek to obtain a share of the revenue gaming operators generate on such events and competitions. In all such cases, the level of any such royalty, fee or levy will be outside Luckbox's control. Luckbox cannot predict with any certainty what further payments may be required in the future and what other additional resources may need to be made available to address the conditions on which royalties, fees or other levies may be imposed, as well as sports integrity issues.

These laws and regulations, as well as any changes to the same and any related inquiries, investigations or any other government actions, may be costly to comply with and may delay or impede new product development, result in negative publicity, increase Luckbox's operating costs, require significant management time and attention, and subject it to remedies that may harm its business, including fines or demands or orders that modify or cease certain or all existing business practices, such as limiting its use of personal information to add value for customers, or implement costly and burdensome compliance measures. Any such consequences could adversely affect Luckbox's business, results of operations or financial condition.

Social Responsibility Concerns

Public opinion can significantly influence the regulation of online gaming. A negative shift in the perception of online gaming by the public or by politicians, lobbyists or others could affect future legislation or regulation in different jurisdictions. Among other things, such a shift could cause jurisdictions to abandon proposals to legalize online gaming, thereby limiting the number of new jurisdictions into which Luckbox could expand. Negative public perception could also lead to new restrictions on or to the prohibition of online gaming in jurisdictions in which Luckbox may operate.

In addition, concerns with safer betting and gaming could lead to negative publicity, resulting in increased regulatory attention, which may result in restrictions on Luckbox's future operations. If Luckbox had to restrict its future marketing or product offerings or incur increased compliance costs, this could have a material adverse effect on its business, results of operations, financial condition and prospects. Luckbox will likely face scrutiny related to environmental, social, governance and responsible gaming activities, and its reputation and the value of its brands can be materially adversely harmed if it fails to act responsibly in a number of areas, such as environmental, supply chain management, climate change, diversity and inclusion, workplace conduct, responsible gaming, human rights, philanthropy and support for local communities. Any harm to Luckbox's reputation could impact employee engagement and retention, and the willingness of future customers and Luckbox's partners to do business with it, which could have a materially adverse effect on its business, results of operations and cash flows.

Luckbox may be subject to regulatory investigations

From time to time, Luckbox may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance

with laws and other matters. Violation of existing or future regulatory orders or consent decrees could subject Luckbox to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause Luckbox to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

Risks Factors Related to Luckbox's Industry

Success of Esports Betting Products not Guaranteed

The esports betting industry is characterized by elements of chance. Accordingly, Luckbox employs theoretical win rates to estimate what a certain type of esports bet, on average, will win or lose in the long run. Net win is impacted by variations in the hold percentage (the ratio of net win to total amount wagered), or actual outcome. Luckbox uses the hold percentage as an indicator of an esports bet's performance against its expected outcome. Although each esports bet generally performs within a defined statistical range of outcomes, actual outcomes may vary for any given period. In addition to the element of chance, win rates (hold percentages) may also (depending on the game involved) be affected by the spread of limits and factors that are beyond Luckbox's control, such as a customer's skill, experience and behavior, the mix of games played, the financial resources of customers, the volume of bets placed and the amount of time spent gambling. As a result of the variability in these factors, the actual win rates of esports bets may differ from the theoretical win rates we have estimated and could result in the winnings of Luckbox's customers exceeding those anticipated. The variability of win rates (hold rates) also have the potential to negatively impact Luckbox's financial condition, results of operations, and cash flows.

Luckbox's success also depends in part on its ability to anticipate and satisfy customer preferences in a timely manner. Luckbox will operate in a dynamic environment characterized by rapidly changing industry and legal standards, and its products will be subject to changing consumer preferences that cannot be predicted with certainty. Luckbox will need to continually introduce new offerings and identify future product offerings that complement its existing platforms, respond to its customers' needs and improve and enhance its existing platforms to maintain or increase customer engagement and growth of its business. Luckbox may not be able to compete effectively unless its product selection keeps up with trends in the digital sports entertainment and gaming industries, or trends in new gaming products.

Luckbox will rely on information technology and other systems and platforms, and any failures, errors, defects or disruptions in its systems or platforms could diminish its brand and reputation, subject it to liability, disrupt its business, affect its ability to scale technical infrastructure and adversely affect its operating results and growth prospects. Luckbox's software applications and systems, and the third-party platforms upon which they are made available could contain undetected errors. Luckbox's technology infrastructure will be critical to the performance of its platform and offerings and to customer satisfaction. Luckbox devotes significant resources to network and data security to protect systems and data. However, Luckbox's systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to its business. Luckbox cannot ensure that the measures it takes to prevent or hinder cyber-attacks and protect its systems, data and user information and to prevent outages, data or information loss, fraud and to prevent or detect security breaches, including a disaster recovery strategy for server and equipment failure and back-office systems and the use of third parties for certain cybersecurity services, will provide absolute security. Luckbox has experienced, and may in the future experience, website disruptions, outages and other

performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. Such disruptions have not had a material impact on the Luckbox; however, future disruptions from unauthorized access to, fraudulent manipulation of, or tampering with Luckbox's computer systems and technological infrastructure, or those of third parties, could result in a wide range of negative outcomes, each of which could materially adversely affect Luckbox's business, financial condition, results of operations and prospects.

Additionally, Luckbox's products may contain errors, bugs, flaws or corrupted data, and these defects may only become apparent after their launch. If a particular product offering is unavailable when customers attempt to access it or navigation through the Luckbox platforms is slower than they expect, customers may be unable to place their bets and may be less likely to return to Luckbox's platforms as often, if at all. Furthermore, programming errors, defects and data corruption could disrupt operations, adversely affect the experience of Luckbox's customers, harm Luckbox's reputation, cause customers to stop utilizing Luckbox platforms, divert resources and delay market acceptance of Luckbox offerings, any of which could result in legal liability to Luckbox or harm its business, financial condition, results of operations and prospects.

If Luckbox's customer base and engagement continue to grow, and the amount and types of offerings continue to grow and evolve, it will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy customers' needs. Such infrastructure expansion may be complex, and unanticipated delays in completing these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of Luckbox's offerings. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after Luckbox has started to fully use the underlying equipment or software, that could further degrade the customer experience or increase its costs. As such, Luckbox could fail to continue to effectively scale and grow its technical infrastructure to accommodate increased demands.

Failure to Retain or Add Customers

The financial performance of Luckbox will be significantly determined by its success in adding, retaining, engaging and monetizing active customers of its product offerings, in particular high-value, net-depositing customers (primarily recreational players). If people do not perceive Luckbox's product offerings as enjoyable, reliable, relevant and trustworthy it may be unable to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. A number of other online gaming companies that achieved early popularity have since seen their active customer bases or levels of engagement decline. Any number of factors could potentially negatively affect customer retention, growth and engagement, including if:

- Luckbox fails to introduce, or delays the introduction of, new products or services (whether developed internally, licensed or otherwise obtained or developed in conjunction with third parties) that customers find engaging or that work with a variety of operating systems or networks, or if it introduces new products or services, including using technologies with which it has little or no prior development or operating experience, or changes to its existing products or services, that are not favorably received by customers;
- customers have difficulty installing, updating or otherwise accessing Luckbox's product offerings on desktops or mobile devices as a result of actions by it or third parties that it relies on to

distribute and deliver its product offerings, or Luckbox fails to price its product offerings competitively or provide adequate customer service;

- there are decreases in customer sentiment about the quality of Luckbox's product offerings or concerns related to privacy, safety, security or other factors, or technical or other problems prevent Luckbox from delivering its product offerings in a rapid and reliable manner or otherwise affecting the customer experience, such as security breaches or failure to prevent or limit spam or similar content;
- new industry standards or games are adopted or customers adopt new technologies where Luckbox's product offerings may be displaced in favor of other products or services, may not be featured or otherwise available, or may otherwise be rendered obsolete and unmarketable;
- there are adverse changes in Luckbox's product offerings that are mandated by legislation, regulatory authorities or litigation, including settlements, or Luckbox does not obtain applicable regulatory or other approvals or renewals of such approvals to offer, directly or indirectly, its product offerings in new or existing jurisdictions;
- Luckbox adopts policies or procedures related to areas such as customer data and information that are perceived negatively by its customers or the general public;
- Luckbox elects to focus its customer growth and engagement efforts more on longer-term initiatives, or if initiatives designed to attract and retain customers and engagement are unsuccessful or discontinued, whether as a result of actions by Luckbox, third parties or otherwise;
- customers increasingly engage with the products or services of Luckbox's competitors; or
- Luckbox or other companies in the industries in which it operates are the subject of adverse media reports or other negative publicity.

If Luckbox is unable to maintain or increase its customer base or engagement, or effectively monetize its customer base's use of its product offerings, its revenue and financial results may be adversely affected. Any decrease in customer retention, growth or engagement could render Luckbox's products less attractive to customers.

Reliance on Third-Party Networks

The delivery of Luckbox's offerings and a significant portion of Luckbox's revenues will be dependent on the continued use and expansion of third-party-owned communication networks, including wireless networks and the Internet. No assurance can be given as to the continued use and expansion of these networks as a medium of communications for Luckbox.

As it relates to its mobile platforms, Luckbox will be dependent on the interoperability of such platforms with popular mobile operating systems, technologies, networks and standards that it does not control, such as the Android and iOS operating systems, and any changes, bugs, technical or regulatory issues in such systems, Luckbox's relationships with mobile partners, manufacturers and carriers, or in their terms of service or policies that degrade Luckbox's product offerings' functionality, may reduce or eliminate its ability to distribute its product offerings, give preferential treatment to competitive products, limit its ability to deliver high quality product offerings, or impose fees or other charges related to delivering its product offerings. The foregoing may adversely affect its product usage and monetization on mobile devices. If it

is difficult or unfavorable for Luckbox's customers to access and use its product offerings on their mobile devices, or if its customers choose not to access or use its product offerings on their mobile devices or use mobile products that do not offer access to its product offerings, its customer growth and engagement could be harmed, which could adversely affect its results of operation.

In addition, increasing traffic, customer numbers or bandwidth requirements may result in a decline in Internet (or a subset thereof, including in particular mobile Internet) performance and/or Internet reliability. Internet outages or delays or loss of network connectivity may result in partial or total failure of Luckbox's offerings, additional and unexpected expenses to fund further development or to add programming personnel to complete a development project, loss of revenue which could have a material adverse effect on Luckbox's prospects, business, financial condition or results of operations.

Litigation

Luckbox may be subject to litigation claims through the ordinary course of its business operations or otherwise, regarding, among other things, employment matters, tax matters, security of customer and employee personal information, third-party contracts, marketing, intellectual property right infringement, its current and former operations and the operations of businesses it may acquire in the future prior to their respective acquisitions. Litigation to defend Luckbox against claims by third parties, or to enforce any rights that it may have against third parties, may be necessary, which could result in substantial costs and diversion of its resources, causing a material adverse effect on its business, financial condition and results of operations. Given the nature of Luckbox's business, it may from time to time in the future be, party to various, and at times numerous, legal, administrative and regulatory inquiries, investigations, proceedings and claims that arise in the ordinary course of business, as well as potential class action lawsuits. Because the outcome of such legal matters is inherently uncertain, if one or more of such legal matters were to be resolved against Luckbox for amounts in excess of management's expectations or any applicable insurance coverage or indemnification right, or if such legal matters result in decrees or orders preventing it from offering certain features, functionalities, products or services, or requires that it changes its development process or other business practices, its results of operations and financial condition could be materially adversely affected. Any litigation to which Luckbox may be a party may result in an onerous or unfavourable judgment that may not be reversed upon appeal, or in payments of substantial monetary damages or fines, the posting of bonds requiring significant collateral, letters of credit or similar instruments.

Intellectual Property may be Insufficient

Luckbox's success may depend on its ability to obtain trademark protection for the names or symbols under which it markets its product offerings and to obtain copyright protection of its proprietary technologies, other game innovations and creative assets. Luckbox may not be able to build and maintain goodwill in its trademarks or obtain trademark protection. There can be no assurance that any trademark or copyright will provide competitive advantages for Luckbox or that its intellectual property will not be successfully challenged or circumvented by competitors.

Source codes for Luckbox's technology may receive protection under international copyright laws. However, for many third parties who intend to use Luckbox source codes without its consent, the presence of copyright protection in the source codes alone may not be enough of a deterrent to prevent such use. As such Luckbox may need to initiate legal proceedings following such use to obtain orders to prevent further use of the source code.

Luckbox may also rely on trade secrets and proprietary know-how. Although Luckbox will generally require its employees and independent contractors to enter into confidentiality and intellectual property assignment agreements, it cannot be assured that the obligations therein will be maintained and honoured. If these agreements are breached, it is unlikely that the remedies available to Luckbox will be sufficient to compensate it for the damages suffered even if it promptly applies for injunctive relief. In spite of confidentiality agreements and other methods of protecting trade secrets, Luckbox's proprietary information could become known to or independently developed by competitors. If Luckbox fails to adequately protect its intellectual property and confidential information, its business may be harmed and its liquidity and results of operations may be materially adversely impacted.

Risk of Intellectual Property Infringement or Invalidity Claims

If the registration and enforcement policies regarding Luckbox's intellectual property portfolios are inadequate to deter unauthorized use or appropriation by third parties, the value of Luckbox's brands and other intangible assets may be diminished and competitors may be able to more effectively mimic its brands, products, services and methods of operations. Such events could adversely affect Luckbox's business and financial results. At the same time, Luckbox has to be mindful of how it will be perceived by its customers and potential customers if it deploys an unduly strict enforcement policy; an overly aggressive position may deter its customers from supporting the brands and therefore damage not only the brands' reputation in the market place but also negatively impact financial results.

Moreover, due to the differences in foreign patent, trademark, copyright and other laws concerning proprietary rights, Luckbox's intellectual property may not receive the same degree of protection in each jurisdiction where it operates. Luckbox's failure to possess, obtain or maintain adequate protection of its intellectual property rights for any reason in these jurisdictions could have a material adverse effect on its business, results of operations and financial condition.

Furthermore, infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and Luckbox may not have the financial and human resources to defend itself against any infringement suits that may be brought against it. Litigation can also distract management from day-to-day operations of the business.

In addition, Luckbox's future success may depend upon its ability to obtain licenses to use new marks and its ability to retain or expand existing licenses for certain products. If Luckbox is unable to obtain new licenses or renew or expand existing licenses, it may be required to discontinue or limit its use of such products that use the licensed marks and its financial condition, operating results or prospects may be harmed.

Luckbox may also infringe other intellectual property rights belonging to third parties, such as trademarks, copyrights and confidential information. The infringement of trademarks, copyrights and confidential information involve complex legal and factual issues and Luckbox's products, branding or associated marketing materials may be found to have infringed existing third-party rights. When any third-party infringement occurs, Luckbox may be required to stop using the infringing intellectual property rights, pay damages and, if it wishes to keep using the third-party intellectual property, purchase a license or otherwise redesign the product, branding or associated marketing materials to avoid further infringement. Such a license may not be available or may require Luckbox to pay substantial royalties.

Risk of Failing to Adapt to Changing Technology and Industry Standards

Luckbox's future success depends on its ability to adapt and enhance its suite of technology and software, such as its platforms, as well as its product offerings. To attract new customers, Luckbox will need to enhance and improve its platforms, product offerings, features and enhancements to meet customer needs at competitive prices. Such efforts will require adding new functionality and responding to technological advancements or disruptive technologies, which will increase Luckbox's research and development costs. If Luckbox is unable to develop technology and products that address customers' needs, or enhance and improve its platforms and product offerings in a timely manner, that could have a material adverse effect on its business, revenues, operating results and financial condition. Luckbox's ability to grow is also subject to the risk of future disruptive technologies. If new and/or disruptive technologies emerge that are able to deliver online betting and gaming and/or entertainment products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely affect Luckbox's ability to compete.

14. MD&A PREPARATION

This MD&A was prepared as of November 27, 2020. This MD&A should be read in conjunction with audited consolidated financial statements for the three and six months ended June 30, 2020. This MD&A is intended to assist the reader's understanding of Luckbox and its operations, business, strategies, performance and future outlook from the perspective of management.

Managements Responsibility for Financial Statements

The information provided in this report is the responsibility of management. During the preparation of financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that Luckbox's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Registration number: 017048V

Esports Limited

Annual Report and Combined Financial Statements

For the year ended 31 December 2019

Esports Limited

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Esports Limited
Company Information

Directors	Michael Jon Stevens Quentin Colin Martin
Registered office	First Floor, Millennium House Victoria Road Douglas Isle of Man IM2 4RW
Auditors	Baker Tilly Isle of Man LLC PO Box 95 2a Lord Street Douglas Isle of Man IM99 1HP

Esports Limited
Directors' Report for the year ended 31 December 2019

The Directors present their report and the audited combined financial statements for the year ended 31 December 2019.

Incorporation

The Company was incorporated on 25 April 2019.

Basis of preparation

The directors would like to highlight the fact that these financial statements have been prepared as Combined Financial Statements combining the results of entities under common control and draw your attention to Note 1, General Information.

Principal activity

The principal activity of the Group is the provision of an egaming betting platform.

Results and transfer to reserves

The results of the Group for the year ended 31 December 2019 are set out on page 10.

Business Review

The loss for the year amounted to GBP 2,976,099 (2018: GBP 3,683,518).

Directors of the company

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The directors who held office during the period were as follows:

Michael Jon Stevens	Appointed 25 April 2019	
Quentin Colin Martin	Appointed 23 January 2020	
Lee Hills	Appointed 23 January 2020	Resigned 5 May 2020
Lars-Kristian Engum Lien	Appointed 25 April 2019	Resigned 25 June 2020
Ceteris Limited	Appointed 25 April 2019	Resigned 25 April 2019

Auditors

Baker Tilly Isle of Man LLC have been appointed as auditors in the year under review.

Approved by the Board on November 27, 2020 and signed on its behalf by:

(signed) "*Quentin Colin Martin*"

Quentin Colin Martin Director

Esports Limited

Statement of Directors' Responsibilities

Company law does not require the directors to prepare financial statements for each financial year however, the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud.

Report of the Independent Auditors, Baker Tilly Isle of Man LLC, to the Members of Esports Limited

Opinion

We have audited the combined financial statements of Esports Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Combined Statement of Profit or Loss and Other Comprehensive Income, Combined Statement of Financial Position, the Combined Statement of Changes in Equity, the Combined Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2019, and of the results for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We note the disclosure made by the Directors in relation to the need to review the going concern basis should the proposed transaction with Elephant Hill Capital Inc. not complete. We draw your attention to Notes 2 and 23 in relation to this issue. Our opinion is not modified in relation to this matter.

Other matter

We have not audited, and we do not express any opinion on, the comparative figures presented in these combined financial statements for the year ended 31 December 2018.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Report of the Independent Auditors, Baker Tilly Isle of Man LLC, to the Members of Esports Limited

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report of the Independent Auditors, Baker Tilly Isle of Man LLC, to the Members of Esports Limited

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with the terms of our engagement letter dated 30 January 2020. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

(signed) "*Baker Tilly Isle of Man LLC*"

Baker Tilly Isle of Man LLC

Chartered Accountants

PO Box 95
2a Lord Street
Douglas
Isle of Man
IM99 1HP

Date: November 27, 2020

**Independent Auditors Report to the members of
Esports Limited in respect of Canadian National Instrument 52-107
(acceptable accounting principles and auditing standards)
for the year ended 31 December 2019**

Opinion

We have audited the combined financial statements of Esports Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Combined Statement of Profit or Loss and Other Comprehensive Income, Combined Statement of Financial Position, the Combined Statement of Changes in Equity, the Combined Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2019, and of the results for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We note the disclosure made by the Directors in relation to the need to review the going concern basis should the proposed transaction with Elephant Hill Capital Inc. not complete. We draw your attention to Notes 2 and 23 in relation to this issue. Our opinion is not modified in relation to this matter.

Other matter

We have not audited, and we do not express any opinion on, the comparative figures presented in these combined financial statements for the year ended 31 December 2018.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

**Independent Auditors Report to the members of
Esports Limited in respect of Canadian National Instrument 52-107
(acceptable accounting principles and auditing standards)
for the year ended 31 December 2019**

Other information (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**Independent Auditors Report to the members of
Esports Limited in respect of Canadian National Instrument 52-107
(acceptable accounting principles and auditing standards)
for the year ended 31 December 2019**

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditors' report is Christopher Quinn.

(signed) "*Baker Tilly Isle of Man LLC*"

Baker Tilly Isle of Man LLC

Chartered Accountants

PO Box 95
2a Lord Street
Douglas
Isle of Man
IM99 1HP

Date: November 27, 2020

Esports Limited

Combined Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

		2019	Unaudited 2018
	Note	£	£
Turnover	4	2,376	-
Cost of sales	5	(47,937)	-
Gross loss		(45,561)	-
Administrative expenses	6	(2,921,325)	(3,293,540)
Operating loss		(2,966,886)	(3,293,540)
Other income	7	12,695	178,236
Interest payable and similar expenses	8	(15,327)	(564,595)
Loss before tax		(2,969,518)	(3,679,899)
Tax	10	(1,345)	(3,619)
Loss after tax		(2,970,863)	(3,683,518)
Loss is attributable to:			
Owners of Esports Limited		(2,697,291)	(3,683,518)
Non-controlling interests		(273,572)	-
		(2,970,863)	(3,683,518)
The above results were derived from continuing operations.			
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(5,236)	-
Other comprehensive income for the period, net of tax		(5,236)	-
Non-controlling interests			
Total comprehensive loss		(2,976,099)	(3,683,518)
Total comprehensive income is attributable to:			
Owners of Esports Limited		(2,701,480)	(3,683,518)
Non-controlling interests		(274,619)	-
		(2,976,099)	(3,683,518)
Earnings per Share			
Basic		(0.538)	(368.35)
Weighted average number of shares outstanding			
Basic		5,524,298	10,000

The notes on pages 16 to 41 form an integral part of these financial statements.

Esports Limited

Combined Statement of Financial Position as at 31 December 2019

		2019	Unaudited
	Note	£	2018
			£
Assets			
Non-current assets			
Right of use	11	89,177	89,130
Tangible fixed assets	12	90,742	35,840
Intangibles assets	13	7,793	29,510
Deferred tax assets	10	3,480	2,715
Other receivables	14	20,140	-
Total non-current assets		211,332	157,195
Current assets			
Debtors	14	207,543	91,765
Intangible assets	13	10,639	119,856
Cash at bank and in hand	16	1,232,485	1,956,716
Total current assets		1,450,667	2,168,337
Total assets		1,661,999	2,325,532
Equity and Liabilities			
Capital and reserves			
Called up share capital	17	158,129	10,000
Share Premium	17	787,447	-
Share based payment reserve	17	32,190	-
Capital Contribution	19	4,833,228	-
Retained losses		(5,734,915)	(4,094,504)
Currency translation reserve		(4,189)	-
Capital and reserves attributable to owners of Esports Limited		71,890	(4,084,504)
Non-controlling interest		(121,192)	-
Total Equity		(49,302)	(4,084,504)
Current Liabilities			
Trade and other payables	15	34,221	25,665
Other liabilities	15	280,567	6,293,884
Lease liabilities	11	25,665	20,360
Convertible Loan Note	15	1,304,726	-
Total current liabilities		1,645,179	6,339,909

The notes on pages 16 to 41 form an integral part of these financial statements.

Esports Limited

Combined Statement of Financial Position as at 31 December 2019 (continued)

	Note	2019 £	Unaudited 2018 £
Non-Current Liabilities			
Lease liabilities	11	66,122	70,127
		<u>66,122</u>	<u>70,127</u>
Total Liabilities		<u>1,711,301</u>	<u>6,410,036</u>
Total Equity and Liabilities		<u>1,661,999</u>	<u>2,325,532</u>

Approved and authorised by the Board on November 27, 2020, and signed on its behalf by:

(signed) "Michael Jon Stevens"

Michael Jon Stevens
Director

(signed) "Quentin Colin Martin"

Quentin Colin Martin
Director

The notes on pages 16 to 41 form an integral part of these financial statements.

Esports Limited

Combined Statement of Changes in Equity for the year ended 31 December 2019

	Share capital £	Share premium £	Share based payment reserve £	Capital contribution £	Currency translation £	Retained earnings £	Total £	Non-controlling interests £	Total equity £
As at 1 January 2019	10,000	-	-	-	-	(4,094,504)	(4,084,504)	-	(4,084,504)
Change of reporting entity									
Acquisition of shares of Real Time Games Holdings Limited	(10,000)	-	-	-	-	-	(10,000)	2,000	(8,000)
Reserves allocated to non-controlling interest	-	-	-	-	-	1,056,880	1,056,880	(1,056,880)	-
	-	-	-	-	-	(3,037,624)	(3,037,624)	(1,054,880)	(4,092,504)
Loss for the year	-	-	-	-	-	(2,697,291)	(2,697,291)	(273,572)	(2,970,863)
Currency translation	-	-	-	-	(4,189)	-	(4,189)	(1,047)	(5,236)
Total comprehensive income	-	-	-	-	(4,189)	(2,697,291)	(2,701,480)	(274,619)	(2,976,099)
Transactions with owners recognised directly in equity									
Issue of shares in Esports Limited	158,129	787,447	-	-	-	-	945,576	-	945,576
Value of share based payments			32,190				32,190		32,190
Conversion of loan	-	-	-	4,833,228	-	-	4,833,228	1,208,307	6,041,535
At 31 December 2019	158,129	787,447	32,190	4,833,228	(4,189)	(5,734,915)	71,890	(121,192)	(49,302)

The notes on pages 16 to 41 form an integral part of these financial statements.

Esports Limited

Combined Statement of Changes in Equity for the year ended 31 December 2018

	Share capital £	Share Premium £	Other reserves £	Capital contribution £	Currency translation £	Retained earnings £	Total £	Non-controlling interests £	Total equity £
Unaudited									
As at 1 January 2018	10,000	-	-	-	-	(410,986)	(400,986)	-	(400,986)
Loss for the year	-	-	-	-	-	(3,683,518)	(3,683,518)	-	(3,683,518)
	10,000	-	-	-	-	(4,094,504)	(4,084,504)	-	(4,084,504)
Transactions with owners recognised directly in equity									
Issue of shares	-	-	-	-	-	-	-	-	-
At 31 December 2018	10,000	-	-	-	-	(4,094,504)	(4,084,504)	-	(4,084,504)

The notes on pages 16 to 41 form an integral part of these financial statements.

Esports Limited

Combined Statement of Cash Flows for the year ended 31 December 2019

		2019	Unaudited 2018
	Note	£	£
Cash flows from operating activities			
Operating loss for the year		(2,966,886)	(3,293,540)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortisation		57,769	23,439
Loss on disposal of assets		3,121	-
Share based payments	18	175,840	-
Changes in:			
Increase in other debtors	14	(135,918)	(15,074)
Increase/(Decrease) in trade creditors	14	8,556	(52,794)
Increase in other liabilities	15	70,312	122,326
Increase in lease liabilities	11	1,300	90,487
Tax expense	10	(2,001)	(6,334)
Net cash used in operating activities		<u>(2,787,907)</u>	<u>(3,131,490)</u>
Cash flows from investing activities			
Interest received	7	623	-
Acquisition of tangible assets	12	(91,286)	(40,432)
Acquisition of intangible assets	13	(681,384)	(8,014,840)
Acquisition of right of use assets	11	(29,034)	(105,870)
Disposal of tangible assets	12	6,922	-
Disposal of intangible assets	13	<u>823,684</u>	<u>7,203,113</u>
Net cash inflows / (outflows) from investing activities		<u>29,525</u>	<u>(958,029)</u>
Cash flows from financing activities			
Finance costs	8	(4,035)	(3,167)
Issue of ordinary shares and other equity securities		791,926	-
Loans received		-	4,718,203
Loans repaid	15	(42,094)	-
Issue of convertible loan note	15	<u>1,304,726</u>	<u>-</u>
Net cash inflows from financing activities		<u>2,050,523</u>	<u>4,715,036</u>
Net (decrease) / increase in cash and cash equivalents		<u>(707,859)</u>	<u>625,517</u>
Effects of exchange and revaluation differences		<u>(16,372)</u>	<u>178,236</u>
Cash and cash equivalents at 1 January		<u>1,956,716</u>	1,152,963
Cash and cash equivalents at 31 December	16	<u><u>1,232,485</u></u>	<u><u>1,956,716</u></u>

The notes on pages 16 to 41 form an integral part of these financial statements.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019

1 General information

The company is a private company limited by share capital incorporated and domiciled in the Isle of Man.

Nature of Operations

Esports Limited (ESL) (the 'Company') was incorporated in the Isle of Man on 25 April 2019 and commenced its operations on that date. On 13 May 2019 the Company took a controlling interest in Real Time Games Holdings Limited (RTGH) an existing Isle of Man incorporated company engaged in the provision of a licensed egaming betting platform.

By taking control of RTGH the Company took a controlling interest in the following subsidiaries:

- Real Time Games Holdings Limited, incorporated in the Isle of Man in 2016.
- Real Times Games Services Limited (RTGS). Incorporated in the Isle of Man in 2017 and providing supports services to RTGH.
- Real Time Games Developments Limited (RTGD). Incorporated in Bulgaria in 2017 and providing research and development to RTGS.

The Company also has control of one wholly owned subsidiary:

- Esports Tech Limited (ETL). Incorporated in the Isle of Man on 25 April 2019 and inactive to 31 December 2019.

These combined financial statements combine the results of all the above entities (the 'Group') to illustrate the position of the Group under common control, for the whole period 1 January to 31 December 2019, even though they were not a legal Group until part-way through the financial year ended 31 December 2019. Esports Limited is acting as the reporting entity for the Group being the ultimate parent Company, even though it did not come in to existence until part-way through the financial year ended 31 December 2019.

The Group has produced Combined Financial Statements as ESL, RTGH, RTGS, RTGD and ETL were considered to be under common control as at 31 December 2019 as the controlling shareholders of both ESL and RTGH were, Michael Jon Stevens and Lars-Kristian Engum Lien, whom at the point of ESL's incorporation were directors of both the Company and RTGH. Since the year end Michael Jon Stevens and Lars-Kristian Engum Lien are not considered to exercise control as further share issues have reduced the percentage of ordinary shares held by them.

As control of RTGH has remained constant, being held by Michael Jon Stevens and Lars-Kristian Engum Lien as explained above, and for the purposes of the transaction with Elephant Hill Capital Inc. referenced in note 23, ESL is presenting combined financial statements for the year to 31 December 2019. The consolidation consists of a combination of RTGH consolidated financials for the year ended 31 December 2019 combined with ESL's financial results for the period from 25 April to 31 December 2019 and are prepared on accounting policies based on the principles of IFRS as adopted by the European Union.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. For the purpose of these financial statements there are no differences between IFRS as adopted by the EU and IFRS as issued by the IASB.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Basis of Combination

The combined financial statements include the accounts of the Company and its wholly owned subsidiaries as listed in note 1 at the year end date, reported for the full financial year to 31 December 2019 and the comparative period for the year ended 31 December 2018.

Subsidiaries are all entities over which the Company has the power to govern financial and operating policies. All significant intercompany transactions, balances, income and expenses on transactions between group companies have been eliminated in combination.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Statement of going concern

The financial statements are prepared on a going concern basis, which assumes the Group will be able to continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

The proposed transaction with Elephant Hill Capital Inc (see note 23) involves a high degree of risk of non-completion. If the transaction does not complete the Group may not be able to fund its future operations. Additional funds will be required to enable the Group to continue, and the Group may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Should the Group be unable to continue as a going concern, the net realisable value of its assets may be materially less than the amounts on its statement of financial position.

These combined financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these combined financial statements, adjustments would be necessary to the statement of financial position. Such adjustments could be material.

Use of estimates and judgements

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the Groups' financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates in the Group's financial statements include amortisation of intangible assets, depreciation of tangible assets and recoverability of debtors. By their nature, estimates and assumptions are subject to measurement uncertainty and the effect on the Group's financial statements of changes in estimates in future periods could be significant.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group operates in one operating segment being that of online sports betting.

Revenue recognition

The Group is involved in the provision of online betting services focusing on Esports. Revenues of £2,376 (2018 £Nil) from the provision of these services are recognised in profit or loss at the time services are rendered. Revenue is the net amounts of bets placed less winning bets returned.

Expenses

The Group recognises expenses in the Profit and Loss account on an accruals basis.

Functional and presentation currency

The financial statements are presented in sterling ("GBP"), which is the Group's functional currency. All amounts disclosed in the financial statements and notes have been rounded off to the nearest one pound units unless otherwise stated

Foreign Exchange

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Impairment

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The difference between the carrying amount and recoverable amount is charged to profit or loss.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amounts. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

Financial instruments

The Group classifies its financial assets and liabilities at fair value through profit or loss, or as loans and receivables and other financial liabilities measured at amortised cost depending on the purpose for which the financial assets and liabilities were acquired or incurred. Management determines the classification of its financial instruments at initial recognition.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

All financial assets and liabilities designated as fair value through profit or loss are measured at their fair values and gains and losses related to periodic revaluations are recorded in the statement of comprehensive income. All financial assets designated as loans and receivables, as well as financial liabilities designated as other financial liabilities, are initially measured at their fair values and subsequently at their amortised cost using the effective interest rate method.

Financial instruments consist of cash and cash equivalents, restricted cash, trade receivables, amounts due from other group companies, amounts due to other group companies and trade and other payables. All financial instruments are classified as fair value through profit or loss except for trade receivables and trade and other payables which are classified as loans and receivables and other financial liabilities

Property, plant and equipment

Property and equipment are stated at historical cost less depreciation. Depreciation is computed by the straight line method over the estimated useful life of the assets as follows:

Office equipment – 2 years

Computer servers – 5 years

Intangible assets

The intangible assets represent a domain name and Cryptographic assets. The domain name is stated at cost less impairment losses and in the opinion of the directors has an indefinite useful life.

Cryptographic assets

Cryptographic assets consist of crypto currencies and have been classified under Intangible assets as per IAS38. All Crypto currencies held have active markets available and so can be revalued to market price. The assets are held at fair value, being the original cost of the crypto currency and any revaluation adjustment. Any gain or loss on disposal or revaluation is transferred to the profit and loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade and other debtors

Trade and other debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Leases

Identifying a lease:

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

Initial recognition and measurement:

At the commencement date of the lease (the date on which the underlying asset is available for use) the Group recognizes a "right-of-use" asset and a lease liability.

The cost of the right-of-use asset includes:

- the amount of the lease liability as initially measured;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;

an estimate of costs to be incurred in dismantling and removing the underlying asset.

The Group depreciates the right-of-use assets on a straight-line basis for the shorter of: the useful life of the right-of-use asset and the lease term.

The right-of-use assets are presented on a separate line in the Statement of Financial Position, and their depreciation is presented in depreciation expense in the Statement of Comprehensive Income.

The lease liability includes the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease;
- amounts expected to be payable by the lessee under residual value guarantees.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined or with the Group's incremental borrowing rate, which is the rate of interest that would apply if the entity had to borrow the funds over a similar term, with a similar security, in a similar economic environment.

Lease payments are comprised of a certain portion of the finance costs (interest) and a corresponding portion of the lease liability (principal). Finance costs are charged to the Statement of Comprehensive Income on a systematic basis during the period of the lease so as to achieve a constant interest rate on the remaining outstanding part of the principal of the lease liability.

Subsequent measurement

The Group has selected to apply the cost model for all of its right-of-use assets. The assets are measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurements of the lease liability.

The Group subsequently measures the lease liability by:

- increasing the carrying amount to reflect the accrued interest;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessments of lease
- Accounting for lease reassessments and lease modifications

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Lease (continued)

Following lease reassessment, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is lower, any remaining amount of the remeasurement is recognized in profit or loss.

A lessee shall account for a lease modification as a separate lease if both:

- The modification increase the scope of the lease by adding the right to use one or more underlying assets;
- and

The consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract

Payments in relation to short-term leases and leases of low value assets, as well as variable lease payments, which are not included in the lease liability, are directly expensed in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Income Tax

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Related party transactions

Monetary related party transactions in the normal course of operations are recorded at fair value, and transactions between related parties not in the normal course of operations are recorded at the carrying value as recorded by the transferor.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group also elected to adopt the following amendments early:

- Definition of Material – Amendments to IAS 1 and IAS 8.

The Group elected to adopt the following IFRS early:

-IFRS 16 Leases, effective for reporting periods beginning on or after 1 January 2019, was adopted from 1 January 2018. Early adoption was permitted.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group.

- Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors": Definition of Material (in force for annual periods beginning on or after 1 January 2020).
- Amendments to References to the Conceptual Framework in IFRS Standards (in force for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (in force for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 3 "Business Combinations" (in force for annual periods beginning on or after 1 January 2020).
- IFRS 17 "Insurance Contracts" (in force for annual periods beginning on or after 1 January 2021).

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

New standards and interpretations not yet adopted (continued)

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Current and Long-Term Liabilities (effective for annual periods beginning on or after 1 January 2020).

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 Segmental reporting

The Group operates under one operating segment being that of an online esports betting company.

The Groups assets and liabilities can be split geographically between the Isle of Man and Bulgaria as follows

	2019		Unaudited 2018	
	Isle of Man	Bulgaria	Isle of Man	Bulgaria
Non-current assets	108,670	102,662	18,298	138,897
Current assets	1,379,761	70,906	2,141,644	26,693
Current liabilities	(1,524,683)	(120,496)	(6,216,846)	(123,063)
Non-current liabilities	-	(66,122)	-	(70,127)
	<u>(36,252)</u>	<u>(13,050)</u>	<u>(4,056,904)</u>	<u>(27,600)</u>

All of the Group's revenues are from international sources.

4 Revenue

Revenue is derived from the provisions of services for the running of an egaming betting platform. Betting revenue is made up of the net of bets placed less winning bets returned. The analysis of the Group's revenue for the year from continuing operations is as follows:

	2019	Unaudited 2018
	£	£
Bets placed	111,582	-
Winning bets returned	<u>(109,206)</u>	<u>-</u>
Betting revenue	<u>2,376</u>	<u>-</u>

5 Cost of sales

Cost of service providers relates to expenditure within the gaming operations for gaming taxes, licensing fees to gaming providers, costs for payments services via bank and credit cards for deposited bets and payment of winnings and cost of credit card chargebacks. Costs of sales includes:

	2019	Unaudited 2018
	£	£
Platform and service provider fees	35,488	-
Payment service provider fees	2,964	-
Free bets	<u>9,485</u>	<u>-</u>
Total costs of sales	<u>47,937</u>	<u>-</u>

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

	2019	Unaudited 2018
6 Administrative expenses		
Group	£	£
Employment Costs		
Directors remuneration	(53,499)	(134,603)
Salaries	(984,649)	(894,479)
Tax and National Insurance	(108,721)	(82,750)
Pension costs	(2,585)	(5,546)
Share based payments	(175,840)	-
	<u>(1,325,294)</u>	<u>(1,117,378)</u>
Establishment Costs		
Rent	(15,089)	(1,850)
Insurance	(11,900)	(9,496)
Light & Heat	(1,761)	-
Office repairs & renewals	(573)	-
	<u>(29,323)</u>	<u>(11,346)</u>
General administrative expenses		
Consultancy	(334,756)	(190,783)
Hosting costs	(33,129)	-
Contracted services	(109,949)	(98,574)
Software development	(85,326)	(281,052)
Advertising and marketing	(240,528)	(692,223)
IT and computer expenses	(23,685)	(17,092)
Printing and stationery	(2,083)	(1,183)
Telephone	(2,564)	(562)
Subscriptions	(52,969)	(2,749)
Sundry	(29,364)	(27,920)
Legal and professional fees	(350,840)	(148,018)
Audit fees	(31,000)	-
Travel and accommodation	(102,418)	(152,197)
License fees	(35,640)	(23,333)
Expenses paid for related party	(6,420)	(8,350)
Bad and doubtful debts	(28,019)	(474,477)
Amortisation of lease	(25,554)	(16,740)
Depreciation	(32,215)	(6,699)
Loss on disposal of tangible assets	(3,121)	-
	<u>(1,529,580)</u>	<u>(2,141,952)</u>
Finance charges		
Bank charges	(37,128)	(19,697)
Variable lease expenses	-	(3,167)
	<u>(37,128)</u>	<u>(22,864)</u>

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

7 Other income

Group

	2019	Unaudited 2018
	£	£
Interest receivable	623	-
Foreign exchange gains	-	178,236
Cryptographic assets revaluation gains	12,072	-
	<u>12,695</u>	<u>178,236</u>

8 Interest payable and similar expenses

Group

	2019	Unaudited 2018
	£	£
Interest payable	(4,035)	(3,167)
Foreign exchange losses	(11,292)	-
Cryptographic assets revaluation losses	-	(561,428)
	<u>(15,327)</u>	<u>(564,595)</u>

9 Directors' remuneration

Directors' remuneration for the year was as follows

	2019	Unaudited 2018
	£	£
Directors remuneration	<u>53,499</u>	<u>134,603</u>

During 2019 Michael Jon Stevens was issued with 6,144,000 ordinary shares (par value £0.01) and Lars-Kristian Engum Lien was issued 6,072,000 ordinary shares (par value £0.01) at nil consideration. The total charge taken to the profit and loss was as follows;

	2019	2019	Unaudited 2018	2018
	No: of shares	£	No: of shares	£
Share based payments	<u>12,216,000</u>	<u>122,160</u>	<u>-</u>	<u>-</u>

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

10 Taxation

The companies in the Isle of Man are liable to tax at the standard rate of 0% (2018: 0%) in the Isle of Man and there is no tax liability at 31 December 2019. The income of the Bulgarian subsidiary is taxed at the regular rate of 10% (2018: 10%). The tax charge in Bulgaria is calculated as follows:

	2019	Unaudited 2018
	£	£
Current tax on profits for the year	(2,001)	(6,334)
Deferred taxes	656	2,715
Total tax expenses recognised in Statement of profit or loss and other comprehensive income	<u>(1,345)</u>	<u>(3,619)</u>

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the combined entities as follows:

	2019	Unaudited 2018
	£	£
Loss before tax	<u>(2,969,518)</u>	<u>(3,679,899)</u>
Tax calculated at the domestic rates applicable to profits in the respective countries	(1,262)	(4,389)
Deferred tax	656	2,715
Expenses not deductible for tax purposes	<u>(739)</u>	<u>(1,945)</u>
Tax charge	<u><u>(1,345)</u></u>	<u><u>(3,619)</u></u>

The balance on the deferred tax asset is attributable to:

	2019	Unaudited 2018
	£	£
Right of use assets	267	-
Employee related	<u>3,213</u>	<u>2,715</u>
Total deferred tax assets	<u>3,480</u>	<u>2,715</u>

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

11 Leases

11.1 Right of use offices	2019	Unaudited 2018
	£	£
Right-of-use of offices under Lease contract from Jan 2018		
– Lease Contract 1 (LC1)	42,077	51,578
Depreciation	(10,495)	(9,501)
Currency translation	(1,621)	-
Right-of-use of office under LC1 at 31 December	29,961	42,077
 Right-of-use offices under Lease contract from May 2018 -		
Lease Contract 2 (LC2)	47,053	54,292
Depreciation	(10,952)	(7,239)
Currency translation	(1,812)	-
Right-of-use of office under LC2 at 31 December	34,289	47,053
 Right-of-use offices under Lease contract from May 2019 -		
Lease Contract 3 (LC3)	29,034	-
Depreciation	(4,107)	-
Right-of-use of office under LC3 at 31 December	24,927	-
 Carrying amount of right-of-use assets at 31 December	89,177	89,130

11.2 Lease liabilities	2019	Unaudited 2018
	£	£
Lease Contract 1	31,756	42,981
Lease Contract 2	36,106	47,506
Lease Contract 3	23,925	-
Total	91,787	90,487
 Current	25,665	20,360
Non-current	66,122	70,127

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

11 Lease (continued)

11.3 Lease contracts

	Contract 1	Contract 2	Contract 3
Category of asset	Land and Buildings	Land and Buildings	Land and Buildings
Annual interest rate	4%	4%	4%
Monthly instalment	912	960	514
Periodicity of instalments	monthly	monthly	monthly
Starting period	1 st Feb 2018	1 st May 2018	1 st April 2019
Lease duration	12 months	12 months	12 months
Extension period	48 months	48 months	48 months
Duration including extension period	60 months	60 months	60 months
	£	£	£
NPV of the lease at the beginning of the contract	49,591	52,201	27,840
Interest expense on lease liabilities since inception	3,045	3,045	870
	52,636	55,246	28,710
Total cash outflow for leases	(20,880)	(19,140)	(4,785)
Lease liability at 31 December 2019	31,756	36,106	23,925
Interest charge for 2019	1,305	1,740	870
Total cash outflow for leases for 2019	(10,785)	(11,310)	(4,785)

11.4 Significant estimates

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

12 Tangible fixed assets

Group	Computer & office equipment	Total
31 December 2019	£	£
Cost		
At 1 January 2019	42,539	42,539
Additions	91,286	91,286
Disposals	(6,922)	(6,922)
Currency translation	(1,167)	(1,167)
As at 31 December 2019	<u>125,736</u>	<u>125,736</u>
Accumulated depreciation		
At 1 January 2019	6,699	6,699
Charge for the year	32,215	32,215
Disposals	(3,850)	(3,850)
Currency translation	(70)	(70)
As at 31 December 2019	<u>34,994</u>	<u>34,994</u>
Net book value	<u>90,742</u>	<u>90,742</u>
Unaudited	Computer & office equipment	Total
31 December 2018	£	£
Cost		
At 1 January 2018	2,107	2,107
Additions	40,432	40,432
Disposals	-	-
As at 31 December 2019	<u>42,539</u>	<u>42,539</u>
Accumulated depreciation		
At 1 January 2018	-	-
Charge for the year	6,699	6,699
Disposals	-	-
As at 31 December 2018	<u>6,699</u>	<u>6,699</u>
Net book value	<u>35,840</u>	<u>35,840</u>

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

13 Intangible Assets

Group

	Domains	Internally generated software	Cryptographic assets	Total
	£	£	£	£
31 December 2019				
Cost				
At 1 January 2019	7,793	21,717	119,856	149,366
Additions	-	-	681,384	681,384
Disposals	-	(21,011)	(802,673)	(823,684)
Revaluations	-	-	12,072	12,072
Currency translation	-	(706)	-	(706)
At 31 December 2019	7,793	-	10,639	18,432

	Domains	Internally generated software	Cryptographic assets	Total
	£	£	£	£
Accumulated amortisation				
At 1 January 2019	-	-	-	-
Charge for the year	-	-	-	-
Disposals	-	-	-	-
At 31 December 2019	-	-	-	-

Net book value	7,793	-	10,639	18,432
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Non Current assets	7,793	-	-	7,793
Current assets	-	-	10,639	10,639
Total	7,793	-	10,639	18,432

	Domains	Internally generated software	Cryptographic assets	Total
	£	£	£	£
Unaudited				
31 December 2018 -				
Cost				
At 1 January 2018	7,793	-	991,364	999,157
Additions	-	21,717	7,993,123	8,014,840
Disposals	-	-	(7,203,113)	(7,203,113)
Revaluations	-	-	(1,661,518)	(1,661,518)
At 31 December 2018	7,793	21,717	119,856	149,366

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

13 Intangible Assets (continued)

Accumulated amortisation	Domains £	Software £	Cryptographic assets £	Total £
At 1 January 2018	-	-	-	-
Charge for the year	-	-	-	-
Disposals	-	-	-	-
At 31 December 2018	-	-	-	-
Net book value	7,793	21,717	119,856	149,366
Non Current assets	7,793	21,717	-	29,510
Current assets	-	-	119,856	119,856
	7,793	21,717	119,856	149,366

14 Debtors

Group

	2019 £	Unaudited 2018 £
Unpaid share capital	46,806	10,000
Directors loan account - current	23,241	8,762
Prepayments and other debtors	104,495	73,003
VAT	53,141	-
	227,683	91,765
Current	207,543	91,765
Non-current	20,140	-
	227,683	91,765

Directors Loan account

Included within the Directors loan account is a loan advance made to Lars-Kristian Engum Lien for £20,000 on 8 October 2019 plus accrued interest of £140. The loan is repayable no later than 7 October 2022 with interest charged at 3% per annum in arrears. The loan is secured against 33,000 shares of Esports Limited. The balance of the current year directors loan is also due from Lars Kristian Engum Lien and these amounts are unsecured, interest free and repayable upon demand.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

15 Creditors: Amounts falling due within one year

Group

	2019	Unaudited 2018
	£	£
Trade creditors	34,221	25,665
Player accounts	4,578	-
Accrued expenses	160,521	41,507
Payroll liabilities and taxes	88,126	131,776
Other creditors	10,150	5,262
VAT	-	8,097
Bulgarian tax	2,175	8,596
Loan from Luckbox Limited	15,017	6,098,646
Convertible loan note	1,304,726	-
	<u>1,619,514</u>	<u>6,319,549</u>

The loan from Luckbox Limited is interest free and only repayable if the financial position of the Group allows. During the year under review £6,041,535 of the loan was forgiven in exchange for 2,000 shares in Real Times Games Holdings Limited (RTGH). Under the terms of the agreement the shares were transferred to Luckbox Limited on 13 May 2019 by the shareholders of RTGH at that time, Michael Jon Stevens and Lars-Kristian Engum Lien, who each transferred 1,000 shares each. £42,094 of the remaining loan balance was repaid in the year.

15a Borrowings

The Company issued 2,250,000 0% convertible loan notes of one Canadian dollar each. Agreement was reached in the second quarter of 2020 that the loan will convert at 0.21 cents per share, for a total of 10,714,298 shares at a date prior to the completion of the transaction with Elephant Hill Capital Inc. referenced in note 23.

16 Cash at bank and in hand

Group

	2019	Unaudited 2018
Cash at bank	1,232,485	1,956,716
	<u>1,232,485</u>	<u>1,956,716</u>

Included in the Group's cash at bank are amounts of £50,004 (2018: £Nil) that are held in a fiduciary capacity and represent customer monies whose use is restricted in terms of the Online Gambling Regulation Act 2001.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

17 Share Capital and Reserves

17a Share Capital

	2019 Number of shares	2019 £
Authorised		
The Company has no limit to the amount of share capital it can issue.		
Ordinary share of GBP 0.01 each:		
Issued		
Fully paid	15,732,872	157,329
Unpaid	80,000	800
	15,812,872	158,129

Ordinary shares have a par value of £0.01. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

As at 31 December 2019 80,000 ordinary shares (par value £0.01) remained unpaid and the, amount due including share premium, is disclosed in note 14.

On 2 September 2019 the company split its shares from par value £1 to par value £0.01. Each single share in issue became 100 shares.

On 2 September the Company issued the two existing shareholders, Michael Jon Stevens and Lars-Kristian Engum Lien, 1,999,900 ordinary shares (par value £0.01) each for nil consideration. The total number of shares issued was 3,999,800 and the Company took a charge of £39,998 to the income statement for the issue of these shares.

On 31 October the Company issued a further 4,000,000 ordinary shares (par value £0.01) to each of Michael Jon Stevens and Lars-Kristian Engum Lien for nil consideration. The total number of ordinary shares issued was 8,000,000 and the Company took a charge to the income statement of £80,000.

On 29 November 2019 the Company issued 1,246,000 ordinary shares (par value £0.01) for CAD 1 each for a total consideration of CAD 1,246,000 (GBP 716,092) as part of a fundraising process. Also issued at this time were 49,840 shares (par value £0.01) also at CAD 1 each for a total consideration of CAD 49,840 (GBP 29,026) as a finders fees.

On 21 December 2019 the Company issued 80,000 shares (par value £0.01) for CAD 1 each for a total consideration of CAD 80,000 (GBP 46,806) in a private placement.

During the year the Company issued 2,365,032 ordinary shares (par value £0.01) for nil consideration under the employee share pool (see note 18 and note 22).

The Company issued convertible loan notes to the value of CAD 2,250,000 in September 2019. Under the terms of the agreement upon completion of the transaction with Elephant Hill Capital Inc. (see note 23) the loan notes will convert at CAD 0.21 per share for a total issue of 10,714,298 ordinary shares.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

17 Share Capital and Reserves (continued)

On 29 November 2019 the Company issued 1,246,000 ordinary shares (par value £0.01) for CAD 1 each for a total consideration of CAD 1,246,000 (GBP 716,092) as part of a fundraising process. Also issued at this time were 49,840 shares (par value £0.01) also at CAD 1 each for a total consideration of CAD 49,840 (GBP 29,026) as a finders fees.

On 21 December 2019 the Company issued 80,000 shares (par value £0.01) for CAD 1 each for a total consideration of CAD 80,000 (GBP 46,806) in a private placement.

Under the terms of a share issue by the Company on 4 November 2019 each ordinary share purchased for CAD 1 also came with a warrant for one half (1/2) of an ordinary share. These warrants can be exercised within two years of the date of the share issue at an exercise price of CAD 1.50 per share. There are 1,295,840 warrants in issue for a total of 647,920 shares. As part of a repricing exercise as part of the transaction with Elephant Hill Capital Inc. (see note 23) the warrants were repriced to have an exercise price of CAD 0.42 instead of CAD 1.50. There were a total of 3,085,339 warrants in issue for a total of 1,542,670 shares.

Under the terms of a share issue by the Company on 21 December 2019 each ordinary share purchased for CAD 1 also came with a warrant for one half (1/2) of an ordinary share. These warrants can be exercised within two years of the date of the share issue at an exercise price of CAD 1.50 per share. There are 80,000 warrants in issue for a total of 40,00 shares. As part of a repricing exercise as part of the transaction with Elephant Hill Capital Inc (see note 23) the warrants were repriced to have an exercise price of CAD 0.42 instead of CAD 1. There were a total of 190,476 warrants in issue for a total of 95,238 shares.

17b Share Premium

The share premium account includes any premiums received on issue of share capital, being the difference between the par value of the share and the amount received for the share. Any transaction costs associated with the issuing of shares are deducted from share premium.

17c Translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

17d Share based payment reserve

The share based payment reserve is used to recognise the grant date of the fair value of shares used.

At the 31 December 2019 this reserve consists solely of shares granted under the employees share pool (see note 18).

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

18 Share based payments

On 1 May 2019 the Company established an employee share pool. Employees and consultants working for the Group could be issued ordinary shares (par value £0.01) from this pool for nil consideration. The total numbers of shares made available to the pool was 10,000,000. Shares are issued according to the contract of the employee but can also be issued at the discretion of management from this pool.

	2019	Unaudited 2018
Number of shares issued	<u>2,149,032</u>	<u>-</u>

At the 31 December 2019 a further 3,218,975 shares had vested under the employee share pool but had not been issued. All shares vesting at 31 December had vested as per the conditions of certain employee and consultancy contracts or discretionary bonus awards of shares that were awarded to some employees in December 2019.

The total expense arising from the share based payment transactions during the period was as follows:

	2019	Unaudited 2018
	£	£
Shares issued in the year employees pool	21,490	-
Shares vested not issued in the year – employee pool	32,190	-
Shares issued to directors – Note 9	<u>122,160</u>	<u>-</u>
Cost of shares issued	<u>175,840</u>	<u>-</u>

19 Capital Contribution

Luckbox Limited was an Isle of Man ("IOM") registered Company and registered as a Designated Business in the IOM under the Designated Business Act. Luckbox Limited redomiciled to the Cayman Islands in April 2019. Luckbox Limited conducted an Initial Coin Offering ("ICO") beginning in September 2017 and concluding in April 2018. From the proceeds of the ICO Luckbox Limited agreed to lend funds to Real Times Games Holdings Limited (RTGH) to enable RTGH to develop Luck Tokens as a method of deposit and withdrawal on the egaming betting platform it operates. The total value of the loan made to RTGH was £6,098,646.

In May 2019 Luckbox Limited agreed to convert its loan into an equity holding in RTGH and the loan was converted to equity and classified as Capital Contribution. The total value of the loan converted to Capital Contribution was £6,041,535.

	2019	Unaudited 2018
	£	£
Capital Contribution from loan conversion	<u>6,041,535</u>	<u>-</u>

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

20 Financial Risk Management and Financial Instruments

1. Financial Risk Management

i) Foreign exchange risk

As at 31 December 2019, the Group's significant foreign exchange currency exposure on its financial instruments by currency was as follows (in GBP equivalents):

Group	BGN	CAD	USD	EUR
Cash at bank	54,376	720,021	-	262,599
Other debtors	16,530	46,806	-	3,241
Trade creditors	(3,045)	-	-	(18,730)
Other liabilities	(91,786)	-	(8,039)	(1,514)
Lease Liabilities	(91,786)	-	-	-
Convertible loan note	-	(1,304,726)	-	-

The table below details the effect on earnings before tax of a 10% strengthening or weakening of the GBP exchange rate at the Statement of Financial Position items denominated in BGN, CAD, USD and EUR:

Currency	10% Strengthening	10% (Weakening)
CAD:GBP exchange rate	(53,790)	53,790
USD:GBP exchange rate	(804)	804
EUR:GBP exchange rate	24,560	(24,560)
BGN:GBP exchange rate	(11,571)	11,571

ii) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables due from related parties.

Credit risk on receivables due from third parties is limited in view of the fact that the Group has only £20,140 (2018: £Nil) of debtors due in more than a year.

As at the reporting date, the maximum credit exposure of the Group's financial assets exposed to credit risk amounted to £70,047 (2018: £18,762). The Group does not have any trade receivable and therefore management do not consider there is much exposure to risk.

iii) Market segment risk

Market segment risk may arise due to adverse changes in legislation relating to internet payment processing or online gambling. The Group is exposed to market segment risk to the extent that legislation impacts operational presence and related revenue streams, which may be significant. The Group manages this exposure through geographical diversification and participation in sources of revenue. The Group closely monitors local legislation in key markets (new or existing) and the Group does not have economic reliance on any one company

iv) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due. The Group's major exposure relates to trade payables and amounts owed to users of its gaming betting platform. The latter are fully supported by segregated cash balances. Management controls and monitors the Group's cash flow on a regular basis, including forecasting future cash flows.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

20 Financial instruments (continued).

Capital Management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide future returns for shareholders and maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2 Fair Values

i) Financial assets and financial liabilities at amortised cost

The carrying amounts of the Group's financial assets and financial liabilities, including cash equivalents, trade receivables, long term receivables and trade and other payables approximate their fair value.

ii) Financial assets at fair value through profit or loss

Level 1 is based on the fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period for identical assets.

Level 2 is based on the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of financial assets held and considered to represent a level 1 fair value measurement, at the end of each reporting period is as follows:

	2019	Unaudited 2018
Cryptographic assets	<u>10,639</u>	<u>119,856</u>

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

21 Interests in other entities

The Group's subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/Country of incorporation	Ownership interest %	Non-Controlling interest %	Principal activities
Esports Tech Limited	Isle of Man	100	-	Dormant
Real Time Games Holdings Limited	Isle of Man	80	20	egaming licensed operator
Real Time Games Services Limited**	Isle of Man	80	20	Gaming services provision
Real Time Games Developments Limited**	Bulgaria	80	20	Software development

** Held through Real Time Games Holdings Limited

21a Business combinations

These combined financial statements combine the results of all the above entities to illustrate the position of the group under common control through 2019, even though they were not yet a legal group until part-way through the financial year ended 31 December 2019.

During the year the Company acquired all the above companies. £8,000 was paid for an 80% holding in RTGH and £1 was paid for the single share issued by Esports Tech Limited. RTGS and RTGD were acquired by virtue of being subsidiaries of RTGH. Subsidiaries are carried in the Company at cost less impairment.

The fair value of identifiable assets and liabilities assumed at each acquisition was as follows

	Date of acquisition	Assets acquired	Liabilities assumed	Total net assets/(liabilities)
Esports Tech Limited	25 April 2019	1	-	1
Real Time Games Holdings Limited	13 May 2019	847,176	(263,447)	583,729
Real Time Games Services Limited	13 May 2019	437,722	(131,470)	306,252
Real Time Games Development Limited	13 May 2019	234,601	(282,227)	(47,626)

22 Related party transactions

i) Parent and ultimate controlling party

The Parent Company is Esports Limited, a Company registered and incorporated in the Isle of Man. There is no one single controlling beneficial owner of Esports Limited. However, it is considered that control is held by Michael Jon Stevens and Lars-Kristian Engum Lien acting in unison at the year end date. This control is no longer considered effective since the year end as the issue of further shares has reduced the percentage of ordinary shares held by them.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

22 Related party transaction (continued)

ii) Transactions with related parties

The Group paid expenses on behalf of Real Times Games Holdings Limited Georgia (RTGHG) in the sum of £2,324 (2018: £3,010). RTGHG was a company incorporated in Georgia and 100% owned by one of Real Time Games Holdings Limited director's with the sole purpose of facilitating a bank account in Georgia for the Group.

The Group paid expenses on behalf of the Luckbox Trust of £4,096 (2018: £5,340). Luckbox Trust is an Isle of Man purpose trust that was established to hold RTGH's end users balances of Luck Tokens. Tokens that are to be held in the Trust were to be held on behalf of the end users of RTGH and do not form part of any of the Group's assets. At 31 December 2019 and 31 December 2018 the Trust did not hold any Luck Tokens.

The Group paid expenses on behalf of the Luckbox Limited of £60,625 (2018: 31,455). Details of Luckbox Limited can be found at Note 19.

The Group has a debtor balance with Lars-Kristian Engum Lien, who was a director of the Company in the year under review of £23,241 (2018: £Nil). Included within the balance is a loan advance for £20,000 on 8 October 2019 plus accrued interest of £140. The loan is repayable no later than 7 October 2022 with interest charged at 3% per annum in arrears. The loan is secured against 33,000 shares of Esports Limited. The remainder of the balance is interest free and repayable upon demand.

iii) Directors' Remuneration and Salaries

The directors' remuneration and salaries for the year was as follows:

	2019	Unaudited 2018
	£	£
Remuneration and salaries	<u>53,499</u>	<u>134,603</u>

On 2 September 2019 the Company issued the two existing shareholders, Michael Jon Stevens and Lars-Kristian Engum Lien, 1,999,900 ordinary shares (par value £0.01) each for nil consideration. The total number of shares issued was 3,999,800 and the Company took a charge of £39,998 to profit and loss for the issue of these shares.

On 31 October 2019 the Company issued a further 4,000,000 ordinary shares (par value £0.01) to each of Michael Jon Stevens and Lars-Kristian Engum Lien for nil consideration. The total number of ordinary shares issued was 8,000,000 and the Company took a charge to profit and loss of £80,000.

On 30 December 2019 the Company made available a further 144,000 ordinary shares (par value £0.01) to Michael Jon Stevens who elected to have these shares issued to members of his family. On the same date the Company made available 72,000 ordinary shares (par value £0.01) to Lars-Kristian Engum Lien who elected to have these shares used to members of his family. The Company took a charge of £2,160 to profit and loss for the issue of these shares.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

23 Subsequent events

i) Covid-19

The COVID-19 pandemic has developed rapidly in 2020 with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Group has taken a number of measures to monitor and mitigate the effects of COVID-19 for Group personnel, including safety and health measures, such as social distancing and facilitating working from home.

As the Group operates in the gaming sector where all activity takes places remotely and online, COVID-19 has to date not negatively affected the Group; however, this may not be the case in the event of a prolonged economic recession.

ii) Transaction with Elephant Hill Capital Inc.

On 11 May 2020 the Company entered into a non-binding Letter of Intent with Elephant Hill Capital Inc. (EHCI), a Capital Pool Company listed on the Toronto Stock Exchange Venture (TSXV) market. The Letter of Intent outlined the general terms and conditions of a proposed transaction that will result in EHCI acquiring all of the issued and outstanding share capital of the Company.

In connection with the proposed transaction the Company and EHCI agreed to complete a brokered private placement of subscription receipts. This placement closed on 19 June 2020 having raised CAD 4,505,874. This has been placed in escrow pursuant to a subscription for 10,728,271 common shares at a price of CAD 0.42 per share and 5,364,136 warrants at CAD 0.63.

The acceptance of this subscription for CAD 4,505,874 by the Company is conditional upon EHCI obtaining acceptance for the conditional listing of the common shares issuable in connection with the Proposed Qualifying Transaction.

Additionally, 544,032 shares as well as 858,211 warrants at CAD 0.42 and 429,101 warrants at CAD 0.63 were issued resulting from agents' fees.

iii) Convertible Loan Notes

On 10 July 2020, the Company signed a non-interest-bearing CAD 500,000 convertible note with Gundyco ITF Expoworld Ltd. This will convert at the same terms as the subscription raise that was completed with EHCI. If the note does not convert it will be repaid on 31 December 2020. A further 95,238 warrants were issued as per a finder's fee arrangement.

On 20 November 2020 the Company signed a non-interest-bearing CAD 1,000,000 convertible note with Gundyco ITF Expoworld Ltd. This convertible note will convert at the same terms as the subscription raise that was completed with EHCI. If the note does not convert it will be repaid on 31 December 2020. A further 125,000 shares will be issued, as per a finder's fee arrangement, upon completion.

Esports Limited

Notes to the Combined Financial Statements for the year ended 31 December 2019 (continued)

23 Subsequent events (continued)

iv) New agreements

On 10 November 2020, ESL entered into an investor relations agreement with Sophic Capital Inc. ("Sophic"). Pursuant to the terms of the agreement, Sophic receives a fee of CAD 8,000 per month for ongoing investor relations services to the Group. In addition, Sophic was granted 300,000 options to acquire ESL shares at a price of CAD 0.42 that vest in four equal tranches every quarter over 12 months commencing on the date of the Proposed Qualifying Transaction. These options will expire on the date that is 36 months following the closing of the Proposed Qualifying Transaction with EHCL.

On 16 November 2020, Ran Kaspi joined the Group as CFO. As part of his employment contract, they will receive 832,500 options to acquire ESL shares at a price of CAD 0.42 that vest in equal tranches every six months over 36 months commencing 16 November 2020.

On 20 November 2020, ESL entered into a service agreement with Native Ads Inc. ("Native"). Pursuant to the terms of the agreement, Native perform strategic digital media services, marketing and data analytics services. Native receives a fee, including advertising costs, for the six month period starting 1 December 2020 of CAD 250,000.

Esports Limited

Detailed Combined Statement of Comprehensive Income Account for the year ended 31 December 2019

	2019 £	Unaudited 2018 £
Bets placed	111,582	-
Winning bets returned	(109,206)	-
Revenue	2,376	-
Cost of sales		
Platform and service provider fees	(35,488)	-
Payment service provider fees	(2,964)	-
Free bets	(9,485)	-
Total costs of sales	(47,937)	-
Gross loss	(45,561)	-
Employment Costs		
Directors remuneration	(53,499)	(134,603)
Salaries	(984,649)	(894,479)
Tax and National Insurance	(108,721)	(82,750)
Pension costs	(2,585)	(5,546)
Share based payments	(175,840)	-
	(1,325,294)	(1,117,378)
Establishment Costs		
Rent	(15,089)	(1,850)
Insurance	(11,900)	(9,496)
Light, heat and power	(1,761)	-
Repairs and renewals	(573)	-
	(29,323)	(11,346)
General administrative expenses		
Consultancy	(334,756)	(190,783)
Hosting costs	(33,129)	-
Contracted services	(109,949)	(98,574)
Software development	(85,326)	(281,052)
Advertising and marketing	(240,528)	(692,223)
IT and computer expenses	(23,685)	(17,092)
Printing and stationery	(2,083)	(1,183)
Telephone	(2,564)	(562)
Subscriptions	(52,969)	(2,749)
Sundry	(29,364)	(27,920)
Legal and professional fees	(350,840)	(148,018)
Audit fees	(31,000)	-
Travel and accommodation	(102,418)	(152,197)
License fees	(35,640)	(23,333)
Expenses paid for related party	(6,420)	(8,350)
Bad and doubtful debts	(28,019)	(474,477)
Amortisation of lease	(25,554)	(16,740)
Depreciation	(32,215)	(6,699)
Loss on disposal of tangible assets	(3,121)	-
	(1,529,850)	(2,141,952)

This page is supplementary to and does not form part of the statutory financial statements.

Esports Limited

Detailed Combined Statement of Comprehensive Income Account for the year ended 31 December 2019 (continued)

	2019	Unaudited 2018
	£	£
Finance charges		
Bank charges	(37,128)	(19,697)
Variable lease expenses	-	(3,167)
	<u>(37,128)</u>	<u>(22,864)</u>
Other Income		
Interest receivable	623	-
Foreign exchange gains	-	178,236
Cryptographic assets revaluation gains	12,072	-
	<u>12,695</u>	<u>178,236</u>
Interest Payable and similar expenses		
Interest payable	(4,035)	(3,167)
Foreign exchange gains	(11,292)	-
Cryptographic assets revaluation losses	-	(561,428)
Interest payable	<u>(15,327)</u>	<u>(564,595)</u>

ESPORTS LIMITED

Management's Discussion and Analysis

For the Period from January 1, 2019 to December 31, 2019

1. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is management's assessment of the results and financial condition of Esports Limited (collectively, "**Luckbox**" or "**we**").

Although Esports Limited was incorporated on April 25, 2019, the consolidated financial statements are for the year ended December 31, 2019 with comparatives for the year ended December 31, 2018. This is due to the fact that on May 13, 2019, Esports Limited, took a controlling interest in Real Time Games Holdings Limited, the previous controlling company of the Luckbox Group. As a result combined financial statements have been prepared for the whole period to illustrate the Group being under common control, even though they were not a legal Group until May 13, 2019.

The date of this management's discussion and analysis ("**MD&A**") is November 27, 2020. Luckbox's comparative amounts in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are stated in Pound sterling, which is Luckbox's functional currency, unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation ("**forward-looking information**"). Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Luckbox to be materially different from any future results, performance or achievements expressed or implied by the forward- looking information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under **RISKS AND UNCERTAINTIES** in this MD&A.

Although Luckbox has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is given as of the date of this MD&A and Luckbox disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

2. DESCRIPTION OF BUSINESS

Esports Limited (“**Luckbox**”) was incorporated under the *Companies Act 2006* (Isle of Man) on April 25, 2019. Luckbox’s Articles of Association were replaced in their entirety on October 30, 2019, and they were amended on June 26, 2020 eliminating any specific founder rights and protections.

Luckbox is an emerging esports betting company. The registered and principal office of Luckbox is located at First Floor, Millenium House, Victoria Road, Douglas, Isle of Man, IM2 4RW.

General Description of the Business

Luckbox is a fully licenced, global online esports betting platform. Esports are professional video game competitions and Luckbox offers users the opportunity to bet on the outcome of these matches much as users bet on traditional sports events such as soccer or tennis. Similarly, Luckbox’s business model is the same as any traditional fixed odds sportsbook - users place bets and Luckbox’s revenue is defined as bets minus wins.

Luckbox, headquartered on the Isle of Man, was awarded a full Isle of Man Gambling Licence (“**IOM Licence**”) by the Isle of Man Gambling Supervision Commission (the “**IOM Regulator**”) on April 26, 2018. The IOM Licence is valid until April 25, 2023.

Luckbox has two wholly-owned subsidiaries, both incorporated under the *Companies Act 2006* (Isle of Man): Esports Tech Limited (“**ETL**”) incorporated on April 25, 2019 and Real Time Games Holdings Limited (“**RTGH**”) incorporated on September 4, 2016. RTGH holds the current IOM Licence utilized in the business of Luckbox issued by the IOM Regulator pursuant to the *Online Gambling Regulation Act 2001* (Isle of Man), as amended.

Real Time Games Services Ltd. (“**RTGS**”) was incorporated under the *Companies Act 2006* (Isle of Man) on October 26, 2017. RTGS is a wholly-owned subsidiary of RTGH and provides marketing, operational, and development services to RTGH.

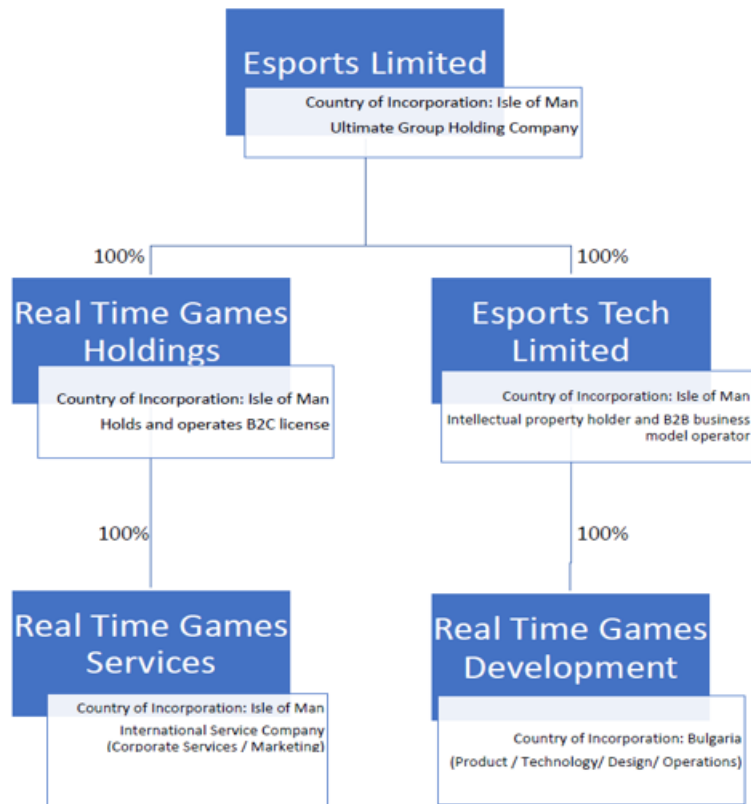
ETL will be the company that manages the future Business-to-Business (B2B) business once this is launched, likely in 2021. It has a wholly-owned subsidiary Real Time Games Development Limited (“**RTGD**”) which was incorporated under the *1991 Commerce Act of Bulgaria* (Bulgaria) on November 22, 2017, which provides operational and development services for RTGH and RTGS having developed the group’s technology platform (“**Platform**”). RTGD was initially wholly owned by RTGS; its sale to ETL occurred on 30th August 2019 and was finally ratified by the Bulgarian Trade Registry on 15th April 2020.

On January 1, 2018, RTGH signed an intercompany agreement with RTGS for the latter to provide accounting and finance services, legal support, human resources, marketing services, administrative services and other services as may be required from time to time and requested or required by RTGH. These services are provided by RTGS to RTGH on a cost plus 5% basis.

On August 1, 2018, RTGS signed an intercompany agreement with RTGD for RTGD to provide software development services, information technology infrastructure services, network management services, and other services as may be required from time to time and requested or required by RTGS. These services are provided by RTGD to RTGS on a cost plus 5% basis, other than with respect to services provided under the intercompany agreement by third parties, which are charged at market rates.

Intercorporate Relationships

N.B. that on December 31, 2019 RTGD was still owned by RTGS



Significant developments during the period

Luckbox soft-launched their esports betting website, www.luckbox.com (the “**Website**”) and began accepting depositing customers on April 25, 2019. Prior to this, since April 2018, Luckbox was developing the technology to build the Website and had no revenue generating products.

Once the Website was live, Luckbox spent the remainder of 2019 in soft launch, spending only \$83,199 on user acquisition, focusing instead on further research and development to improve the Website. Despite this, by December 31, 2019, Luckbox was accepting customers in over 80 countries on both mobile and desktop and had taken \$452,565 in bets.

On September 8, 2019, Luckbox issued a \$2,250,000 convertible note (the “**Avatar Note**”) to Avatar One E-Sports Capital Corp. (“**Avatar**”) and 90,000 Ordinary shares with a par value of £0.01 each in the capital of Luckbox (each, a “**Luckbox Share**”) were issued as per a finder’s fee arrangement upon the issuance of the Avatar Note to Avatar at a price of \$0.21 per Luckbox Share.

On October 21, 2019, the Esportsbook was nominated for Esports Betting Operator of the Year by the SBC Awards¹.

On November 30, 2019 and December 20, 2019, Luckbox, in conjunction with a brokered private placement of 3,085,339 units and a concurrent non-brokered private placement of 190,476 units, each of which closed in two tranches, issued 3,275,815 units with an issue price of \$0.42 per unit for aggregate gross proceeds to Luckbox of \$1,326,000 (the “**Unit Offering**”). The units were comprised of 3,275,815 Luckbox Shares and 1,637,907 whole warrants to purchase Luckbox Shares at an exercise price of \$0.63 for a period of 24 months from the closing (each, a “**Luckbox Subscriber Warrant**”). In connection with the brokered portion of the Unit Offering, Luckbox: (i) entered into an agency agreement dated November 29, 2019 with the broker, Gravitas Securities Inc. (“**Gravitas**”); and (ii) paid Gravitas a cash commission of \$87,220 (equal to 7% of the gross proceeds of the brokered portion of the Unit Offering); and (iii) issued to Gravitas a further 119,048 Luckbox Shares and 221,000 broker warrants (each, a “**Unit Broker Warrant**”) equal to 7% of the aggregate number of units sold pursuant to the brokered portion of the Unit Offering. Each Unit Broker Warrant will entitle the holder thereof to acquire one unit of Luckbox at an exercise price per Unit Broker Warrant equal to \$0.42 for a period of 24 months from the closing, and each such unit is comprised of one Luckbox Share and one half of one Luckbox Share purchase warrant exercisable at \$0.63 for a period of 24 months from the Closing. These financings were initially priced at \$1.00 per unit, with Luckbox Subscriber Warrants having an exercise price of \$1.50 and Broker Warrants of \$1.00; however these were repriced as described above on 8th June 2020.

Operations

Luckbox has several operation teams: (i) product; (ii) development; (iii) customer relationship management; (iv) user acquisition; (v) risk management; and (vi) operations (customer support, fraud prevention, payments, responsible gaming and verifications). Luckbox also has central corporate services functions such as compliance, human resources, legal, payroll and finance.

Luckbox product and development teams operate according to robust best-practice digital development methodologies. Luckbox’s product development pipeline is managed in accordance with the overall company strategy and is expected to exceed 10% of the cost base going forward as Luckbox continues to update and improve its product offering.

The product and customer relationship management (“**CRM**”) teams closely monitor retention and monetization KPIs to ascertain how to retain, reactivate, and upsell customers through a combination of lifecycle communications, always-on anti-churn campaigns, live operation promotions and VIP programs.

The user acquisition team focuses on acquiring new customers (those who make a first deposit), evaluating each marketing channel to ascertain cost per acquisition (“**CPA**”) and contrasts it to the segment’s lifetime value (“**LTV**”) to continually optimise and enhance positive return on investment channels and to discontinue channels that are underperforming. This team works closely with the product and CRM teams to ensure end-to-end campaign management.

The operations team covers a wide variety of tasks such as customer support, fraud prevention, payments, responsible gaming and verifications. Many of these functions are directly linked to meeting compliance requirements associated with being licenced by the IOM Regulator. These include ensuring

¹ <https://blog.luckbox.com/luckbox-in-the-running-for-prestigious-industry-award-41dfbd2188dc>

that Luckbox is fully compliant with responsible gaming regulation, which also includes preventing under-age people from gaming, combating the financing of terrorism (“**CFT**”) and meeting all anti-money-laundering requirements (“**AML**”). The operations team also is responsible for full customer due diligence functions.

The payments, fraud prevention and verification teams are interlinked. These teams monitor all new registrations that are flagged as a result of Luckbox’s internal security algorithms as well as all first time depositing customers and for any deposits and withdrawals that are flagged by Luckbox’s payments algorithms.

Our head of compliance and money-laundering reporting officer (“**MLRO**”) reviews all suspicious activity reports, many of which concern either AML or CFT reports, reviews all customers that have been flagged as a politically-exposed person or are on a sanctions list, as well as all escalations concerning responsible gaming. The Luckbox head of compliance and MLRO works closely with the IOM Regulator in this regard.

The Luckbox group’s human resources, legal, payroll and finance functions are similar to all businesses, and are performed by a combination of in-house administration and accounting resources and outsourced services to meet the Luckbox group’s needs.

Products

In conjunction with the application for the IOM License in September 2017, the board and management of RTGH determined that the development of its betting platform would be built on a strategic vision stated simply as ‘esports betting done right’. In addition, the RTGH board identified three key requirements early (relying on market research) for its betting platform, which are: (i) esports bettors wanted a dedicated, modern user experience and user interface; (ii) in order to succeed it would be necessary to offer betting on as close to 100% of all esports matches as possible; and (iii) the platform needed to support multiple-currencies.

None of the standard B2B esports betting platforms available for Luckbox to consider as suppliers at the time could meet all three requirements. After a lengthy due diligence and business development period, the board of RTGH determined that the best solution for each element could be achieved through either commercial arrangements with third party suppliers or through developing bespoke solutions in house. RTGH retained the services of a best-of-breed third party supplier to develop the Platform’s player account management system (the “**PAM**”) on August 15, 2018. RTGH retained the services of a best-of-breed third party supplier to develop the Platform’s payments and sportsbook solution on November 1, 2018. RTGH, for its contribution to achieving the best solution for each element, focused on developing the underlying Platform itself as well as a fully bespoke user interface.

The Platform’s current infrastructural setup is the result of two years of iterative improvements, a steady increase in automation and continuous monitoring and inspection. In production, the Platform now has a fully-featured and self-hosted private cloud, running on Luckbox’s own hardware servers, located in a best-of-breed third party datacenter on The Isle of Man. It is composed of two server clusters. The first being a Kubernetes-based compute cluster, and the second being a Ceph-based storage cluster.

The Luckbox custom-built proprietary software stack consists of a number of inter-connected, fully autonomous microservices, orchestrated in a dynamic information network that can easily be scaled to accommodate various usage patterns. Considered as a whole, the collection of microservices is

consumed through the facade of a unified back-end information and data service by the front-end. This culminates in a single-page web application with full mobile support and rich customer user interface.

Luckbox's proprietary software enables the usage of external third-party data and service providers in a way, which prevents vendor lock-in and allows for straightforward service interchangeability.

Luckbox currently only offers its Esportsbook, fixed odds esports betting, as its sole product vertical on the Platform. Luckbox routinely has one of the broadest offerings, if not the broadest among its competitors, with respect to the number of matches that can be bet upon, and the number of betting markets for each match. This broad offering is coupled with the ability for participants to watch the streams, chat and bet on 80%+ of in-play (meaning they are being played live) matches in real time on both desktop and mobile.

Luckbox offers fixed odds esports betting. Fixed odds means that at the time the bet is placed, there is an exact probability, provided by Luckbox, and thus an exact payout. The risk is taken by Luckbox and is managed in-house by Luckbox's risk management team.

Luckbox conducts its own risk management and has two primary risk management strategies. The first is player profiling. For example, customers who have a long history of betting with Luckbox on a variety of events tend to have higher betting limits, whereas a brand new customer who deposits \$10,000 and tries to bet it all on an obscure third tier qualifier league in Vietnam would be treated as highly suspicious and their bet amounts would be limited by the Platform. Along these lines, Luckbox will also manage player limits of players who abuse information that is not publicly available or, simply put, win too frequently. Secondly, risk is managed at an event level. For large events, where there is a lot of data available to ensure more robust odds and where the prize pools are large enough to ensure few, if any, integrity issues, Luckbox uses its highest betting limits; for smaller events, like regional qualifiers, where data is sparse and prize pools small, Luckbox uses much lower limits to mitigate risk.

The Esportsbook is fully bespoke, built by RTGD. It has been translated into six languages (English, German, Portuguese, Russian, Spanish and traditional Chinese). It uses third party services that provide the esports data from which Luckbox built all of its esports statistic widgets, as well as the live streams. Luckbox uses the IOM Licence to operate the Esportsbook. Various third parties are used to meet the IOM Regulator's ongoing customer verification ("KYC") requirements.

There are four key parts of the existing B2C Esportsbook and Platform that are outsourced. The Esportsbook outsources the PAM, the payment platform, the sportsbook engine, and the odds creation. With the exception of odds creation, and to a certain extent the sportsbook engine, Luckbox management believes the outsourcing of these elements is prudent. There is nothing unique to esports regarding the PAM needs, hence the decision by Luckbox to outsource to a best-of-breed third party supplier rather than to focus efforts on building out PAM functionality itself. Likewise for the Esportsbook's payment platform, Luckbox has retained the services a best-of-breed third party supplier.

Industry Overview

In 2019, global esports revenue totalled \$1.4 billion and esports betting revenue, the largest revenue stream in all of esports, was \$1.25 billion globally and growing at a rapid 44% CAGR as the Generation-XYZ demographic gains disposable income. So far in 2020, due to the COVID-19 related lockdown and the cancellation of many traditional sporting events, the growth in esports and esports betting has been

even higher. In 2019, there were 225 million esports viewers in 2019 and this was expected to grow to 276 million by 2022.

Esports betting benefits from underlying industry trends, while remaining game and publisher agnostic and, therefore, it is immune to title-specific popularity shifts. Esports betting is the single biggest category in esports today, with revenues greater than the total remaining esports revenue. In most jurisdictions, esports betting uses the same licencing and infrastructure as the existing traditional sports betting industry.

In 2019, the global esports audience was forecast to have grown to 453.8 million (representing +15%YoY growth); Newzoo estimate the average annual revenue per fan will grow to \$7.95 by 2022; there were 885 major esports events in 2019 alone. The number of pro athletes in esports has been growing at a rate of 43% per year since 1998. Esports is proving resilient to COVID-19 - Popular esports streaming platform Twitch is showing growth 67% YoY viewership growth in July 2020, while a similar streaming site, Facebook Gaming, has grown 215% YoY. 18-25 year olds watch more computer games than traditional sports – the esports industry is growing rapidly and is already more popular than traditional sports among the younger generations. It is Luckbox management's belief that the natural progression is, like in traditional sports, people can bet on the outcomes of these events and, as esports gains popularity and as more esports events take place each year, so also does the amount of esports betting.

Regulatory Overview

There are broadly two types of gaming licences in the world: (i) local; and (ii) multi-jurisdictional (or point-of-supply). Local licences are jurisdiction-specific and permit holders to offer gaming services to residents of that jurisdiction while preventing unlicensed entities from doing so. Currently there are over 30 jurisdictions which require a licence to provide gaming services to their respective residents, including the United Kingdom and Nevada. Multi-jurisdictional licences enable gaming companies to operate in territories which do not expressly prohibit offshore gaming operators by relying on the well-established general principle of e-commerce and Internet law that deems online product offerings to take place where the operator's server and/or the operator itself is established and located. This principle is widely relied upon by offshore online gaming operators as well as by many other e-commerce businesses.

In general, local licences are costly (can be many millions of dollars per year). The benefits to local licences include strong player protections, good access to marketing channels and regulated mandatory payment processors. Also, the large upfront costs of acquiring a local licence, as well as the high maintenance costs, provide a substantial barrier to entry for competitors of incumbent licenced operators.

In contrast, multi-jurisdictional licences offer faster access to market. In some jurisdictions such as Curaçao, a licence may be acquired in as little as two weeks with relatively little compliance and regulatory measures. At the other end of the spectrum, licences from Malta and Isle of Man are similar to the strictest of local licences such as in the United Kingdom in the amount of compliance required, as well as player protections.

Luckbox chose to start with an IOM Licence for a number of reasons, including its reputation, legitimacy and its focus on player protections.

As Luckbox expands its business, it intends to enter multiple additional licenced jurisdictions and has built its Platform with a view to facilitating the addition of new licences. Coupled with Luckbox's management

team's experience working with over 20 regional licences, management believes the IOM Licence provides Luckbox with a key competitive advantage in being to add new licences more easily and more quickly than many of its competitors.

Acquisition of assets

Luckbox has not completed any significant acquisitions or dispositions during the Period from January 1, 2019 to December 31, 2019.

Financings

On September 8, 2019, Luckbox issued a 0% interest, \$2,250,000 convertible note. The note was converted on September 30, 2020 into a total of 10,714,298 Luckbox Ordinary Shares with a par value of £0.01 each in the capital of Luckbox at a deemed price of \$0.21 per Luckbox Share.

On November 29, 2019, the company raised \$1,246,000 at \$1.00 per unit; a unit consisted of an ordinary share and half a warrant. These warrants can be exercised within two years of listing on an exchange at an exercise price of \$1.50 per share.

During the year the Company issued 2,365,032 ordinary shares for nil consideration under the employee share pool at GBP £0.01 per share.

Financial Review

The following financial data prepared in accordance with IFRS in Pound sterling is presented for the years ended December 31, 2019 and 2018 (on a consolidated basis).

	December 31, 2019	December 31, 2018
Total Revenue	£ 2,376	£ -
Cost of Sales	(47,937)	-
Gross Margin	(45,561)	-

Expenses

	£	£
Administrative expenses	(2,921,325)	(3,293,540)
Other income	12,695	178,236
Interest payable and similar expenses	(15,327)	(564,595)
Tax payable	(1,345)	(3,619)
Total expenses	£ (2,925,302)	£ (3,683,518)
Net loss for the year	£ (2,970,863)	£ (3,683,518)

Year ended December 31, 2019, compared to year ended December 31, 2018 (on a consolidated basis)

Revenues

For the year ended December 31, 2019, revenues amounted to £2,376 as compared £- for the year ended December 31, 2018. Revenue increased from nil to £2,376 from 2018 to 2019 however, revenue is derived from the provisions of services for the running of an egaming betting platform. Betting revenue is made up of the net of bets placed less winning bets returned. The analysis of the Group's revenue for the year from continuing operations is as follows:

	2019	2018
	£	£
Bets placed	111,582	-

Winning bets returned	(109,206)	-
Betting revenue	2,376	-

Cost of sales

For the year ended December 31, 2019, cost of sales amounted to £47,937 as compared to £- for the year ended December 31, 2018.

Cost of sales increased from nil to £47,937 from 2018 to 2019 as the betting platform went live during the year. Cost of sales relates to expenditure within the gaming operations for gaming taxes, licensing fees to gaming providers, costs for payments services via bank and credit cards for deposited bets and payment of winnings and cost of credit card chargebacks. Costs of sales includes:

	2019	2018
	£	£
Platform and service provider fees	35,488	-
Payment service provider fees	2,964	-
Free bets	9,485	-
Total costs of sales	47,937	-

Expenses

For the year ended December 31, 2019, expenses amounted to £2,925,302 as compared to £3,683,518 for the year ended December 31, 2018. Expenses reduced by £758,216 (20.6%) from 2018 to 2019 as the betting platform had gone live during 2019 therefore there was a reduction in expenses such as software development, advertising and marketing costs. Other significant reductions in expenses were due to bad debts of £474,447 in 2018 reducing to £28,019 in 2019 and also there was a loss of £561,428 in relation to revaluation losses on cryptographic assets in 2018 which resulted in a gain of £12,072 in 2019.

Net income/loss for the year

For the year ended December 31, 2019, the net **loss** amounted to £(2,970,863) as compared to a loss of £(3,683,518) for the year ended December 31, 2018. The net losses reduced by £712,655 (19.3%) from 2018 to 2019 which was mainly due to the reduction in expenses detailed above. The betting platform also went live during 2019 which resulted in the company starting to reduce revenue which will increase year on year, which is already evident throughout 2020.

3. Selected Annual Information

Luckbox was incorporated on April 25, 2019 and has been in existence for less than a fiscal year. Therefore, there is no applicable annual information available.

4. LIQUIDITY

The financial statements have been prepared on a going concern basis which assumes that Luckbox will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of Luckbox are dependent upon its ability to continue to raise adequate financing and to increase revenues until our operations are profitable.

As at December 31, 2019, Luckbox has total assets of £1,661,999 and working capital of £(194,512).

Period ended December 31, 2019

During the period ended December 31, 2019, Luckbox's overall position of cash and cash equivalents **decreased** by £(724,231). This **decrease** in cash can be attributed to the following:

Luckbox's net cash used in operating activities during the period ended December 31, 2019 was £ (2,787,907). The main contributor to the negative net cash used in operating activities is due to the operating loss for the year detailed above of £2,966,886. The net cash used in operating activities is broken down as follows:

Operating loss for the year	(2,966,886)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortisation	57,769
Loss on disposal of assets	3,121
Share based payments	175,840
Changes in:	
Increase in other debtors	(135,918)
Increase/(Decrease) in trade creditors	8,556
Increase in other liabilities	70,312
Increase in lease liabilities	1,300

Tax expense	<u>(2,001)</u>
Net cash used in operating activities	<u>(2,787,907)</u>

Cash used in investing activities for the period ended December 31, 2019 was £29,525. The main contributing factors to the cash used in investing activities related to the acquisition and disposal of intangible assets, predominantly cryptographic assets. The net cash used in investing activities is broken down as follows:

Interest received	623
Acquisition of tangible assets	(91,286)
Acquisition of intangible assets	(681,384)
Acquisition of right of use assets	(29,034)
Disposal of tangible assets	6,922
Disposal of intangible assets	<u>823,684</u>
Net cash inflows from investing activities	<u>29,525</u>

Cash generated by financing activities during the period ended December 31, 2019 was £2,050,523. The main contributing factors to the cash generated by financing activities related to the issue of £791,926 ordinary shares and £1,304,726 convertible loan notes. The net cash generated by financing activities is broken down as follows:

Finance costs	(4,035)
Issue of ordinary shares and other equity securities	791,926

Loans received	-
Loans repaid	(42,094)
Issue of convertible loan note	1,304,726
Net cash inflows from financing activities	2,050,523

In addition to the above there was also (£16,372) in relation to the effects of exchange and revaluation differences.

5. CAPITAL RESOURCES

The Company is almost wholly dependent on equity or debt financing to operate until it becomes cashflow positive. There can be no assurance that financing, whether debt or equity, will be available to Luckbox in the amount required at any particular time or for any particular period, or, if available, that such financing can be obtained on terms satisfactory to Luckbox (see *Section 14 – Risks & Uncertainties*).

At December 31, 2019, Luckbox's capital resources consisted primarily of \$2,250,000 debt from the Avatar note on September 8, 2019 and \$1,326,000 equity from the Unit Offering received on November 30, 2019 and December 20, 2019.

6. OFF BALANCE SHEET ARRANGEMENTS

Luckbox has not entered into any off-Balance Sheet arrangements.

7. TRANSACTIONS BETWEEN RELATED PARTIES

Key Management Personnel

Luckbox's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of Luckbox. Key management personnel include members of the Board of Directors, Chief Executive Officer and Chief Financial Officer. Compensation of key management personnel may include short-term and long-term benefits. Short-term benefits include salaries, bonuses and consulting fees. Long-term benefits include stock options vesting. Compensation provided to current and former key management are as follows:

2019	2018
£	£

Remuneration and salaries

53,499

134,603

Quentin Martin is the CEO of Luckbox and the proposed Chief Executive Officer and a director of the Resulting Issuer. Mr. Martin has over a decade of experience in digital leadership across e-commerce, betting, and mobile gaming. Most recently as general manager at PokerStars (TSX: TSGI) and previously as CEO of PSW Ventures, a successful e-commerce site. His experience is reinforced with a past life as a professional gamer in early esports, poker and Magic the Gathering. Mr. Martin holds a Bachelor's degree from University College London and an MBA from the University of Warwick.

Ran Kaspi is the Chief Financial Officer of Luckbox and the proposed Chief Financial Officer of the Resulting Issuer. Mr. Kaspi has over 15 Years of experience in corporate finance, business analytics and financial planning in various roles with international listed companies. Up until recently served as the Chief Financial Officer of an ASX listed company, ParaZero Ltd., which develops drone safety solutions. Prior to his role at ParaZero Ltd., Mr. Kaspi served as Finance Director of Global-e, a top European provider of seamless cross-border e-commerce solutions. Mr. Kaspi brings substantial online gaming experience following five and a half years at the London Stock Exchange listed 888.com where he led the economic and performance team. Mr. Kaspi holds an MBA degree in Finance from Tel-Aviv University in Israel and a BA in Economics and Management. Mr. Kaspi is licensed by the Israeli Securities Authority.

Michael Stevens is currently the Corporate Secretary and a director of the Resulting Issuer. Mr. Stevens is a professional poker player, crypto trader and investor. Mr. Stevens is also a gambling focussed entrepreneur who co-founded GambleGeek: a UK sports-centric affiliate marketing website. Formerly Operations Manager at PokerStars (TSX: TSGI) covering poker, game integrity, customer support and product launches.

Drew Green is a proposed director of the Resulting Issuer. Mr. Green is Chief Executive Officer of Indochino Inc., one of the top 500 e-Commerce companies in North America; founder and chairman of Emerge; and was selected as Entrepreneur of the Year 2018 by Ernst and Young. It is expected that, following completion of the Proposed Qualifying Transaction, Mr. Green will devote 5% of his working time towards the affairs of the Resulting Issuer.

Maruf Raza is a proposed director of the Resulting Issuer. Mr. Raza is the National Director of MNP LLP's Public Companies practice and an Assurance Partner in the Toronto office. Mr. Raza serves as an advisor to public companies and private companies planning on going public through direct initial public offerings or reverse mergers. Mr. Raza currently serves on the PDAC-CPA Canada joint Mining Task Force. Mr. Raza also serves as a director to a TSX listed company and has been a past board chair of a TSX-V listed company. It is expected that, following completion of the Proposed Qualifying Transaction, Mr. Raza will devote 5% of his working time towards the affairs of the Resulting Issuer.

Mr. Melnick is a proposed director of the Resulting Issuer. Mr. Melnick is the Executive Vice President, Casino at VGW Holdings Ltd., leading the Chumba Casino team – a North American focused social casino company. A serial builder of businesses (senior leadership on three exits worth over \$700 million), successful in big (Disney (NYSE: DIS), Stars Group (LON: FLTR), Zynga (NASDAQ: ZNGA)) and small companies (Merscom LLC., Spooky Cool Labs LLC.) with over 20 years' experience in the gaming and casino space. It is expected that, following completion of the Proposed Qualifying Transaction, Mr. Melnick will devote 5% of his working time towards the affairs of the Resulting Issuer.

Transactions with related parties

The Group paid expenses on behalf of Real Times Games Holdings Limited Georgia (RTGHG) in the sum of £2,324 (2018: £3,010). RTGHG was a company incorporated in Georgia and 100% owned by one of Real Time Games Holdings Limited directors, with the sole purpose of facilitating a bank account in Georgia for the Group.

The Group paid expenses on behalf of the Luckbox Trust of £4,096 (2018: £5,340). Luckbox Trust is an Isle of Man purpose trust that was established to hold RTGH's end users balances of Luck Tokens. Tokens that are to be held in the Trust were to be held on behalf of the end users of RTGH and do not form part of any of the Group's assets. At 31 December 2019 and 31 December 2018 the Trust did not hold any Luck Tokens.

The Group paid expenses on behalf of the Luckbox Limited of £60,625 (2018: 31,455).

The Group has a debtor balance with Lars-Kristian Engum Lien, who was a director of the Company in the year under, review of £23,241 (2018: £Nil). Included within balance is a loan advance for £20,000 on 8 October 2019 plus accrued interest of £140. The loan is repayable no later than 7 October 2022 with interest charged at 3% per annum in arrears. The loan is secured against 33,000 shares of Esports Limited. The remainder of the balance is interest free and repayable upon demand.

On 2 September the Company issued the two existing shareholders, Michael Jon Stevens and Lars-Kristian Engum Lien, 1,999,900 ordinary shares (par value £0.01) each for nil consideration. The total number of shares issued was 3,999,800 and the Company took a charge of £39,998 to profit and loss for the issue of these shares.

On 31 October the Company issued a further 4,000,000 ordinary shares (par value £0.01) to each of Michael Jon Stevens and Lars-Kristian Engum Lien for nil consideration. The total number of ordinary shares issued was 8,000,000 and the company took a charge to profit and loss of £80,000.

On 30 December the Company made available a further 144,000 ordinary shares (par value £0.01) to Michael Jon Stevens who elected to have these shares issued to members of his family. On the same date the Company made available 72,000 ordinary shares (par value £0.01) to Lars-Kristian Engum Lien who elected to have these shares used to members of his family. The Company took a charge of £2,160 to profit and loss for the issue of these shares.

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES

Luckbox's financial instruments consist of cash and cash equivalents, short term deposits, accounts receivables, other receivables and inventory and trade payables and other accounts payable. Unless otherwise noted, it is management's opinion that Luckbox is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Management understands that Luckbox is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates as its operations are located in the Isle of Man, and Luckbox's functional and presentation currency is the Pound sterling. Luckbox does not use derivative instruments to reduce its exposure to foreign currency risk.

Luckbox is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objectives of the Board are to set policies that seek to reduce risk as far as possible without unduly affecting Luckbox's competitiveness and flexibility.

The type of risk exposure and the way in which such exposure is managed is as follows:

a) Credit risk

Luckbox has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments is remote.

b) Liquidity Risk

Luckbox's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its financial obligations as they fall due. Luckbox's major exposure relates to trade payables and amounts owed to users of its gaming betting platform. The latter are fully supported by segregated cash balances. Management controls and monitors the Group's cash flow on a regular basis, including forecasting future cash flows.

As at December 31, 2019, Luckbox had a working capital balance, on a consolidated basis, of £(194,512) (December 31, 2018 - £(4,171,572)). To further clarify, the reason working capital is negative is due to (£1,304,726) from the Avatar Note. As a result, Luckbox currently has little exposure to liquidity risk.

c) Market Risk

Market segment risk may arise due to adverse changes in legislation relating to internet payment processing or online gambling. The Group is exposed to market segment risk to the extent that legislation impacts operational presence and related revenue streams, which may be significant. The Group manages this exposure through geographical diversification and participation in sources of revenue. The Group closely monitors local legislation in key markets (new or existing) and the Group does not have economic reliance on any one company.

d) Interest rate risk

Luckbox has cash and short-term investments and no interest-bearing debt. Luckbox's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. Luckbox periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

e) Foreign currency risk

Luckbox is exposed to foreign exchange risk as its operations are conducted primarily in Euro.

Foreign Exchange Risk (FX Risk, Exchange Rate Risk or Currency Risk) is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the Group. The Group is exposed to the following types of risk:

- Transaction exposure – Arising from revenues and expenses in foreign currency
- Translation exposure from the revaluation of foreign assets and liabilities

Transaction exposure

It is Group policy to ensure that foreign currency denominated liabilities are broadly matched by foreign currency denominated assets, primarily cash deposits. This is generally achieved by sales currency into the functional currency required by the operating companies at spot rates. Foreign exchange impacts therefore arise on the retranslation of their income and expense into their functional currency for Group reporting purposes.

While the Group generally maintained a naturally hedged balance sheet, as described in the preceding paragraph, it remains exposed to exchange rate risk in respect of its expected future foreign currency denominated income and expenses in its operations.

Translation exposure

Is balance sheet exposure that results from the consolidation of financial statements of foreign entities into the reporting currency of the group. The Group does not hedge these risks as there is no expectation that these foreign entities will not remain part of the Group.

f) Fair Values

The carrying values of short term deposits, trade account receivable other receivables, inventory, trade accounts payable and other accounts payables approximate their fair values due to their short terms to maturity.

The cash, short term investments and investments are valued using quoted market prices in active markets.

9. CRITICAL ESTIMATES AND JUDGMENTS

The preparation of Luckbox's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of Luckbox's financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates in Luckbox's financial statements include amortisation of intangible assets, depreciation of tangible assets and recoverability of debtors. By their nature, estimates and assumptions are subject to measurement uncertainty and the effect on Luckbox's financial statements of changes in estimates in future periods could be significant.

10. NEW ACCOUNTING POLICIES ADOPTED

In the current year, Luckbox has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") that are mandatorily effective for an accounting period that begins on or after December 31, 2018. The application of these amendments has had no material impact on the disclosures in Luckbox's financial statements

11. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future accounting periods. Many are not applicable to or do not have a significant impact on Luckbox and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on Luckbox.

The IASB issued new standards and amendments, but are not yet effective:

Amendments to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

IAS 1 has been amended to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

IFRS 11 has been amended to provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash- generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

12. COMMITMENTS

Luckbox is committed under a lease agreement with respect to its office premises located in Plovdiv, Bulgaria, with no expiration date. The commitment for the year ended 2018 is £90,487. The commitment for the year ended 2019 is £91,787.

13. OTHER INFORMATION

Luckbox has 34,202,061 ordinary shares, 3,795,222 warrants, 10,847,320 subscription receipts (with 5,423,660 underlying warrants) and 1,132,500 stock options outstanding as of the date of this MD&A. In addition to CAD \$1,500,000 of convertible notes that will convert as part of the anticipated merger with EHCI for a further 3,571,428 ordinary shares and 1,785,714 warrants.

14. RISKS AND UNCERTAINTIES

Risk Factors Relating to Luckbox

Luckbox has a Limited Operating History

Luckbox began carrying on business in its current capacity on April 25, 2019 and has not yet generated material income. Luckbox is, therefore, subject to many of the risks common to early- stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that Luckbox will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations. Luckbox's lack of operating history may also make it difficult for investors to evaluate Luckbox's prospects for success and there is no guarantee that Luckbox's business model will continue to achieve its strategic objectives.

Negative Cash Flow from Operations

During the fiscal year ended December 31, 2019, Luckbox had negative cash flows from operating activities. Although Luckbox anticipates it will have positive cash flows from operating activities in future periods, to the extent that Luckbox has negative cash flows in any future period, certain of the net proceeds from the financing may be used to fund such negative cash flows from operating activities, if any.

Uncertainty of Luckbox's Future Revenues

Although management is optimistic about Luckbox's prospects, there is no guarantee that expected outcomes and sustainable revenue streams will be achieved. Luckbox faces risks frequently encountered by early-stage companies. In particular, its growth and prospects depend on its ability to expand its operation and grow its revenue streams, whilst at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on Luckbox's business, financial condition and results.

Global Economic Risk

The ongoing economic slowdown and downturn of global capital markets (in particular as a result of the current outbreak of the novel coronavirus ("**COVID-19**") and the global COVID-19 pandemic) has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, Luckbox is subject to liquidity risks in meeting development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact Luckbox's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to Luckbox. If uncertain market conditions persist, Luckbox's ability to raise capital could be jeopardized, which could have an adverse impact on Luckbox's business and operations.

COVID-19 Risk

Luckbox's business could be significantly and adversely affected by the effects of any widespread global outbreak of contagious disease. A significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn and cancellation of esports events that could affect demand for Luckbox's services and likely impact operating results. In particular, the recent outbreak of COVID-19 has had a negative impact on global financial conditions. Luckbox cannot accurately predict the impact COVID-19 will have on Luckbox's ability to remain open for business in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their obligations with Luckbox, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries, and future demand of Luckbox's products and services. In the event that the prevalence of the coronavirus continues to increase (or fears in respect of the coronavirus continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and Luckbox's operations, suppliers, customers and distribution channels, and ability to advance its projects, could be adversely affected. In particular, should any employees or consultants of Luckbox become infected with COVID-19 or similar pathogens, it could have a material negative impact on Luckbox's operations and prospects.

Changing Economic Conditions

The demand for entertainment and leisure activities, including esports betting and gaming, more generally, can be highly sensitive to changes in consumers' disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond Luckbox's control. Unfavourable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and increasing fuel or transportation costs or the perception by customers of weak or weakening economic conditions, may reduce customers' disposable income or result in fewer individuals engaging in entertainment and leisure activities, such as esports betting or online gaming. As a result, Luckbox cannot ensure that demand for its product and service offerings will remain constant. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities, such as esports betting and gaming. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could adversely affect the demand for Luckbox's product offerings, reducing its cash flows and revenues. If Luckbox experiences a significant unexpected decrease in demand for its product offerings, its business may be harmed.

Risks Associated with Acquisitions

As part of Luckbox's overall business strategy, Luckbox may pursue select strategic acquisitions, which would provide additional product and service offerings, vertical integrations, additional industry expertise and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from Luckbox's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions, in particular where cost synergies are not achieved or where significant additional regulatory risk or costs are associated with the entry into new jurisdictions as a result of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing customers resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Operational Risks

Luckbox will be affected by a number of operational risks and Luckbox may not be adequately insured for certain risks, including labour disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, difficulty obtaining banking and payment processing for companies involved in online gambling, difficulty in obtaining gaming licences for gaming platforms, changing online gaming regulatory environment with previously open markets becoming closed, or adopting prohibitive regulations, markets adopting point of consumption tax regimes that can render some markets less lucrative over time, cost of player acquisition and likelihood to recoup value based on player lifetime values, impact of non-compliance with laws and regulations, natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in personal injury or death, environmental damage, adverse impacts on Luckbox's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on Luckbox's future cash flows,

earnings and financial condition. Also, Luckbox may be subject to or affected by liability or sustain loss for certain risks and hazards against which Luckbox cannot insure or which Luckbox may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on Luckbox's future cash flows, earnings, results of operations and financial condition.

Cybersecurity Risks

Luckbox's operations involve the storage and transmission of customer data, including personally identifiable information, and security incidents could result in unauthorized access to, the loss of, or unauthorized disclosure of such information. To mitigate cybersecurity risks, Luckbox has built a technical team headed by Alexander Ivanov which has designed and maintains Luckbox's technology platform from a security perspective. Luckbox does not currently have cybersecurity insurance.

Although Luckbox has security systems in place and what it deems sufficient security around its system to prevent unauthorized access, it must ensure that it continually enhances security and fraud protection within its platform, and if Luckbox is unable to do so it may become subject to liability for privacy breaches or consequences that result from any unanticipated incident. As a result of advances in computer capabilities, new discoveries in the field of cryptography or other developments, a compromise or breach of Luckbox's security precautions may occur. The techniques used to obtain unauthorized, improper or illegal access to Luckbox's systems, data or customers' data and to sabotage its system are constantly evolving and may be difficult to detect quickly. An information breach in Luckbox's system and loss of confidential information such as credit card numbers and related information, or interruption in the operation of the Luckbox applications, could have a longer and more significant impact on Luckbox's business operations than any hardware failure. A compromise in Luckbox's security system could severely harm its business by the loss of its customers' confidence in it and thus the loss of their business. Luckbox may be required to spend significant funds and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. However, protection may not be available at a reasonable price, or at all. Any failure to adequately comply with necessary protective measures could result in fees, penalties and/or litigation. Concerns regarding the security of e-commerce and the privacy of customers may also inhibit the growth of the Internet as a means of conducting commercial transactions. This may result in a reduction in revenues and increase operating expenses, which would prevent Luckbox from achieving profitability.

Financial Projections May Prove Materially Inaccurate or Incorrect

Luckbox's financial estimates, projections and other forward-looking information accompanying this MD&A were prepared by Luckbox without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking statements. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should inquire of Luckbox and become familiar with the assumptions underlying any estimates, projections or other forward-looking statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events.

There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operational expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results Luckbox and its subsidiaries might achieve.

Difficulty to Forecast

Luckbox must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the esports betting and gaming industries. A failure in the demand for its services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of Luckbox.

Industry Competition Generally

There is potential that Luckbox will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than Luckbox. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of Luckbox. To remain competitive, Luckbox will require a continued high level of investment in marketing, sales and customer relationship management and support.

Competition in Esports Betting Industry

The industry within which Luckbox operates is rapidly evolving and intensely competitive, and is subject to changing technology, shifting customer needs and frequent introductions of new offerings. Luckbox's potential competitors include large and established companies as well as other start-up companies. Such competitors may spend more money and time on developing and testing products and services, undertake more extensive marketing campaigns, adopt more aggressive pricing or promotional policies or otherwise develop more commercially successful products or services than Luckbox, which could negatively impact its business. Furthermore, new competitors, whether licenced or not, may enter Luckbox's key product and/or geographic markets. There is no assurance that Luckbox will be able to maintain or grow its position in the marketplace.

As a result of the foregoing, among other factors, Luckbox will have to continually introduce and successfully market new and innovative technologies, product and service offerings and product and service enhancements to remain competitive and effectively stimulate customer demand, acceptance and engagement. The process of developing new product and service offerings and systems is inherently complex and uncertain, and new product and service offerings may not be well received by customers, even if well-reviewed and of high quality. Furthermore, Luckbox may not recover the often substantial up-front costs of developing and marketing new technologies and product and service offerings, or recover the opportunity cost of diverting management and financial resources away from other technologies and product or service offerings. Additionally, if Luckbox cannot efficiently adapt its processes and infrastructure to meet the needs of its product and service offering innovations, its business could be negatively impacted.

Reliance on Third Parties

Luckbox is reliant to an extent on third parties, including information technology service providers. Luckbox's success is partially dependent on its ability to attract and retain quality service providers. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships or failure to engage third party service providers could be detrimental to the future business, operating results and/or profitability of Luckbox. Moreover, Luckbox's financial performance will be significantly determined by its success in

adding, retaining and engaging information technology service providers, which could adversely affect the business of Luckbox.

Management of Growth

Luckbox may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Luckbox to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of Luckbox to deal with this growth may have a material adverse effect on Luckbox's business, financial condition, results of operations and prospects.

Reliance on Management

The success of Luckbox will be dependent upon the ability, expertise, judgment, discretion and good faith of its key executives, including the directors and officers of Luckbox and a small number of highly skilled and experienced executives and personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Luckbox's business, operating results, or financial condition. The competition for highly skilled technical, management and other employees in Luckbox's industry is high and there can be no assurance that Luckbox will be able to engage or retain the services of such qualified personnel in the future.

Risks Relating to Insurance

Luckbox intends to insure its operations in accordance with technology industry practice. However, given the novelty of esports gambling and associated businesses, such insurance may not be available, uneconomical for Luckbox, or the nature or level may be insufficient to provide adequate insurance cover. Further, Luckbox intends to insure against cyber-theft or hacking attacks. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on Luckbox.

Brand development

The brand identity that Luckbox has developed has significantly contributed to the success of its business. Maintaining and enhancing the "Luckbox" brand is critical to expanding Luckbox's customer base and potential B2B clients. Luckbox believes that the importance of brand recognition will increase due to the relatively low barrier to entry in the industry. The "Luckbox" brand may be negatively impacted by a number of factors, including software malfunctions, and data privacy and security issues. If Luckbox fails to maintain and enhance its brand, or if Luckbox incurs excessive expenses in this effort, it could have a material adverse effect on Luckbox's prospects, business, financial condition, and results of operations. Maintaining and enhancing the "Luckbox" brand will depend largely on Luckbox's ability to continue to provide high-quality products and services, which Luckbox may not continue to do successfully.

Risks Relating to Cryptocurrency Transactions

As it is currently intended that Luckbox will accept cryptocurrencies such as Bitcoin and Ethereum as a payment for certain products or services on its platform, the risks associated with participating in cryptocurrency transactions should be discussed here. Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred tokens may be irretrievable. Coin transactions are not, from an

administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of a coin or a theft of coin generally will not be reversible and Luckbox may not be capable of seeking compensation for any such transfer or theft. Although Luckbox's transfers of tokens will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft or criminal action, cryptocurrencies could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect Luckbox's operations. The factors affecting the further development of the industry, include, but are not limited to:

- the continued worldwide growth in the adoption and use of cryptocurrencies;
- governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- negative consumer sentiment and perception of cryptocurrencies.

Risks Factors Related to Regulation of Luckbox's Business

Esports Betting Industry is Heavily Regulated

Luckbox and its officers, directors, major shareholders, key employees and business partners will generally be subject to the laws and regulations relating to online gaming of the jurisdictions in which Luckbox may conduct business, as well as the general laws and regulations that apply to all e-commerce businesses, such as those related to privacy and personal information, tax and consumer protection. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on Luckbox's operations and financial results. In particular, some jurisdictions have introduced regulations attempting to restrict or prohibit online gaming, while others have taken the position that online gaming should be licenced and regulated and have adopted or are in the process of considering legislation to enable that to happen. Even where a jurisdiction purports to licence and regulate online gaming, the licencing and regulatory regimes can vary considerably in terms of their business-friendliness and at

times may be intended to provide incumbent operators with advantages over new licencees. As such, some “liberalized” regulatory regimes are considerably more commercially attractive than others.

Regulatory regimes imposed upon gaming providers vary by jurisdiction. Typically, however, most regulatory regimes include the following elements:

- a requirement for gaming license applicants to make detailed and extensive disclosures as to their beneficial ownership, their source of funds, the probity and integrity of certain persons associated with the applicant, the applicant’s management competence and structure and business plans, the applicant’s proposed geographical territories of operation and the applicant’s ability to operate a gaming business in a socially responsible manner in compliance with regulation;
- interviews and assessments by the relevant gaming authority intended to inform a regulatory determination of the suitability of applicants for gaming licenses;
- ongoing reporting and disclosure obligations, both on a periodic and ad hoc basis in response to material issues affecting the business;
- the testing and certification of software and systems, generally designed to confirm such things as the fairness of the gaming products offered by the business, their genuine randomness and ability to accurately generate settlement instructions and recover from outages;
- the need to account for applicable gaming duties and other taxes and levies, such as fees or contributions to bodies that organize the sports on which bets are offered, as well as contributions to the prevention and treatment of problem gaming; and
- social responsibility obligations.

Any gaming licence may be revoked, suspended or conditioned at any time, and the industry has recently experienced significantly more enforcement actions, particularly in the United Kingdom, where the Gambling Commission has issued fines against numerous operators for regulatory failings. The loss of a gaming licence in one jurisdiction could trigger the loss of a gaming licence or affect Luckbox’s eligibility for such a licence in another jurisdiction, and any of such losses, or potential for such loss, could cause Luckbox to cease offering some or all of its product offerings in the impacted jurisdictions. Luckbox may be unable to obtain or maintain all necessary registrations, licences, permits or approvals, and could incur fines or experience delays related to the licencing process, which could adversely affect its operations. The determination of suitability process may be expensive and time-consuming. Luckbox’s delay or failure to obtain gaming licences in any jurisdiction may prevent it from distributing its product offerings, increasing its customer base and/or generating revenues. A gaming regulatory body may refuse to issue or renew a gaming licence if Luckbox, or one of its directors, officers, employees, major shareholders or business partners: (a) are considered to be a detriment to the integrity or lawful conduct or management of gaming; (b) no longer meet a licencing or registration requirement; (c) have breached or are in breach of a condition of licensure or registration or an operational agreement with a regulatory authority; (d) have made a material misrepresentation, omission or mis-statement in an application for licensure or registration or in reply to an inquiry by a person conducting an audit, investigation or inspection for a gaming regulatory authority; (e) have been refused a similar gaming licence in another jurisdiction; (f) have held a similar gaming licence in that province, state or another jurisdiction which has been

suspended, revoked or cancelled; or (g) has been convicted of an offence, inside or outside of a particular jurisdiction that calls into question the honesty or integrity of Luckbox or any of its directors, officers, employees or associates.

Additionally, Luckbox's product and service offerings must be approved in most regulated jurisdictions in which they are offered and will likely need to undergo third party testing by a certified testing lab. Such testing can be costly and time consuming, and this process cannot be assured or guaranteed. Obtaining these approvals is a time-consuming process that can be extremely costly. A developer and provider of online gaming products may pursue corporate regulatory approval with regulators of a particular jurisdiction while it pursues technical regulatory approval for its product offerings by that same jurisdiction. It is possible that after incurring significant expenses and dedicating substantial time and effort towards such regulatory approvals, Luckbox may not obtain either of them. If Luckbox fails to obtain the necessary gaming licence in a given jurisdiction, it would likely be prohibited from distributing and providing its product offerings in that particular jurisdiction altogether. If Luckbox fails to seek a licence, does not receive a licence, or receives a suspension or revocation of a licence in a particular jurisdiction for its product offerings (including any related technology and software) then it cannot offer the same in that jurisdiction and its gaming licences in other jurisdictions may be impacted. Furthermore, some jurisdictions require licence holders to obtain government approval before engaging in some transactions, such as business combinations, reorganizations, stock offerings and repurchases. Luckbox may not be able to obtain all necessary gaming licences in a timely manner, or at all. Delays in regulatory approvals or failure to obtain such approvals may also serve as a barrier to entry to the market for Luckbox's product offerings. If Luckbox is unable to overcome the barriers to entry, it will materially affect its results of operations and future prospects.

There can be no assurance that legally enforceable prohibiting legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to Luckbox's business to prohibit, legislate or regulate various aspects of the Internet, e-commerce, payment processing, or the online gaming industries. Compliance with any such legislation may have a material adverse effect on Luckbox's business, financial condition and results of operations.

Complex and Evolving Regulatory Environment for Online Gaming Industry

In addition to regulations governing online gaming, Luckbox will be subject to a variety of laws and regulations domestically and abroad that involve the Internet, e-commerce, privacy and protection of data and personal information, rights of publicity, acceptable content, intellectual property, advertising, marketing, distribution, data and information security, electronic contracts and electronic communications, competition, protection of minors, consumer protection, unfair commercial practices, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance and online payment and payment processing services. Luckbox may introduce new products or services, expand its activities in certain jurisdictions, or take other actions that may subject it to additional laws, regulations or other government scrutiny. For example, Luckbox will handle, collect, store, retrieve, transmit and use confidential, personal information relating to its customers and personnel for various business purposes, including marketing and financial purposes. Luckbox may share this personal or confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of its business, combating fraud or for marketing purposes.

These laws, regulations and legislation, along with other applicable laws and regulations, which in some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws

and regulations, including pre-existing laws regulating communications and commerce in the context of the Internet and e-commerce, are often uncertain, particularly in the new and rapidly evolving industry in which Luckbox operates, and may be interpreted and applied inconsistently across jurisdictions and inconsistently with its future policies and practices.

Legislators and regulators also look beyond online gaming regulations specifically to implement restrictive measures on online gaming. In certain jurisdictions, this has included restrictions on payment processing, internet blocking, account and identity verification requirements, and similar measures. For example, in June 2010, Norway enacted a law prohibiting the remittance of monies from Norwegian bank accounts to gaming operators and in November 2017, a Russian bill requiring certain banks and payment processors within Russia to block transactions between Russian-based customers and off-shore online gaming operators became law. Furthermore, restrictions on gambling advertising have been recently introduced in various jurisdictions. In July 2018, Italy passed legislation banning gambling advertising in various forms, with the ban extending to in-game advertising and sponsorships of sports or cultural events beginning on July 1, 2019. Such regulations, if not appropriately mitigated, could materially adversely affect Luckbox's business, results of operations or financial condition.

In addition, such restrictive measures may impact the ability or desire of third-party suppliers, including payment processors, to provide services to Luckbox globally or in certain jurisdictions. A supplier could require Luckbox, as a condition of its continued use of the supplier's products and services, to restrict access from customers in certain jurisdictions. Such third-party restrictions could affect the manner in which Luckbox provides its products or services in certain jurisdictions and adversely affect its financial results due to, among other things, the potential need to determine whether to change suppliers, which may not be on as favorable terms, or comply with the supplier's requested restrictions.

Luckbox is also vulnerable to developments in intellectual property laws and/or political, legislative, regulatory developments that may seek further liability to pay royalties, integrity fees or other types of levy to the organizers of esports events or data right owners, which arise from the concept of the so-called "right-to-bet", where the organizers of sporting events and competitions and those claiming to have data rights in relation to such events seek to obtain a share of the revenue gaming operators generate on such events and competitions. In all such cases, the level of any such royalty, fee or levy will be outside Luckbox's control. Luckbox cannot predict with any certainty what further payments may be required in the future and what other additional resources may need to be made available to address the conditions on which royalties, fees or other levies may be imposed, as well as sports integrity issues.

These laws and regulations, as well as any changes to the same and any related inquiries, investigations or any other government actions, may be costly to comply with and may delay or impede new product development, result in negative publicity, increase Luckbox's operating costs, require significant management time and attention, and subject it to remedies that may harm its business, including fines or demands or orders that modify or cease certain or all existing business practices, such as limiting its use of personal information to add value for customers, or implement costly and burdensome compliance measures. Any such consequences could adversely affect Luckbox's business, results of operations or financial condition.

Social Responsibility Concerns

Public opinion can significantly influence the regulation of online gaming. A negative shift in the perception of online gaming by the public or by politicians, lobbyists or others could affect future legislation or regulation in different jurisdictions. Among other things, such a shift could cause

jurisdictions to abandon proposals to legalize online gaming, thereby limiting the number of new jurisdictions into which Luckbox could expand. Negative public perception could also lead to new restrictions on or to the prohibition of online gaming in jurisdictions in which Luckbox may operate.

In addition, concerns with safer betting and gaming could lead to negative publicity, resulting in increased regulatory attention, which may result in restrictions on Luckbox's future operations. If Luckbox had to restrict its future marketing or product offerings or incur increased compliance costs, this could have a material adverse effect on its business, results of operations, financial condition and prospects. Luckbox will likely face scrutiny related to environmental, social, governance and responsible gaming activities, and its reputation and the value of its brands can be materially adversely harmed if it fails to act responsibly in a number of areas, such as environmental, supply chain management, climate change, diversity and inclusion, workplace conduct, responsible gaming, human rights, philanthropy and support for local communities. Any harm to Luckbox's reputation could impact employee engagement and retention, and the willingness of future customers and Luckbox's partners to do business with it, which could have a materially adverse effect on its business, results of operations and cash flows.

Luckbox may be subject to regulatory investigations

From time to time, Luckbox may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance with laws and other matters. Violation of existing or future regulatory orders or consent decrees could subject Luckbox to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause Luckbox to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

Risks Factors Related to Luckbox's Industry

Success of Esports Betting Products not Guaranteed

The esports betting industry is characterized by elements of chance. Accordingly, Luckbox employs theoretical win rates to estimate what a certain type of esports bet, on average, will win or lose in the long run. Net win is impacted by variations in the hold percentage (the ratio of net win to total amount wagered), or actual outcome. Luckbox uses the hold percentage as an indicator of an esports bet's performance against its expected outcome. Although each esports bet generally performs within a defined statistical range of outcomes, actual outcomes may vary for any given period. In addition to the element of chance, win rates (hold percentages) may also (depending on the game involved) be affected by the spread of limits and factors that are beyond Luckbox's control, such as a customer's skill, experience and behavior, the mix of games played, the financial resources of customers, the volume of bets placed and the amount of time spent gambling. As a result of the variability in these factors, the actual win rates of esports bets may differ from the theoretical win rates we have estimated and could result in the winnings of Luckbox's customers exceeding those anticipated. The variability of win rates (hold rates) also have the potential to negatively impact Luckbox's financial condition, results of operations, and cash flows.

Luckbox's success also depends in part on its ability to anticipate and satisfy customer preferences in a timely manner. Luckbox will operate in a dynamic environment characterized by rapidly changing industry and legal standards, and its products will be subject to changing consumer preferences that

cannot be predicted with certainty. Luckbox will need to continually introduce new offerings and identify future product offerings that complement its existing platforms, respond to its customers' needs and improve and enhance its existing platforms to maintain or increase customer engagement and growth of its business. Luckbox may not be able to compete effectively unless its product selection keeps up with trends in the digital sports entertainment and gaming industries, or trends in new gaming products.

Luckbox will rely on information technology and other systems and platforms, and any failures, errors, defects or disruptions in its systems or platforms could diminish its brand and reputation, subject it to liability, disrupt its business, affect its ability to scale technical infrastructure and adversely affect its operating results and growth prospects. Luckbox's software applications and systems, and the third-party platforms upon which they are made available could contain undetected errors. Luckbox's technology infrastructure will be critical to the performance of its platform and offerings and to customer satisfaction. Luckbox devotes significant resources to network and data security to protect systems and data. However, Luckbox's systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to its business. Luckbox cannot ensure that the measures it takes to prevent or hinder cyber-attacks and protect its systems, data and user information and to prevent outages, data or information loss, fraud and to prevent or detect security breaches, including a disaster recovery strategy for server and equipment failure and back-office systems and the use of third parties for certain cybersecurity services, will provide absolute security. Luckbox has experienced, and may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. Such disruptions have not had a material impact on the Luckbox; however, future disruptions from unauthorized access to, fraudulent manipulation of, or tampering with Luckbox's computer systems and technological infrastructure, or those of third parties, could result in a wide range of negative outcomes, each of which could materially adversely affect Luckbox's business, financial condition, results of operations and prospects.

Additionally, Luckbox's products may contain errors, bugs, flaws or corrupted data, and these defects may only become apparent after their launch. If a particular product offering is unavailable when customers attempt to access it or navigation through the Luckbox platforms is slower than they expect, customers may be unable to place their bets and may be less likely to return to Luckbox's platforms as often, if at all. Furthermore, programming errors, defects and data corruption could disrupt operations, adversely affect the experience of Luckbox's customers, harm Luckbox's reputation, cause customers to stop utilizing Luckbox platforms, divert resources and delay market acceptance of Luckbox offerings, any of which could result in legal liability to Luckbox or harm its business, financial condition, results of operations and prospects.

If Luckbox's customer base and engagement continue to grow, and the amount and types of offerings continue to grow and evolve, it will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy customers' needs. Such infrastructure expansion may be complex, and unanticipated delays in completing these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of Luckbox's offerings. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after Luckbox has started to fully use the underlying equipment or software, that could further degrade the customer experience or increase its costs. As such, Luckbox could fail to continue to effectively scale and grow its technical infrastructure to accommodate increased demands.

Failure to Retain or Add Customers

The financial performance of Luckbox will be significantly determined by its success in adding, retaining, engaging and monetizing active customers of its product offerings, in particular high-value, net-depositing customers (primarily recreational players). If people do not perceive Luckbox's product offerings as enjoyable, reliable, relevant and trustworthy it may be unable to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. A number of other online gaming companies that achieved early popularity have since seen their active customer bases or levels of engagement decline. Any number of factors could potentially negatively affect customer retention, growth and engagement, including if:

- Luckbox fails to introduce, or delays the introduction of, new products or services (whether developed internally, licensed or otherwise obtained or developed in conjunction with third parties) that customers find engaging or that work with a variety of operating systems or networks, or if it introduces new products or services, including using technologies with which it has little or no prior development or operating experience, or changes to its existing products or services, that are not favorably received by customers;
- customers have difficulty installing, updating or otherwise accessing Luckbox's product offerings on desktops or mobile devices as a result of actions by it or third parties that it relies on to distribute and deliver its product offerings, or Luckbox fails to price its product offerings competitively or provide adequate customer service;
- there are decreases in customer sentiment about the quality of Luckbox's product offerings or concerns related to privacy, safety, security or other factors, or technical or other problems prevent Luckbox from delivering its product offerings in a rapid and reliable manner or otherwise affecting the customer experience, such as security breaches or failure to prevent or limit spam or similar content;
- new industry standards or games are adopted or customers adopt new technologies where Luckbox's product offerings may be displaced in favor of other products or services, may not be featured or otherwise available, or may otherwise be rendered obsolete and unmarketable;
- there are adverse changes in Luckbox's product offerings that are mandated by legislation, regulatory authorities or litigation, including settlements, or Luckbox does not obtain applicable regulatory or other approvals or renewals of such approvals to offer, directly or indirectly, its product offerings in new or existing jurisdictions;
- Luckbox adopts policies or procedures related to areas such as customer data and information that are perceived negatively by its customers or the general public;
- Luckbox elects to focus its customer growth and engagement efforts more on longer-term initiatives, or if initiatives designed to attract and retain customers and engagement are unsuccessful or discontinued, whether as a result of actions by Luckbox, third parties or otherwise;
- customers increasingly engage with the products or services of Luckbox's competitors; or
- Luckbox or other companies in the industries in which it operates are the subject of adverse media reports or other negative publicity.

If Luckbox is unable to maintain or increase its customer base or engagement, or effectively monetize its customer base's use of its product offerings, its revenue and financial results may be adversely affected. Any decrease in customer retention, growth or engagement could render Luckbox's products less attractive to customers.

Reliance on Third-Party Networks

The delivery of Luckbox's offerings and a significant portion of Luckbox's revenues will be dependent on the continued use and expansion of third-party-owned communication networks, including wireless networks and the Internet. No assurance can be given as to the continued use and expansion of these networks as a medium of communications for Luckbox.

As it relates to its mobile platforms, Luckbox will be dependent on the interoperability of such platforms with popular mobile operating systems, technologies, networks and standards that it does not control, such as the Android and iOS operating systems, and any changes, bugs, technical or regulatory issues in such systems, Luckbox's relationships with mobile partners, manufacturers and carriers, or in their terms of service or policies that degrade Luckbox's product offerings' functionality, may reduce or eliminate its ability to distribute its product offerings, give preferential treatment to competitive products, limit its ability to deliver high quality product offerings, or impose fees or other charges related to delivering its product offerings. The foregoing may adversely affect its product usage and monetization on mobile devices. If it is difficult or unfavorable for Luckbox's customers to access and use its product offerings on their mobile devices, or if its customers choose not to access or use its product offerings on their mobile devices or use mobile products that do not offer access to its product offerings, its customer growth and engagement could be harmed, which could adversely affect its results of operation.

In addition, increasing traffic, customer numbers or bandwidth requirements may result in a decline in Internet (or a subset thereof, including in particular mobile Internet) performance and/or Internet reliability. Internet outages or delays or loss of network connectivity may result in partial or total failure of Luckbox's offerings, additional and unexpected expenses to fund further development or to add programming personnel to complete a development project, loss of revenue which could have a material adverse effect on Luckbox's prospects, business, financial condition or results of operations.

Litigation

Luckbox may be subject to litigation claims through the ordinary course of its business operations or otherwise, regarding, among other things, employment matters, tax matters, security of customer and employee personal information, third-party contracts, marketing, intellectual property right infringement, its current and former operations and the operations of businesses it may acquire in the future prior to their respective acquisitions. Litigation to defend Luckbox against claims by third parties, or to enforce any rights that it may have against third parties, may be necessary, which could result in substantial costs and diversion of its resources, causing a material adverse effect on its business, financial condition and results of operations. Given the nature of Luckbox's business, it may from time to time in the future be, party to various, and at times numerous, legal, administrative and regulatory inquiries, investigations, proceedings and claims that arise in the ordinary course of business, as well as potential class action lawsuits. Because the outcome of such legal matters is inherently uncertain, if one or more of such legal matters were to be resolved against Luckbox for amounts in excess of management's expectations or any applicable insurance coverage or indemnification right, or if such legal matters result in decrees or orders preventing it from offering certain features, functionalities, products or services, or requires that it changes its development process or other business practices, its results of operations and financial condition could

be materially adversely affected. Any litigation to which Luckbox may be a party may result in an onerous or unfavourable judgment that may not be reversed upon appeal, or in payments of substantial monetary damages or fines, the posting of bonds requiring significant collateral, letters of credit or similar instruments.

Intellectual Property may be Insufficient

Luckbox's success may depend on its ability to obtain trademark protection for the names or symbols under which it markets its product offerings and to obtain copyright protection of its proprietary technologies, other game innovations and creative assets. Luckbox may not be able to build and maintain goodwill in its trademarks or obtain trademark protection. There can be no assurance that any trademark or copyright will provide competitive advantages for Luckbox or that its intellectual property will not be successfully challenged or circumvented by competitors.

Source codes for Luckbox's technology may receive protection under international copyright laws. However, for many third parties who intend to use Luckbox source codes without its consent, the presence of copyright protection in the source codes alone may not be enough of a deterrent to prevent such use. As such Luckbox may need to initiate legal proceedings following such use to obtain orders to prevent further use of the source code.

Luckbox may also rely on trade secrets and proprietary know-how. Although Luckbox will generally require its employees and independent contractors to enter into confidentiality and intellectual property assignment agreements, it cannot be assured that the obligations therein will be maintained and honoured. If these agreements are breached, it is unlikely that the remedies available to Luckbox will be sufficient to compensate it for the damages suffered even if it promptly applies for injunctive relief. In spite of confidentiality agreements and other methods of protecting trade secrets, Luckbox's proprietary information could become known to or independently developed by competitors. If Luckbox fails to adequately protect its intellectual property and confidential information, its business may be harmed and its liquidity and results of operations may be materially adversely impacted.

Risk of Intellectual Property Infringement or Invalidity Claims

If the registration and enforcement policies regarding Luckbox's intellectual property portfolios are inadequate to deter unauthorized use or appropriation by third parties, the value of Luckbox's brands and other intangible assets may be diminished and competitors may be able to more effectively mimic its brands, products, services and methods of operations. Such events could adversely affect Luckbox's business and financial results. At the same time, Luckbox has to be mindful of how it will be perceived by its customers and potential customers if it deploys an unduly strict enforcement policy; an overly aggressive position may deter its customers from supporting the brands and therefore damage not only the brands' reputation in the market place but also negatively impact financial results.

Moreover, due to the differences in foreign patent, trademark, copyright and other laws concerning proprietary rights, Luckbox's intellectual property may not receive the same degree of protection in each jurisdiction where it operates. Luckbox's failure to possess, obtain or maintain adequate protection of its intellectual property rights for any reason in these jurisdictions could have a material adverse effect on its business, results of operations and financial condition.

Furthermore, infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and Luckbox may not have the financial and human resources to defend

itself against any infringement suits that may be brought against it. Litigation can also distract management from day-to-day operations of the business.

In addition, Luckbox's future success may depend upon its ability to obtain licenses to use new marks and its ability to retain or expand existing licenses for certain products. If Luckbox is unable to obtain new licenses or renew or expand existing licenses, it may be required to discontinue or limit its use of such products that use the licensed marks and its financial condition, operating results or prospects may be harmed.

Luckbox may also infringe other intellectual property rights belonging to third parties, such as trademarks, copyrights and confidential information. The infringement of trademarks, copyrights and confidential information involve complex legal and factual issues and Luckbox's products, branding or associated marketing materials may be found to have infringed existing third-party rights. When any third-party infringement occurs, Luckbox may be required to stop using the infringing intellectual property rights, pay damages and, if it wishes to keep using the third-party intellectual property, purchase a license or otherwise redesign the product, branding or associated marketing materials to avoid further infringement. Such a license may not be available or may require Luckbox to pay substantial royalties.

Risk of Failing to Adapt to Changing Technology and Industry Standards

Luckbox's future success depends on its ability to adapt and enhance its suite of technology and software, such as its platforms, as well as its product offerings. To attract new customers, Luckbox will need to enhance and improve its platforms, product offerings, features and enhancements to meet customer needs at competitive prices. Such efforts will require adding new functionality and responding to technological advancements or disruptive technologies, which will increase Luckbox's research and development costs. If Luckbox is unable to develop technology and products that address customers' needs, or enhance and improve its platforms and product offerings in a timely manner, that could have a material adverse effect on its business, revenues, operating results and financial condition. Luckbox's ability to grow is also subject to the risk of future disruptive technologies. If new and/or disruptive technologies emerge that are able to deliver online betting and gaming and/or entertainment products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely affect Luckbox's ability to compete.

15. MD&A PREPARATION

This MD&A was prepared as of November 27, 2020. This MD&A should be read in conjunction with audited consolidated financial statements for the year ended December 31, 2019. This MD&A is intended to assist the reader's understanding of Luckbox's operations, business, strategies, performance and future outlook from the perspective of management.

Managements Responsibility for Financial Statements

The information provided in this report is the responsibility of management. During the preparation of financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that Luckbox's assets are safeguarded and to facilitate the preparation of relevant and timely information.

APPENDIX “C”

PRO FORMA FINANCIAL STATEMENTS

Esports Holdings Ltd.
Pro Forma Consolidated Statement of Financial Position
June 30, 2020
(Expressed in Canadian dollars)
(Unaudited)

As at		Esports Limited June 30, 2020 (Expressed in Pound Sterling)		Esports Limited June 30, 2020 (Converted to Canadian dollar)		Elephant Hill Capital Inc. June 30, 2020		Pro forma adjustments	Notes		Pro forma consolidated balance
ASSETS											
Current assets											
Cash	£	295,462	\$	496,802	\$	309,957	\$	500,000 4,555,874 1,000,000	3(b) 3(e) 3(f)	\$	6,862,633
Trade and other receivables		101,590		170,818		-		-			170,818
		397,052		667,620		309,957		6,055,874			7,033,451
Other receivables		20,140		33,864		-		-			33,864
Intangible assets		7,793		13,103		-		-			13,103
Deferred tax assets		3,266		5,492		-		-			5,492
Right of use		59,248		99,622		-		-			99,622
Property, Plant and Equipment		72,635		122,132		-		-			122,132
TOTAL ASSETS	£	560,134	\$	941,833	\$	309,957	\$	6,055,874		\$	7,307,664
LIABILITIES											
Current liabilities											
Accounts payable and other current liabilities	£	355,756	\$	598,183	\$	51,071	\$	-		\$	649,254
Lease liabilities - current portion		22,393		37,653		-		-			37,653
Convertible loan note		1,336,843		2,247,824		-		(2,247,824)	3(c)		-
		1,714,992		2,883,660		51,071		(2,247,824)			686,907
Lease liabilities - long term portion		39,654		66,676		-		-			66,676
TOTAL LIABILITIES	£	1,754,646	\$	2,950,336	\$	51,071	\$	(2,247,824)		\$	753,583

Esports Holdings Ltd.
Notes to the Pro Forma Consolidated Statement of Financial Position
June 30, 2020
(Expressed in Canadian dollars)
(Unaudited)

As at		Esports Limited June 30, 2020 (Expressed in Pound Sterling)		Esports Limited June 30, 2020 (Converted to Canadian dollar)		Elephant Hill Capital Inc. June 30, 2020		Pro forma adjustments	Notes		Pro forma consolidated balance
EQUITY											
Share capital	£	218,719	\$	367,763	\$	455,489	\$	531,011	3(a)	\$	12,458,587
								500,000	3(b)		
								4,500,005	3(c)		
								549,767	3(d)		
								4,555,874	3(e)		
								1,000,000	3(f)		
								(1,322)	3(g)		
Reserve		947		1,592		92,082		(92,082)	3(a)		326,814
								91,871	3(b)		
								37,800	3(c)		
								195,551	3(f)		
Additional paid-in capital		938,535		1,578,092	-	-		-			1,578,092
Treasury shares		(786)		(1,322)	-	-		1,322	3(i)		-
Capital contribution		6,041,535		10,158,491	-	-		-			10,158,491
Translation reserve		6,310		10,610	-	-		-			10,610
Deficit		(8,399,772)		(14,123,729)	(288,685)	(438,929)		(438,929)	3(a)		(17,978,513)
								(91,871)	3(b)		
								(2,252,181)	3(c)		
								(37,800)	3(c)		
								(549,767)	3(d)		
								(195,551)	3(f)		
TOTAL EQUITY (DEFICIT)	£	(1,194,512)	\$	(2,008,503)	\$	258,886	\$	8,303,698		\$	6,554,081
TOTAL LIABILITIES AND EQUITY	£	560,134	\$	941,833	\$	309,957	\$	6,055,874		\$	7,307,664

Esports Holdings Ltd.

Notes to the Pro Forma Consolidated Statement of Financial Position

June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

1. BASIS OF PRESENTATION AND PREPARATION

Elephant Hill Capital Inc. ("Elephant Hill") was incorporated under the Business Corporations Act of Alberta on January 15, 2018. The Corporation is a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Corporation is the identification and evaluation of a Qualifying Transaction ("QT"). Once identified or evaluated, the Company will negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities and complete a QT within 24 months of listing on the Canadian stock exchange. The head office, principal address and registered office of the Company are located at 1250, 639-5 Avenue SW, Calgary, Alberta T2P 0M9.

The consolidated financial statements represent the accounts of Esports Limited (operating as "Luckbox") and its wholly-owned subsidiaries, Esports Tech Limited ("ETL") and Real Time Games Holdings Limited ("RTGH"). These entities (the "Group") were incorporated under the Isle of Man Companies Act and are domiciled in Isle of Man. The Group's main business activity is acting as a licensed e-gaming betting platform. The registered office of the Luckbox is located at First Floor, Millennium House, Victoria Road, Douglas, Isle of Man IM2 4RW.

The unaudited pro-forma consolidated statement of financial position as at June 30, 2020, gives effect to the Transaction as if it had occurred as at June 30, 2020, and has been prepared by management for inclusion in Elephant Hill's filing statement (the "**Filing Statement**") to be dated on or about November 27, 2020.

The unaudited pro-forma consolidated statement of financial position as at June 30, 2020 was expressed in the functional currency of the Resulting Issuer, which is determined to be the Canadian dollars. The functional currency of Esports Limited is the Pound sterling and its statement of the financial position has been converted into Canadian dollars using the historical exchange rate on June 30, 2020.

The unaudited pro forma consolidated statement of financial position has been prepared for illustrative purposes only and may not be indicative of the combined entities' financial position that would have occurred if the acquisition had been in effect at the date indicated. Actual amounts recorded upon consummation of the Agreement will likely differ from those recorded in the unaudited pro forma consolidated statement of financial position. The pro forma adjustments and allocations of the purchase price are based in part on estimates of the fair value of assets acquired and liabilities to be assumed. The final purchase price allocation will be completed after asset and liability valuations are finalized as of the date of the completion of the acquisition. The actual fair values of the assets and liabilities will be determined as of the effective date of the Transaction and may differ materially from the amounts disclosed in the assumed pro forma purchase price allocation because of changes in fair value of the assets and liabilities up to the date of effective date of the Transaction, and as further analysis is completed.

Consequently, the actual allocation of the purchase price may result in different adjustments than those in the unaudited pro forma consolidated statement of financial position. Similarly, the calculation and allocation of the purchase price has been prepared on a preliminary basis and is subject to change between the time such preliminary estimations were made and closing as a result of a number of factors.

The unaudited pro forma consolidated statement of financial position has been prepared in accordance with Elephant Hill's and Luckbox's accounting policies, as disclosed in Elephant Hill's audited financial statements for the year ended December 31, 2019, and Luckbox's audited financial statements for the year ended December 31, 2019. There are no material differences in accounting policies between Elephant Hill and Luckbox.

The unaudited pro forma consolidated statement of financial position has been compiled from:

Information derived from the i) Elephant Hill's unaudited condensed interim financial statements for the 6 months ended June 30, 2020; and ii) Luckbox's unaudited condensed consolidated interim financial statements for the 6 months ended June 30, 2020. Both of which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and included elsewhere in the Filing Statement:

Esports Holdings Ltd.

Notes to the Pro Forma Consolidated Statement of Financial Position

June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

It is management of Luckbox's opinion that the unaudited pro-forma consolidated statement of financial position includes all adjustments required for the fair presentation, in all material respects, of the transaction described in Note 3 in accordance with IFRS.

2. SUMMARY OF PROPOSED TRANSACTION

Pursuant to the Business Combination Agreement, the parties thereto will complete the Qualifying Transaction (the "Transaction") under the corporate laws of the Isle of Man. Upon the Transaction, Elephant Hill will consolidate all of its issued and outstanding common shares on a 4.2:1 basis. Each holder of Luckbox will be entitled to receive one post-Consolidation common share of Elephant Hill for every common share in Luckbox held.

Immediately after the completion of the Merger, on a non-diluted basis, the former holders of Luckbox shares will own approximately 48,620,809 Resulting Issuer shares, representing 96.7% of the shares of the Resulting Issuer. The existing holders of Elephant Hill will own 1,666,666 shares, representing 3.3% of the total Resulting Issuer shares.

As part of the Transaction, rights to purchase shares continue. On June 15, 2018, Elephant Hill granted 700,000 options to directors and officers of the Corporation. The options, which vested immediately, may be exercised at a price of \$0.42 per common share for a period of five (5) years from the date of the agreement.

Following the Transaction, the Resulting Issuer will undergo a name change from Elephant Hill Capital Inc. to Esports Holdings Ltd.

3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The pro forma consolidated statement of financial position was prepared based on the following assumptions and adjustments:

- a) As a result of the Transaction, the shareholders of Luckbox will acquire control of Elephant Hill, thereby constituting a reverse acquisition of Elephant Hill. The Transaction is considered a purchase of Elephant Hill's net assets by the shareholders of Luckbox.

The Transaction will be accounted for in accordance with guidance provided in IFRS 2, "Share-Based Payment" and IFRS 3, "Business Combinations". As Elephant Hill did not qualify as a business according to the definition in IFRS 3, this Transaction does not constitute a business combination; rather it is treated as an issuance of shares by Luckbox for the net assets of Elephant Hill and Elephant Hill's listing status and Luckbox as the continuing entity.

The purchase price is allocated as follows:

Fair value of Elephant Hill shares (1,666,666 post-consolidation common shares at \$0.42 per share)	\$	700,000
Fair value of options outstanding		36,500
Estimated closing transaction costs		250,000
Total consideration	\$	986,500
Net Assets (Liabilities) of Elephant Hill:		
Cash	\$	309,957
Liabilities		(51,071)
Total net assets	\$	258,886
Transaction cost	\$	727,614

The estimated fair value of the Elephant Hill's shares of \$700,000 is based on an estimated fair value of approximately \$0.42 per share as at June 30, 2020. For the purpose of the pro-forma consolidated statement of financial position, fair value of the shares was based off the most recent subscription price of a unit in Luckbox.

Esports Holdings Ltd.

Notes to the Pro Forma Consolidated Statement of Financial Position

June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

The estimated fair value of the consideration is \$727,614 higher than the fair value of the net assets acquired. This will be recorded as a transaction cost.

Fair value of outstanding stock options continuing from Elephant Hill into the Resulting Issuer has been estimated on the Transaction date using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 0.27%, expected annual volatility 100% and expected life in years of 2.

Closing transaction costs represent the estimated amount of professional fees in connection with the Transaction.

- b) On July 10, 2020, Luckbox issued a non-interest bearing \$500,000 convertible note to Expoworld Ltd. These notes will convert automatically into shares of the Resulting Issuer at \$0.42 per share upon closing of the Transaction. Upon the conversion, the noteholder will receive 1,190,476 Luckbox units. A unit is comprised of one common share and a half warrant. The note matures on December 31, 2020.

In conjunction with the issuance of the convertible note, Luckbox issued 59,524 Luckbox shares, 29,762 Luckbox Subscriber Warrants, and 95,238 Luckbox Advisory Warrants as finders' fees for the Expoworld Note. The fair value of the issued shares is \$25,000 based on the estimated value of \$0.42 per share based on the last equity raise. Each Luckbox Subscriber Warrant is convertible to one Luckbox share. Each Luckbox Advisory Warrant is exercisable into one Luckbox unit, which comprises of one Luckbox share and one half of one Luckbox Share Purchase Warrant. The fair value of the warrants has been estimated at the date of issue using the Black-Scholes warrant pricing model with the following assumptions: risk-free rate of 0.27%, expected annual volatility 100%, expected life in years of 2 and expected dividend yield of \$nil

The initial recognition of the host liability was determined using an estimated discount rate (18%) for a similar debt instrument without a conversion feature. The host liability was initially recognized at a carrying value of \$408,129 after deducting transaction costs of \$51,155.

- c) On September 30, 2020, Luckbox issued a total of 10,714,298 Luckbox shares to Avatar One E-Sports Capital Corp, to settle the \$2,250,000 non-interest bearing convertible note issued on September 8, 2019. The conversion was completed at a deemed price of \$0.21 per Luckbox Share. The settlement resulted in a loss of \$2,250,000 calculated from the difference between the fair value price per share of \$0.42 less the deemed conversion price of \$0.21. As part of the transaction, Luckbox paid 90,000 shares to a finder at the close of the transaction; the shares were fair valued at \$0.42 based on the June subscription for a total value of \$37,800; this amount was recorded to the equity reserve.
- d) On September 30, 2020, Luckbox issued 1,308,970 Luckbox shares to its founders and executive management as remuneration. The fair value of share-based payments has been estimated at a price of \$0.42 per share for a total amount of \$549,767.
- e) On June 19, 2020 and September 28, 2020, Luckbox, in conjunction with a brokered private placement of 10,728,272 subscription receipts and a concurrent non-brokered private placement 190,476 subscription receipts, each of which closed in two tranches, issued 10,847,320 subscription receipts (each, a "Subscription Receipt" and, collectively, the "Subscription Receipts") for aggregate gross proceeds to Luckbox of \$4,555,874 (collectively, the "RTO Offering"). The RTO Offering was completed in connection with the Proposed Qualifying Transaction between Luckbox and the Company and will close on Transaction.
- f) On November 20, 2020, Luckbox issued another non-interest bearing \$1,000,000 to Expoworld Ltd. These notes will convert automatically into shares in the Resulting Issuer at \$0.42 per share upon closing of the Transaction. Upon the conversion, the noteholder will receive 2,380,952 Luckbox units. A unit is comprised of one common share and a half warrant. The note matures on December 31, 2020.

In conjunction with the issuance of the convertible note, Luckbox issued \$81,000 cash fees, 192,857 Advisory Warrants and 125,000 Luckbox units as finders' fees. The fair value of the Advisory Warrants is estimated on the

Esports Holdings Ltd.**Notes to the Pro Forma Consolidated Statement of Financial Position****June 30, 2020****(Expressed in Canadian dollars)****(Unaudited)**

same basis as noted in Note 3(b). Each Luckbox unit is comprised of one Luckbox share and one half of one Luckbox Share Purchase Warrant and is valued at \$0.42 per unit based on the most recent private placement.

The initial recognition of the host liability was determined using an estimated discount rate (18%) for a similar debt instrument without a conversion feature. The host liability was initially recognized at a carrying value of \$804,449 after deducting transaction costs of \$175,736.

- g) Shares returned to treasury were reclassified to share capital for the purposes of these pro forma statements.
- h) The Luckbox statement of financial position has been converted from its presentation currency of pound sterling to Canadian dollars at June 30, 2020 using a conversion rate of GBP£1.0000 to CAD\$ 1.681442.

4. PRO FORMA CAPITALIZATION

	Number of Shares	Amounts
Opening balance	7,000,000	\$ 547,571
Equity of Luckbox	34,202,061	6,950,284
Elimination of Elephant Hill's equity	-	(547,571)
Effect of 4.2 consolidation of parent's shares on the Transaction	(5,333,334)	-
Debt conversion on Transaction – Note 3(b)	1,190,476	500,000
Debt conversion on Transaction – Note 3(f)	2,380,952	1,000,000
Shares issued on Transaction	10,847,320	4,555,874
Total	50,287,475	\$ 12,458,587

Following the completion of the Transaction, there will be warrants to purchase 11,004,601 common shares and stock options to purchase an additional 1,299,166 common shares resulting a fully diluted Resulting Issuer shares of 71,649,571.

5. INCOME TAX

The effective consolidated pro forma tax rate is expected to approximate 28%.

APPENDIX “D”

STOCK OPTION PLAN OF RESULTING ISSUER

ELEPHANT HILL CAPITAL INC.
(the "**Corporation**")
FIXED STOCK OPTION PLAN

1. PURPOSE OF THE PLAN

Unless otherwise defined in the TSXV Policies, all capitalized terms are as defined below.

The Corporation hereby establishes a fixed stock option plan for directors, senior officers, Employees, Management Corporation Employees and Consultants of the Corporation and its subsidiaries (collectively "**Eligible Persons**"), to be known as the "Fixed Stock Option Plan" (the "**Plan**"). The purpose of the Plan is to give to Eligible Persons, as additional compensation, the opportunity to participate in the success of the Corporation by granting to such individuals Options, to buy Shares of the Corporation at a price equal to the Market Price prevailing on the Grant Date less applicable discount, if any, permitted by TSXV Policies and approved by the Board.

2. DEFINITIONS

In this Plan, the following terms shall have the following meanings:

2.1 "**Board**" means the Board of Directors of the Corporation.

2.2 "**Change of Control**" means the acquisition by any person or by any person and all Joint Actors (as defined in the *Securities Act*), whether directly or indirectly, of voting securities of the Corporation, which, when added to all other voting securities of the Corporation at the time held by such person or by such person and a Joint Actor, totals for the first time not less than twenty percent (20%) of the outstanding voting securities of the Corporation or the votes attached to those securities are sufficient, if exercised, to elect a majority of the Board of Directors of the Corporation.

2.3 "**Corporation**" means Elephant Hill Capital Inc.

2.4 "**Consultant**" means a "Consultant" as defined in the TSXV Policies.

2.5 "**Consultant Corporation**" means a "Consultant Corporation" as defined in the TSXV Policies.

2.6 "**Disability**" means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:

- (a) being employed or engaged by the Corporation, its subsidiaries or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Corporation or its subsidiaries; or
- (b) acting as a director or officer of the Corporation or its subsidiaries.

2.7 "**Discounted Market Price**" of Shares means, if the Shares are listed only on the TSX Venture Exchange, the Market Price less the maximum discount permitted under the TSXV Policy applicable to Options.

2.8 "**Distribution**" means a "Distribution" as defined in the TSXV Policies.

2.9 "**Eligible Persons**" has the meaning given to that term in section 1 hereof.

2.10 "**Employee**" means an "Employee" as defined in the TSXV Policies.

2.11 "**Exchange**" means the TSX Venture Exchange and, if applicable, any other stock exchange on which the Shares are listed.

- 2.12 **"Expiry Date"** means the date set by the Board under section 3.1 of the Plan, as the last date on which an Option may be exercised.
- 2.13 **"Grant Date"** means the date specified in an Option Agreement as the date on which an Option is granted.
- 2.14 **"Insider"** means an "Insider" as defined in the TSXV Policies, other than a person who is an insider solely by virtue of being a director or senior officer of a subsidiary of the Corporation.
- 2.15 **"Investor Relations Activities"** means "Investor Relations Activities" as defined in the TSXV Policies.
- 2.16 **"Joint Actor"** means a person acting "jointly or in concert with" another person as that phrase is interpreted in the Securities Act.
- 2.17 **"Management Corporation Employee"** means a "Management Corporation Employee" as defined in the TSXV Policies.
- 2.18 **"Market Price"** of Shares at any Grant Date means the last closing price per Share on the trading day immediately preceding the day on which the Corporation announces the grant of the option or, if the grant is not announced, on the Grant Date, or if the Shares are not listed on any stock exchange, "Market Price" of Shares means the price per Share on the over-the-counter market determined by dividing the aggregate sale price of the Shares sold by the total number of such Shares so sold on the applicable market for the last day prior to the Grant Date.
- 2.19 **"Option"** means an option to purchase Shares granted pursuant to this Plan.
- 2.20 **"Option Agreement"** means an agreement, as approved by the Board from time to time, whereby the Corporation grants to an Optionee an Option.
- 2.21 **"Optionee"** means each of the Eligible Persons granted an Option pursuant to this Plan and their heirs, executors and administrators.
- 2.22 **"Option Price"** means the price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of section 5.
- 2.23 **"Option Shares"** means the aggregate number of Shares which an Optionee may purchase under an Option.
- 2.24 **"Plan"** has the meaning given to that term in section 1 hereof.
- 2.25 **"Securities Act"** means the *Securities Act* (Alberta) as amended and supplemented from time to time.
- 2.26 **"Shares"** means the common shares in the capital of the Corporation as constituted on the Grant Date provided that, in the event of any adjustment pursuant to section 5, "Shares" shall thereafter mean the shares or other property resulting from the events giving rise to the adjustment.
- 2.27 **"TSXV Policies"** means the policies included in the Exchange's Corporate Finance Manual and "TSXV Policy" means any one of them.
- 2.28 **"Unissued Option Shares"** means the number of Shares, at a particular time, which have been reserved for issuance upon the exercise of an Option but which have not been issued, as adjusted from time to time in accordance with the provisions of section 5, such adjustments to be cumulative.
- 2.29 **"Vesting"** means that an Option has become exercisable in respect of a number of Option Shares by the Optionee pursuant to the terms of the Option Agreement.

3. GRANT OF OPTIONS

3.1 Price and Term

The Board may from time to time authorize the issue of Options to Eligible Persons of the Corporation and its subsidiaries. The Option Price under each Option shall be not less than the Discounted Market Price on the Grant Date. Options shall not be assignable (or transferable) by the Optionee.

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Sections 11 and 12, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange, if applicable. For greater certainty, if the Corporation is listed on the Exchange, the maximum term may not exceed 10 years.

Should the expiry date of an Option fall within a Black Out Period or within nine business days following the expiration of a Black Out Period, such expiry date of the Option shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the Black Out Period, such tenth business day to be considered the expiry date for such Option for all purposes under the Plan. The ten business day period referred to in this paragraph may not be extended by the Board.

"Black Out Period" means the period during which the relevant Participant is prohibited from exercising an Option due to trading restrictions imposed by the Corporation pursuant to any policy of the Corporation respecting restrictions on trading that is in effect at that time.

3.2 Limits on Shares Issuable on Exercise of Options

The number of Shares reserved for issuance under the Plan in aggregate shall not exceed 10,057,495 Shares, but this maximum number may be revised from time to time by the Board in accordance with TSXV Policies.

The number of Options which may be granted under the Plan (calculated at the Grant Date), within a 12 month period:

- (a) to any one Optionee, shall not exceed 5% of the total number of issued and outstanding Shares on a non-diluted basis; and
- (b) to Insiders as a group shall not exceed 10% of the total number of issued and outstanding Shares on a non-diluted basis, unless disinterested shareholder approval was obtained for this Plan.
- (c) to any one Consultant shall not exceed 2% of the total number of issued and outstanding Shares on a non-diluted basis; and
- (d) all Eligible Persons who undertake Investor Relations Activities shall not exceed 2% in the aggregate of the total number of issued and outstanding Shares on a non-diluted basis.

3.3 Option Agreements

Each Option shall be confirmed by the execution of an Option Agreement. Each Optionee shall have the option to purchase from the Corporation the Option Shares at the time and in the manner set out in the Plan and in the Option Agreement applicable to that Optionee. For Options to Employees, Consultants, Consultant Companies or Management Corporation Employees, the Corporation is representing herein and in the applicable Stock Option Agreement that the Optionee is a bona fide Employee, Consultant, Consultant Corporation or Management Corporation Employee, as the case may be, of the Corporation or its subsidiary. The execution of an Option Agreement shall constitute conclusive evidence that it has been completed in compliance with this Plan.

4. EXERCISE OF OPTION

4.1 When Options May be Exercised

Subject to sections 4.3, 4.5 and 4.6, an Option may be exercised to purchase any number of Option Shares up to the number of Unissued Option Shares at any time after the Grant Date up to 4:00 p.m. local time on the Expiry Date and shall not be exercisable thereafter.

4.2 Manner of Exercise

The Option shall be exercisable by delivering to the Corporation a notice specifying the number of Option Shares in respect of which the Option is exercised together with payment in full of the Option Price by way of cash, certified cheque or bank draft for each such Option Share. Upon notice and payment there shall be a binding contract for the issue of the Option Shares in respect of which the Option is exercised, upon and subject to the provisions of the Plan. Delivery of the Optionee's cash, cheque or bank draft payable to the Corporation in the amount of the Option Price shall constitute payment of the Option Price unless the cash, cheque or bank draft is not honoured upon presentation in which case the Option shall not have been validly exercised.

4.3 Termination of Employment

In the following cases, an Option shall be exercisable as follows:

(a) Death of Eligible Person

Subject to a shorter period stated in agreements representing an option, and notwithstanding section 4.3(b), in the event of the death of a Eligible Person, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

- (i) by the person or persons to whom the Eligible Person's rights under the option shall pass by the Eligible Person's will or the laws of descent and distribution; and
- (ii) if and to the extent that such Eligible Person was entitled to exercise the Option at the date of his death.

(b) Ceasing To Be a Director, Officer, Consultant or Employee

Subject to section 4.3(a), if a Eligible Person shall cease to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Corporation Employee, for any reason (other than death), such Eligible Person may exercise his option to the extent that the Eligible Person was entitled to exercise it at the date of such cessation, provided that such option or portion of the option has vested, and provided that such exercise must occur within 60 days after the Eligible Person ceases to be a director, officer, consultant, employee or a Management Corporation Employee, subject to extension at the discretion of the Board, unless such Eligible Person was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Eligible Person's services to the Corporation, subject to extension at the discretion of the Board.

Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Eligible Person any right with respect to continuance as a director, officer, consultant, employee or Management Corporation Employee of the Corporation or of any of its subsidiaries or affiliates.

4.4 Vesting of Option Shares

Except as set out in Section 4.7 below, any Options granted under the Fixed Stock Option Plan to persons who do not perform Investor Relations Activities for the Corporation shall vest over a three-year period as to 10% vesting immediately, 10% six months from grant date and 20% every six months thereafter, unless the Board, in its

sole discretion, determines otherwise, which Options may contain a longer vesting period, a shorter vesting period or no vesting period at all.

Options granted to Consultants performing Investor Relations Activities shall vest in stages over 12 months with no more than one quarter of the options vesting in any three month period.

4.5 Effect of a Take-Over Bid

If a *bona fide* offer (an "**Offer**") for Shares is made to the Optionee or to shareholders of the Corporation generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Corporation, within the meaning of subsection 1(1) of the Securities Act, the Corporation shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, and the Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Option Shares received upon such exercise, pursuant to the Offer. However, if:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Option Shares tendered by the Optionee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof,

then the Option Shares received upon such exercise, or in the case of clause (b) above, the Option Shares that are not taken up and paid for, may be returned by the Optionee to the Corporation and reinstated as authorized but unissued Shares and with respect to such returned Option Shares, the Option shall be reinstated as if it had not been exercised. If any Option Shares are returned to the Corporation under this paragraph 4.5, the Corporation shall immediately refund the exercise price to the Optionee for such Option Shares.

4.6 Acceleration of Expiry Date

If at any time when an Option granted under the Plan remains unexercised with respect to any Unissued Option Shares, an Offer is made by an offeror, the Directors may, upon notifying each Optionee of full particulars of the Offer, declare all Option Shares issuable upon the exercise of Options granted under the Plan, and declare that the Expiry Date for the exercise of all unexercised Options granted under the Plan is accelerated so that all Options shall either be exercised or shall expire prior to the date upon which Shares must be tendered pursuant to the Offer. Acceleration under this section for Option Shares granted to Eligible Persons performing Investor Relations Activities shall not be permitted without prior Exchange approval. The Directors shall give each Optionee as much notice as possible of the acceleration of the Options under this section, except that not less than 5 business days and not more than 35 days' notice is required.

4.7 Effect of a Change of Control

If a Change of Control occurs, all unvested Options granted to Eligible Persons who do not perform Investor Relations Activities shall vest immediately.

4.8 Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement

If the Optionee, or, in the case of a Management Corporation Employee or a Consultant Corporation, the Optionee's employer, retires, resigns or is terminated from employment or engagement with the Corporation or any subsidiary of the Corporation, the loss or limitation, if any, pursuant to the Option Agreement with respect to the right to purchase Option Shares, shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

4.9 Shares Not Acquired

Any Unissued Option Shares not acquired by an Optionee under an Option which has expired may be made the subject of a further Option pursuant to the provisions of the Plan.

5. ADJUSTMENT OF OPTION PRICE AND NUMBER OF OPTION SHARES

5.1 Share Reorganization

Whenever the Corporation issues Shares to all or substantially all holders of Shares by way of a stock dividend or other distribution, or subdivides all outstanding Shares into a greater number of Shares, or combines or consolidates all outstanding Shares into a lesser number of Shares (each of such events being herein called a "**Share Reorganization**") then effective immediately after the record date for such dividend or other distribution or the effective date of such subdivision, combination or consolidation, for each Option:

- (a) the Option Price shall be adjusted to a price per Share which is the product of:
 - (i) the Option Price in effect immediately before that effective date or record date; and
 - (ii) a fraction, the numerator of which is the total number of Shares outstanding on that effective date or record date before giving effect to the Share Reorganization, and the denominator of which is the total number of Shares that are or would be outstanding immediately after such effective date or record date after giving effect to the Share Reorganization; and
- (b) the number of Unissued Option Shares shall be adjusted by multiplying (i) the number of Unissued Option Shares immediately before such effective date or record date by (ii) a fraction which is the reciprocal of the fraction described in subsection (a)(ii).

5.2 Special Distribution

Subject to the prior approval of the Exchange, whenever the Corporation issues by way of a dividend or otherwise distributes to all or substantially all holders of Shares;

- (a) shares of the Corporation, other than the Shares;
- (b) evidences of indebtedness;
- (c) any cash or other assets, excluding cash dividends (other than cash dividends which the Board has determined to be outside the normal course); or
- (d) rights, options or warrants;

then to the extent that such dividend or distribution does not constitute a Share Reorganization (any of such non-excluded events being herein called a "**Special Distribution**"), and effective immediately after the record date at which holders of Shares are determined for purposes of the Special Distribution, for each Option the Option Price shall be reduced, and the number of Unissued Option Shares shall be correspondingly increased, by such amount, if any, as is determined by the Board in its sole and unfettered discretion to be appropriate in order to properly reflect any diminution in value of the Option Shares as a result of such Special Distribution.

5.3 Corporate Organization

Whenever there is:

- (a) a reclassification of outstanding Shares, a change of Shares into other shares or securities, or any other capital reorganization of the Corporation, other than as described in sections 5.1 or 5.2;

- (b) a consolidation, merger or amalgamation of the Corporation with or into another corporation resulting in a reclassification of outstanding Shares into other shares or securities or a change of Shares into other shares or securities; or
- (c) a transaction whereby all or substantially all of the Corporation's undertaking and assets become the property of another corporation;

(any such event being herein called a "**Corporate Reorganization**") the Optionee shall have an option to purchase (at the times, for the consideration, and subject to the terms and conditions set out in the Plan) and shall accept on the exercise of such option, in lieu of the Unissued Option Shares which he would otherwise have been entitled to purchase, the kind and amount of shares or other securities or property that he would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date thereof, he had been the holder of all Unissued Option Shares or if appropriate, as otherwise determined by the Directors.

5.4 Determination of Option Price and Number of Unissued Option Shares

If any questions arise at any time with respect to the Option Price or number of Unissued Option Shares deliverable upon exercise of an Option following a Share Reorganization, Special Distribution or Corporate Reorganization, such questions shall be conclusively determined by the Corporation's auditor, or, if they decline to so act, any other firm of Chartered Accountants in Calgary, Alberta, that the Directors may designate and who shall have access to all appropriate records and such determination shall be binding upon the Corporation and all Optionees.

5.5 Regulatory Approval

Any adjustment to the Option Price or the number of Unissued Option Shares purchasable under the Plan pursuant to the operation of any one of paragraphs 5.1, 5.2 or 5.3 is subject to the approval of the Exchanges and any other governmental authority having jurisdiction.

6. MISCELLANEOUS

6.1 Right to Employment

Neither this Plan nor any of the provisions hereof shall confer upon any Optionee any right with respect to employment or continued employment with the Corporation or any subsidiary of the Corporation or interfere in any way with the right of the Corporation or any subsidiary of the Corporation to terminate such employment.

6.2 Necessary Approvals

The Plan shall be effective only upon the approval of the shareholders of the Corporation given by way of an ordinary resolution. Any Options granted under this Plan prior to such approval shall only be exercised upon the receipt of such approval. Disinterested shareholder approval (as required by the Exchange) shall be obtained for any reduction in the exercise price of any Option granted under this Plan if the Optionee is an Insider of the Corporation at the time of the proposed amendment. The obligation of the Corporation to sell and deliver Shares in accordance with the Plan is subject to the approval of the Exchange and any governmental authority having jurisdiction. If any Shares cannot be issued to any Optionee for any reason, including, without limitation, the failure to obtain such approval, then the obligation of the Corporation to issue such Shares shall terminate and any Option Price paid by an Optionee to the Corporation shall be immediately refunded to the Optionee by the Corporation.

6.3 Administration of the Plan

The Directors shall, without limitation, have full and final authority in their discretion, but subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations deemed necessary or advisable in respect of the Plan. Except as set forth in section 5.4, the interpretation and construction of any provision of the Plan by the Directors shall be final

and conclusive. Administration of the Plan shall be the responsibility of the appropriate officers of the Corporation and all costs in respect thereof shall be paid by the Corporation.

6.4 Income Taxes

In accordance with recent Canada Revenue Agency legislation, the Corporation is required to remit withholdings on the benefit realized as a result of the stock option exercise by certain Optionees.

As a condition of and prior to participation in the Plan, all Optionees acknowledge and agree that, if applicable, the Optionee shall remit to the Corporation the amount of withholdings to be forwarded to any taxing authority concurrently with the funds for the option exercise. Further, the Optionee shall supply his or her social insurance number to the Corporation and authorize the Corporation to calculate the amount of the remittance and remit same on his or her behalf.

As a condition of and prior to participation in the Plan any Optionee may on request authorize the Corporation in writing to withhold from any remuneration otherwise payable to him or her any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of his or her participation in the Plan.

6.5 Amendments to the Plan

The Directors may from time to time, subject to applicable law, shareholder approval (including on a disinterested basis), and to the prior approval, if required, of the Exchange or any other regulatory body having authority over the Corporation or the Plan, suspend, terminate or discontinue the Plan at any time, or amend or revise the terms of the Plan or of any Option granted under the Plan and the Option Agreement relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any Option previously granted to an Optionee under the Plan without the consent of that Optionee.

6.6 Form of Notice

A notice given to the Corporation shall be in writing, signed by the Optionee and delivered to the head business office of the Corporation.

6.7 No Representation or Warranty

The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

6.8 Compliance with Applicable Law

If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Corporation or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

6.9 No Assignment

No Optionee may assign any of his or her rights under the Plan or any option granted thereunder.

6.10 Rights of Optionees

An Optionee shall have no rights whatsoever as a shareholder of the Corporation in respect of any of the Unissued Option Shares (including, without limitation, voting rights or any right to receive dividends, warrants or rights under any rights offering).

6.11 Conflict

In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

6.12 Governing Law

The Plan and each Option Agreement issued pursuant to the Plan shall be governed by the laws of the province of Alberta.

6.13 Time of Essence

Time is of the essence of this Plan and of each Option Agreement. No extension of time shall be deemed to be or to operate as a waiver of the essentiality of time.

6.14 Entire Agreement

This Plan and the Option Agreement sets out the entire agreement between the Corporation and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

APPROVED BY SHAREHOLDERS NOVEMBER 9, 2020

ADPOTED BY THE BOARD OF DIRECTORS NOVEMBER 26, 2020

CERTIFICATE OF ELEPHANT HILL CAPITAL INC.

Dated: November 27, 2020

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Elephant Hill Capital Inc. assuming Completion of the Proposed Qualifying Transaction.

(signed) “*Mohammad Fazil*”
Mohammad Fazil

President, Chief Executive Officer, Chief
Financial Officer and a Director

(signed) “*Eamon Hurley*”
Eamon Hurley

Director

On behalf of the Board of Directors

(signed) “*Jonathan Gilbert*”
Jonathan Gilbert

Director

(signed) “*Sarshar Ahmad*”
Sarshar Ahmad

Director

ACKNOWLEDGEMENT – PERSONAL INFORMATION

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the Exchange pursuant to this Filing Statement; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

“Personal Information” means any information about an identifiable individual, and includes information contained in any Items in the attached filing statement that are analogous to Items 4.2, 11, 12.1, 15, 17.2, 18.2, 23, 24, 26, 31.3, 32, 33, 34, 35, 36, 37, 38, 40 and 41 of *Form 3B2 – Information Required in a Filing Statement for a Qualifying Transaction*, as applicable.

DATED this 27th day of November, 2020.

(signed) “*Mohammad Fazil*”
Mohammad Fazil

President, Chief Executive Officer
and a Director

CERTIFICATE OF ESPORTS LIMITED

Dated: November 27, 2020

The foregoing as it relates to Esports Limited constitutes full, true and plain disclosure of all material facts relating to the securities of Esports Limited.

“Quentin Martin”
Quentin Martin

Chief Executive Officer

“Michael Stevens”
Michael Stevens

Corporate Secretary

On behalf of the Board of Directors

“Quentin Martin”
Quentin Martin

Director

“Michael Stevens”
Michael Stevens

Director