ROYAL WINS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

(Stated in $CAD)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Royal Wins Corporation (formerly 10557510 Canada Corp)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Royal Wins Corporation (formerly 10557510 Canada Corp) (the Company), which comprise the consolidated statements of financial position as at June 30, 2021 and the consolidated statements of net loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

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 report. 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company for the year ended June 30, 2020, were audited by another auditor, who expressed an unmodified opinion on those statements on April 30, 2021.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $11,326,250 during the year ended June 30, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Company to express an opinion on the consolidated 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.

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

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
October 28, 2021

ROYAL WINS CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2021, JUNE 30, 2020 AND JULY 1, 2019
(Stated in $CAD)

	June 30 2021	June 30 2020 (Restated-note 2(c))	July 1 2019 (Restated-note 2(c))
ASSETS			
Current:			
Cash (Note 7)	**$ 494,511**	$ 335,790	$ 86,542
Accounts receivable (Note 8)	**-**	8,444	-
Subscription receipts - held in trust (Note 9(b))	**3,891,500**	-	-
Prepaid expenses and deposits	**38,915**	-	-
	4,424,926	344,234	86,542
Long term:			
Plant and equipment (Note 10)	**5,241**	5,975	6,649
Intangible assets (Note 11)	**23,564**	49,502	48,420
	$ 4,453,731	$ 399,711	$ 141,611
LIABILITIES			
Current:			
Bank loan payable	**$ 30,000**	$ -	$ -
Accounts payable and accrued liabilities (Note 12)	**416,376**	228,946	223,096
Subscription receipts liability (Note 9(b))	**3,891,500**	-	-
	4,337,876	228,946	223,096
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital (Note 13)	**16,532,312**	8,282,519	7,046,579
Share based compensation (Note 14)	**2,294,500**	425,139	354,212
Warrants	**1,152,186**	-	-
Accumulated deficit	**(19,885,088)**	(8,545,370)	(7,482,276)
Foreign currency translation reserve	**21,945**	8,477	-
	115,855	170,765	(81,485)
	$ 4,453,731	$ 399,711	$ 141,611

Going concern (Note 2(d))

Commitments and contingencies (Note 21)

Subsequent events (Note 23)

The accompanying notes form an integral part of these consolidated financial statements

Approved on behalf of the Board:

"Peter Gan" Director *"Dan Fuoco"* Director

ROYAL WINS CORPORATION
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
YEARS ENDED JUNE 30, 2021 AND 2020
(Stated in $CAD)

	2021	2020 (Restated-note 2(c))
Revenue		
Marketing and consulting fees	**$ 258,491**	$ 201,712
Kash Karnival	**154,554**	18,008
	413,045	219,720
Expenses		
Consulting fees	**681,283**	373,521
Employee compensation and benefits	**472,011**	255,534
Professional fees	**214,958**	20,163
Advertising and marketing	**179,794**	430,128
Computer and IT costs	**131,362**	47,089
General and administrative	**113,715**	30,946
Occupancy costs	**78,795**	41,330
Share based compensation (Note 14(c))	**694,028**	70,927
Loss on foreign exchange	**85,456**	12,386
Depreciation and amortization	**26,937**	790
	2,678,339	1,282,814
Loss from operations	**(2,265,294)**	(1,063,094)
Other expenses		
Listing expenses (Note 6(d)(iii))	**9,074,424**	-
Net loss	**(11,339,718)**	(1,063,094)
Other comprehensive income		
Foreign exchange translation gain	**13,468**	8,477
Net loss and comprehensive loss	**$ (11,326,250)**	$ (1,054,617)
Basic and diluted loss per share (Note 13(e))	**$ (0.14)**	$ (0.02)

The accompanying notes form an integral part of these consolidated financial statements

ROYAL WINS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED JUNE 30, 2021 AND 2020
(Stated in $CAD)

	Note	Share capital Number	Share capital Amount	Share based compensation reserve	Warrants	Accumulated deficit	Foreign exchange translation reserve	Total
As at July 1, 2019 (Restated-note 2(c))		**64,812,964**	**$ 7,046,579**	**$ 354,212**	**$ -**	**$ (7,482,276)**	**$ -**	**$ (81,485)**
Net loss and comprehensive loss		-	-	-	-	(1,063,094)	8,477	**(1,054,617)**
Share based compensation	**14(c)**	-	-	70,927	-	-	-	**70,927**
Private placements	**13(b)**	3,627,246	1,235,940	-	-	-	-	**1,235,940**
As at June 30, 2020 (Restated-note 2(c))		**68,440,210**	**8,282,519**	**425,139**	**-**	**(8,545,370)**	**8,477**	**170,765**
Net loss and comprehensive loss		-	-	-	-	(11,339,718)	13,468	**(11,326,250)**
Private placements	**13(c)(i))**	3,147,661	125,312	-	-	-	-	**125,312**
Shares issued under Employee Share Ownership Program and Long Term Incentive Plan	**13(c)(ii))**	3,929,540	1,138,850	(425,139)	-	-	-	**713,711**
Elimination of RWPL shares		(75,517,411)	(9,546,681)	-	-	-	-	**(9,546,681)**
Shares issued to RWPL shareholders in connection with RTO	**6(c)(i))**	75,517,411	9,546,681	-	-	-	-	**9,546,681**
Shares, options and warrants deemed issued in connection with RTO	**6(c)(ii))**	24,853,762	6,064,318	2,294,500	1,152,186	-	-	**9,511,004**
Finders' fees paid in shares	**6(c)(iii))**	3,775,872	921,313	-	-	-	-	**921,313**
As at June 30, 2021		**104,147,045**	**$ 16,532,312**	**$ 2,294,500**	**$ 1,152,186**	**$ (19,885,088)**	**$ 21,945**	**$ 115,855**

ROYAL WINS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020
(Stated in $CAD)

	2021	2020 (Restated-note 2(c))
Operating activities		
Net loss and comprehensive loss	**$ (11,326,250)**	$ (1,054,617)
Add (deduct) items not affecting cash:		
Share based compensation	**694,028**	70,927
Depreciation of plant and equipment and right-of-use assets	**26,937**	790
Non-cash listing costs (on completion of RTO) (Note 6(d)(iii))	**8,153,111**	-
Finders' fees paid by issuance of common shares (Note 6(d)(iii))	**921,313**	-
Unrealized foreign exchange gain	**16,070**	3,481
	(1,514,791)	(979,419)
Change in non-cash working capital items		
Accounts receivable	**8,615**	(8,104)
Accounts payable and accrued liabilities	**147,531**	831
	(1,358,645)	(986,692)
Financing activities		
Proceeds from issuance of common shares	**125,132**	1,235,940
Pre-RTO advances from legal parent to RWPL (Note 6(d)(iii))	**685,000**	-
Cash acquired in reverse takeover (Note 6(d)(iii))	**707,234**	-
	1,517,366	1,235,940
Change in cash	**158,721**	249,248
Cash, beginning of year	**335,790**	86,542
Cash, end of year	**$ 494,511**	$ 335,790
Non-cash transactions:		

The accompanying notes form an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS

(a) Nature of operations

Royal Wins Corporation ("Royal Wins" or the "Company") is a digital games studio pioneering skill game wagering and betting on mobile casual games. Established in 2013, the Company designs, develops and operates pure skill games for both cash and non-cash prizes targeting millennial markets via their primary skill gaming app, the Kash Karnival. Its primary innovation and intellectual property centres around solving big data problems around skill gaming mechanics, algorithms pertaining to balancing cash jackpots, game difficulty modules, and maintenance of return-to-player percentages.

After completion of a reverse takeover transaction as detailed in note 6, the Company cleared a Long Form Non-Offering Prospectus filing with the Ontario Securities Commission and was approved for listing on the Canadian Securities Exchange ("CSE") on July 15, 2021 under the ticker symbol "SKLL" *(see note 23(b))*. The Company's registered office is located at 401 Bay Street, Suite 2704, Toronto, Ontario, Canada. All operations are conducted through its 100% owned Australian subsidiary, Royal Wins Pty Ltd., located at Suite 1.08, 20A Danks Street, Waterloo, New South Wales, Australia.

(b) COVID-19 pandemic

In March 2020, the World Health Organization characterized the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, as a global pandemic. This has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self- imposed quarantine periods and social distancing, have caused material disruption to business, resulting in a global economic slowdown. Equity markets have experienced significant volatility and weakness and the governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The pandemic has left no country unscathed and none more so than Australia. The Company's operational functions reside primarily in Sydney which is one of two cities that has been in lockdown for the longest period of time anywhere in the world. All staff have been working from home since June 2020 which required changes to the Company's normal work practices to address issues such as: security and access to allow for work from home, risk of data loss or data theft, effective communication systems to support schedules, deadlines, design, creative processes and deteriorating mental health of staff. Over this period, management has implemented all necessary processes and protocols to address the issues mentioned above and replicate as effective a work environment as possible.

The Company had always planned for a significant re-tooling of the gaming platform including updates and improvements to platform stability, improvements to popular games, servers, payment channels and ease of download. The timing for this re-tooling was predicated on having sufficient funds to execute this plan, access to which was severely impacted by COVID-19. Changes to the platform meant significant down-time of the platform. As a result of the listing process and related fund raising that closed on July 15, 2021 *(see notes 23(b)* and *23(c)*), management has been able to secure additional human resources required for the planned renovations to the platform, back-end systems and games.

The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The ultimate duration and magnitude of the impact and the efficacy of government interventions on the economy and the financial effect on the Company is not known at this time. The extent of such impact will depend on future developments, which are highly uncertain and not in the Company's control, including new information which may emerge concerning the spread and severity of COVID-19 and actions taken to address its impact, among others. The repercussions of this health crisis could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

2. Basis Of Presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted. The consolidated financial statements were authorized for issuance by the Board of Directors on October 28, 2021.

(b) Basis of presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services received.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share based payments and measurements that have some similarities to fair value, but are not fair value, such as value in use in IAS 36 Impairment of Assets.

2. BASIS OF PRESENTATION, CONTINUED

(c) Functional currency and presentation currency

The financial statements of each company within the consolidated group are measured using their functional currency, which is the currency of the primary economic environment in which an entity operates. As a result of a review of the primary economic environment and the currency that mainly influences the underlying transactions entered into by the Company, the functional currencies of the Company and its subsidiary are as follows:

Royal Wins Corporation ("RWC") (formerly 10557510 Canada Corp.)	Canadian dollars
Royal Wins Pty Ltd. ("RWPL")	Australian dollars

As a result of the RTO described in note 6, RWPL, as the Resulting Issuer, has elected to change its presentation currency from the Australian dollar to the Canadian dollar effective July 1, 2019. The change in presentation currency is a voluntary change which is accounted for retrospectively. For comparative reporting purposes, historical financial information has been translated to Canadian dollars using the exchange rate as at July 1, 2019, which is the date of the change in the presentation currency.

The following shows restatement of prior period information:

	June 30, 2019 As reported AUD	Foreign currency translation	July 1, 2019 Restated CAD
ASSETS			
Current:			
Cash	$ 94,303	$ (7,761)	$ 86,542
Long term:			
Plant and equipment	7,246	(597)	6,649
Intangible assets	52,762	(4,342)	48,420
	$ 154,311	$ (12,700)	$ 141,611
LIABILITIES			
Current:			
Accounts payable and accrued liabilities	$ 243,103	$ (20,007)	$ 223,096
SHAREHOLDERS' DEFICIT			
Common shares	7,678,522	(631,943)	7,046,579
Reserve for share based compensation	385,978	(31,766)	354,212
Accumulated deficit	(8,153,292)	671,016	(7,482,276)
	(88,792)	7,307	(81,485)
	$ 154,311	$ (12,700)	$ 141,611

2. Basis Of Presentation, continued

(d) Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements. Such adjustments could be material.

As at June 30, 2021, the Company had an accumulated deficit of $19,885,088 (June 30, 2020 - $8,545,370). Working capital as at June 30, 2021 was $87,050 compared to $115,288 as at June 30, 2020. Net loss and comprehensive loss for the year ended June 30, 2021 was $11,326,250 (2020 - $1,054,617). Operations since inception have been funded from the issuance of shares and the exercise of stock options.

Concurrent with its public listing approval on July 15, 2021, the Company closed on a private placement for net cash proceeds of $3,367,000. The Company anticipates that it will have sufficient cash on hand to service its liabilities and fund operating costs for the immediate future, but there is uncertainty as to how long these funds will last. The Company believes that, based on its revenue forecasts, expected opportunities in the marketplace and the ability to reduce expenditures, if required, it could continue as a going concern for the foreseeable future. To achieve that, the Company will need to (i) develop its marketing activities into further revenue generating transactions, and (ii) arrange future financing that will largely depend upon prevailing capital market conditions and the continued support of its shareholder base. Management will need to continue assessing its financing options to raise the funds required to continue its growth plans. However, there can be no assurance that management's fund raising plans will be successful. As a result, these factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

3. Significant Accounting Policies

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, RWPL. A subsidiary is an entity controlled by the Company. Control exists when the Company has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies applied by the Company in these consolidated financial statements. All intercompany balances and transactions between the Company and its consolidated subsidiaries are eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when contractual rights have expired, or when substantially all of the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired. All financial instruments are initially measured at fair value adjusted for transaction costs (where applicable).

(i) **Financial assets**

When the Company first recognizes a financial asset, it classifies it based on the business model for managing the asset and the asset's contractual cash flow characteristics as follows:

Amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met: (i) the asset is held within a business model the objective of which is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs and are subsequently measured at the effective interest rate method, net of any allowance for expected credit losses. The Company has cash and cash equivalents, accounts receivable and subscription receipts - held in trust classified as financial assets at amortized cost.

Fair value through other comprehensive income

Financial assets are classified and measured at fair value through other comprehensive income ("FVOCI") if they are held in a business the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and cash flows are solely payments of principal and interest on the principal amount outstanding. The Company does not have any financial assets classified as FVOCI.

Fair value through profit or loss

Any other financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss ("FVTPL"). The Company does not have any financial assets classified as FVTPL.

(ii) **Financial liabilities**

The Company classifies each financial liability into one of two categories depending on the purpose for which the liability was incurred.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

Financial liabilities at FVTPL

Liabilities in this category are liabilities or derivatives classified as held-for-trading or designated as FVTPL on initial recognition. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. The Company does not have any financial liabilities classified as FVTPL.

Amortized cost

Liabilities in this category are non-derivative financial liabilities that are not classified as held-for-trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities classified as amortized cost include bank loan payable, accounts payable and accrued liabilities and subscription receipts liability.

(iii) **Transaction costs**

For FVTPL financial assets and liabilities, transaction costs on initial recognition, and thereafter, are included directly in profit or loss. For other categories of financial assets and liabilities, transaction costs are capitalized and included in the calculation of the effective interest rate and are amortized through profit or loss over the term of the related instrument.

(iv) **Impairment**

The expected credit loss ("ECL") impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Allowances for ECL are recognized on all financial assets that are classified either at amortized cost or FVOCI and for all loan commitments and financial guarantees that are not measured at FVTPL. Allowances represent credit losses that reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

ECL allowances are measured at amounts equal to either (i) 12-month ECL (also referred to as Stage 1 ECL), which comprises an allowance for all non-impaired financial instruments that have not experienced a significant increase in credit risk ("SICR") since initial recognition; or (ii) lifetime ECL (also referred to as Stage 2 ECL), which comprises an allowance for those financial instruments that have experienced a SICR since initial recognition; or where there is objective evidence of impairment (Stage 3 ECL). Lifetime ECL is recognized for Stage 2 and 3 financial instruments compared to 12- month ECL for Stage 1 financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

(v) Determination of fair value

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by management using available market information or other valuation methodologies.

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

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly; and
Level 3: Inputs that are not based on observable market data.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of an asset or liability in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

(c) Cash

Cash and cash equivalents include cash on hand, deposits held at call with banks and bank overdrafts. The Company does not recognize monies held in trust relating to players account balances as these are not funds that are available for working capital.

(d) Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is computed using the following annual rates and methods which reflect the estimated useful life of the assets as follows:

Computer equipment	-	5 - 20%	Straight line

When components of an asset have a different useful life and cost that is significant to the total cost of the assets, depreciation is calculated on each separate component. Estimated useful lives and method of depreciation are reviewed annually.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) Intangible assets

Intangible assets are recognized at cost, net of accumulated amortization and impairment losses, if any. Amortization commences when the intangible asset is available for use.

Intangible assets with finite lives are amortized over their useful economic lives as follows:

Intellectual property	-	5	years straight-line

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit and loss when the asset is derecognized.

(f) Impairment of non-financial assets

The Company reviews long-lived assets and definite life intangible assets for impairment when events or circumstances indicate an asset may be impaired. Assets are assigned to a cash generating unit ("CGU") based on the lowest level at which they generate independent cash inflows. When there is an indication of impairment, an impairment charge is recorded to the extent the carrying value of a CGU exceeds the greater of the CGU's fair value less costs to dispose and its value in use, determined by discounting expected cash flows (recoverable amount). An impairment loss is reversed if a CGU's recoverable amount increases to the extent that the related assets' carrying amounts are no larger than the amount that would have been determined, net of amortization, had no impairment loss been recorded.

No impairments of non-financial assets were recorded during the years ended June 30, 2021 and 2020.

(g) Accounts receivable

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for impairment. Impairment provisions are estimated using the expected credit loss impairment model where any expected future credit losses are provided for, irrespective of whether a loss event has occurred at the reporting date. Estimates of expected credit losses take into account the Company's collection history, deterioration of collection rates during the average credit period, as well as observable changes in and forecasts of future economic conditions that affect default risk. Where applicable, the carrying amount of a trade receivable is reduced for any expected credit losses through the use of an allowance for ECL provision. Changes in the ECL provision are recognized in the statement of net loss and comprehensive loss. When the Company determines that no recovery of the amount owing is possible, the amount is deemed irrecoverable and the financial asset is written off.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Foreign currency translation

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each reporting date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are recognized in profit and loss.

The assets and liabilities of foreign operations with functional currencies other than Canadian dollars are translated into Canadian dollars at year-end exchange rates (*see note 2(c)*). Income and expenses, and cash flows of such foreign operations are translated into Canadian dollars using average exchange rates for the period. Exchange differences resulting from translating foreign operations are recognized in other comprehensive loss and accumulated in equity.

(i) Equity

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The Company accounts for warrants using the relevant valuation models at the date of issuance. The value of the warrants at the date of issuance is included in contributed surplus.

(j) Share based compensation

The Company has a stock option plan for directors, officers and employees. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over each tranche's vesting period, based on the number of awards expected to vest, with the offset credited to contributed surplus.

The proceeds from the exercise of stock options or warrants are recognized in share capital upon exercise at the exercise price paid by the holder, and the fair value attributed to these options or warrants is transferred from contributed surplus to share capital.

The proceeds from the exercise of stock options or warrants are recognized in share capital upon exercise at the exercise price paid by the holder.

(k) Revenue recognition

Revenue from contracts with customers is recognized when control of the Company's services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has concluded that it is the principal in its revenue arrangements because it controls the services before transferring them to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Management evaluates all contractual arrangements it enters into and evaluates the nature of the promised goods or services and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are capable of being distinct and are distinct in the context of the contract, the consideration the Company expects to be entitled under the arrangement is allocated to each performance obligation based on its relative estimated stand-alone selling prices. Performance obligations that the Company concludes are not distinct are combined together into a single combined performance obligation. Revenue is recognized at an amount equal to the transaction price allocated to the specific performance obligation when it is satisfied, either at a point in time or over time, as applicable, based on the pattern of transfer of control.

Royal Wins derives its core revenue from four principal channels: (i) drops on wagers, (ii) in-app purchases, (iii) tournament fees, and, to a lesser degree, (iv) advertising. Players either win real cash prizes or redeem points for real items via the arcade gaming platform within the Kash Karnival. Historically, drops on wagers have been the primary source of the Company's revenues and the this is expected to continue following the 2021 re-launch of the Kash Kingdom platform. The details of the four main channels are as follows:

i) Drops on wagers

All Royal Wins games of pure skill allow players to purchase virtual currency with real money. Players make virtual currency purchases using a variety of online payment gateways. This is known as a "deposit". All deposits are held in a nominated accounts and are not considered as revenue until a player places a wager (with purchased virtual currency) and then loses that wager. Losses on wagers are known as "drops", which represents revenue to the Company.

ii) In-app purchases

Royal Wins allows users to purchase a variety of virtual goods and items from within the gaming native app. These "in-app purchases" are used for player retention and consist of virtual items such as Arcade Tickets, Game Power Ups, Bonus Game Features, etc.

iii) Tournament fees

When the Company launches tournaments for its games, each player will be required to pay an entry fee for each tournament entered. Royal Wins will retain 10%-20% of these entry fees with the balance of the entry fee being placed into the prize pool for the winning player(s) to claim.

iv) Advertising

Royal Wins serves third-party advertisements in the free play versions of its games via the Unity Ad Network and the Google Display Network. For each ad viewed or clicked on, Kash Karnival will receive a small percentage in royalties. Unlike many hyper casual game models, revenue from this form of advertising is less strategic to Royal Wins as it can be counter-productive to player retention efforts and has been found to have a lesser revenue potential compared to the conversion of players from free play to paying play.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Customer deposits

Customer deposits are recorded only when held within a player's account that the Company has control over. Depending upon the payment processing platform used, such as Paypal, those funds remain under control of the player and are therefore not recognized by the Company. With a switch expected to different payment processing platforms in F2022, these deposits will be under the Company's control and will be recognized as funds held in trust with an offsetting customer deposit liability. As at June 30, 2021, there were no players' funds held in trust by the Company.

Marketing and consulting revenue

During the last two fiscal years, RWPL supplemented its primary revenue with marketing and consulting work for third-party clients. Marketing and consulting revenue is recognized in proportion to the stage of completion of the work performed at the reporting date. Profits are recognized on the stage of completion basis and measured using the proportion of costs incurred to date compared to expected actual costs. Where losses are anticipated, they are provided for in full.

(l) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(l) Income taxes, continued

The Company follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The amount of future tax assets recognized is limited to the amount, if any, that is considered to be more likely than not to be realized.

(m) Loss per share

Basic loss per share amounts are calculated by dividing consolidated net loss for the reporting period attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the consolidated net loss attributable to common shareholders by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

(n) Provisions and contingencies

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Critical accounting estimates and judgements

The preparation of these consolidated financial statements requires management to make estimates and judgements about the future that affect the amounts recorded in the consolidated financial statements. These estimates and judgements are based on the Company's experience and management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on new facts and experience. Actual results may differ from these estimates and judgements.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(o) Critical accounting estimates and judgements, continued

Areas where estimates and judgements are significant to these consolidated financial statements are as follows:

COVID-19 estimation uncertainty: The COVID-19 pandemic has had a material impact on the global economy, the scale and duration of which remains uncertain. To date, there has been significant volatility in foreign exchange rates, restrictions on the conduct of businesses, including travel restrictions and supply chain disruptions. Depending on the duration and extent of the impact of COVID-19, this could materially impact the Company's results of operations, cash flows, and financial position and could result in changes to estimates used. Changes related to these could be material.

Functional currency: The Company and its subsidiaries are required to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that, management has to analyze several factors, including which currency mainly influences the cost of undertaking the business activities, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities. Management uses its judgment to determine which factors are most important when the above indicators are mixed and the functional currency is not obvious.

Going concern: The assessment of whether the going concern assumption is appropriate requires management to consider all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

Share based compensation: Stock option and warrant fair values utilize option pricing models that require the input of assumptions, including the expected life, volatility of the Company's stock price, forfeitures and the risk free rate. Changes in the assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the stock option or warrants issued.

Shares issued for non-cash consideration: Shares issued for non-cash consideration involves judgement and estimate in the determination of the fair value of the goods or services received. The Company determined the fair value of the goods or services assets acquired using similar values from recent share issuances.

Estimated useful lives and depreciation/amortization of plant and equipment and intangible assets: Depreciation of plant and equipment and right-of-use assets and amortization of intangible assets are dependent upon estimates of useful lives based on management's judgment.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(o) Critical accounting estimates and judgements, continued

Non-financial asset impairment: The Company evaluates the carrying value of plant, equipment and intangible assets at the end of each reporting period to determine whether there is an indication of asset impairment. Such indicators include evidence of physical damage, indicators that the economic performance of asset is worse than expected, or that the decline in asset value is more than the passage of time or normal use, or significant changes occur with an adverse effect on the Company's business. If any such indication exists, the Company estimates the recoverable amount of the asset. An asset is impaired when its carrying amount exceeds its recoverable amount.

(p) Leases

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

Based on management's assessment under IFRS 16, it was determined there was no impact on the Company under as all its current leases, including its occupancy lease, are short term in nature, unchanged from prior year treatment.

Leases with a term less than twelve months or of a low value are expensed as incurred.

(q) Government assistance

Government grants are recognized where there is reasonable assurance that the grant will be received, and all the required conditions are complied with. Government grants in respect of capital expenditures are credited to the carrying amount of the related asset and are released to income over the expected useful lives of the relevant assets. When the grant relates to an expense item, it is recognized in income on a systematic basis over the periods that the related costs it is intended to compensate are expensed.

4. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

(a) IFRS 16 "Leases"

This standard has been amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This amendment is effective for annual periods beginning on or after June 1, 2020. At this time, the Company has not received rent concessions related to COVID-19 and therefore, this amendment is not expected to have a significant impact on the consolidated statements.

4 RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT, CONTINUED

(b) IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

These standards have been amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

5. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As at the date of authorization of these consolidated financial statements, the IASB has issued the following new or revised standards which are not yet effective:

(a) IAS 16 "Property, Plant and Equipment"

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and requires certain related disclosures. The amendments are effective for annual periods beginning on or after January l, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

(b) IAS 37 "Provisions"

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January l, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

(c) IAS 1, "Presentation of Financial Statements", and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors"

This standard has been amended to clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. This amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January l, 2023. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

5. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, continued

(d) IAS 12 "Income Taxes"

This standard has been amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

6. REVERSE TAKEOVER TRANSACTION ("RTO")

(a) On February 24, 2021, RWC (the "Issuer"), the legal parent, and RWPL entered into a Takeover Implementation Deed (the "Agreement") under which the Issuer made an offer to acquire all of the issued and outstanding ordinary shares of RWPL on the basis of one- half of one issuer share for each outstanding ordinary share of RWPL. The offer closed on April 1, 2021 at which point the Issuer issued 71,042,650 shares in consideration for the tendered shares, comprising 94.1% of the ordinary shares of RWPL.

(b) The Issuer subsequently undertook a second step in accordance with the Corporations Act 2001 (Australia) to compulsorily acquire the remaining ordinary shares of RWPL. This step was completed on June 25, 2021 through the issuance of a further 4,474,761 shares. As a consequence, the Issuer owns 100% of RWPL, but the transaction effectively resulted in a reverse takeover of the Issuer by RWPL, the Resulting Issuer *(see note 6(d))*.

(c) As a result of the RTO transaction, there are a total of 104,147,045 common shares issued and outstanding as of June 30, 2021, as follows:

(i) Former shareholders of RWPL exchanging their former 151,034,822 RWPL shares (on a 1 for 2 basis) for 75,517,411 Resulting Issuer shares, of which 71,042,650 were issued on April 1, 2021 and 4,474,761 on June 25, 2021. This represented approximately 72.5% of the total common shares of the Resulting Issuer.

(ii) Original shareholders of the Issuer exchanging their 24,853,762 former Issuer shares for 24,853,762 shares of the Resulting Issuer, representing approximately 23.9% of the total common shares of the Resulting Issuer.

(iii) A finders' fee paid through issuance of 3,775,872 shares of the Resulting Issuer, representing approximately 3.6% of the total common shares of the Resulting Issuer.

(d) For accounting purposes, the reverse takeover transaction has been recorded in the Company's records as follows:

(i) Although the transaction resulted in RWPL legally becoming a wholly-owned subsidiary of RWC, the transaction constituted a reverse takeover of RWC and has been accounted for as a reverse takeover transaction in accordance with guidance provided in IFRS 2 Share Based Payments. As RWC did not qualify as a business according to the definition in IFRS 3, this reverse takeover transaction did not constitute a business combination. It has been treated as an issuance of shares by RWPL for the net monetary assets of RWC.

6. REVERSE TAKEOVER TRANSACTION ("RTO"), CONTINUED

(ii) The transaction therefore has been accounted for as a capital transaction, with RWPL being identified as the accounting acquirer and the equity consideration measured at fair value. The resulting consolidated statement of financial position has been presented as a continuance of RWPL operations and comparative figures presented in the consolidated financial statements prior to the reverse acquisition are those of RWPL. The results of operations, cash flows and the assets and liabilities of RWC have been included in these consolidated financial statements since April 1, 2021, the acquisition date.

(iii) The effective consideration paid by RWPL to acquire RWC was measured on (1) the basis of the fair value of the equity instruments issued, considering the price per share ascribed from the most recent private placement of RWC *(see note 9(a))* just prior to completion of the RTO, and (2) pre-RTO advances by RWC to RWPL. In addition, as warrants and stock options granted by RWC prior to the transaction remained exercisable after the completion of the reverse acquisition, their fair value at the acquisition date was also included as part of the consideration transferred. In accordance with IFRS 2, any excess of the fair value of the equity instruments issued by RWPL over the value of the net monetary assets of RWC has been expensed as listing costs, as outlined below:

Fair value of consideration issued:			
Deemed issuances to former shareholders of the Issuer			
24,853,762 shares at $0.244 per share		$ 6,064,318	
8,088,763 warrants at average rate of $0.142 per warrant		1,152,186	
11,500,000 options at average rate of $0.199 per option		2,294,500	
Total equity instruments assumed		9,511,004	
Less: pre-RTO advances to RWPL		(685,000)	
			$ 8,826,004
Net monetary assets acquired			
Assets acquired			
Cash	$ 707,234		
Prepaid assets	38,915		
Subscription receipts - held in trust	3,891,500		
		4,637,649	
Liabilities assumed			
Bank loan payable	30,000		
Accounts payable and accrued liabilities	43,256		
Subscription receipts liability	3,891,500		
		3,964,756	
			672,893
Listing expenses			
Excess applied to transaction costs			8,153,111
Finders' fee paid in shares			921,313
Listing expenses			$ 9,074,424

Professional fees includes $69,719 of legal fees incurred with respect to the CSE listing process.

7. CASH

	June 30 2021	June 30 2020 (Restated-note 2(c))	July 1 2019 (Restated-note 2(c))
Operating accounts - Australian office	**$ 110,852**	$ 34,263	$ 86,542
Operating account - Canadian office	**115,632**	-	-
Swiss Franc savings account	**268,027**	301,527	-
	$ 494,511	$ 335,790	$ 86,542

8. ACCOUNTS RECEIVABLE

	June 30 2021	June 30 2020 (Restated-note 2(c))	July 1 2019 (Restated-note 2(c))
Recoverable sales tax ITC's	**$ 49,676**	$ -	$ -
Allowance for doubtful accounts	**(49,676)**	-	-
Australian Tax Office: Jobkeeper program receivable	**-**	8,444	-
	$ -	$ 8,444	$ -

Accounts receivable includes recoverable Canadian sales tax input tax credits. The entire amount has been provided for as at June 30, 2021 pending resolution of an audit by Canadian tax authorities.

9. SUBSCRIPTION RECEIPTS

(a) Initial offering - March, 2021

On March 5, 2021, a private placement of units of RWC closed with the issuance of 12,971,665 units at a price of $0.30 each for gross proceeds of $3,891,500. Each unit consists of one common share of RWC and one-half of one common share purchase warrant.

Each full warrant is exercisable to acquire one additional share of RWC at an exercise price of $0.40 for a period of 24 months following the closing dates of the offering, provided that, if the 20-day volume-weighted average price of the common shares on the Company's primary stock exchange is greater than $0.60 per common share, the Company can deliver a notice and accelerate the expiry date of the warrants to the date that is 30 days after the date on which such notice of acceleration is provided. (The equity components of each unit remained unaffected by the reverse takeover transaction *(see note 6(d)(iii)))* as each RWC common share was exchanged for a share of the Resulting Issuer and each full warrant remained exercisable on the same terms and conditions).

The offering was completed as Subscription Receipts, the proceeds of which were held in escrow in a trust account of the transfer agent pending (i) completion of the acquisition of not less than 90% of the issued and outstanding ordinary shares of RWPL, and (ii) receipt of approvals to list for trading on the CSE, subject to an outside release date of the escrowed funds of May 31, 2021. Cash commissions of 7% and broker warrants equal to 7% of the total units subscribed for are payable on successful meeting of the conditions above. Each broker warrant will allow the broker to purchase one common share of the Company at $0.40 for a period of 24 months from the date of the closing.

9 SUBSCRIPTION RECEIPTS, CONTINUED

(b) CSE listing status - May 31, 2021

As of May 31, 2021, the Company had not received approval of its listing on the CSE. As a result, management sought agreement from subscribers of Subscription Receipts to extend the retention of the proceeds of said Subscription Receipts in escrow beyond the original outside release date of May 31, 2021. Failure to retain such agreement from any holder would require refund of the subscription amount to such holder.

Of the original $3,891,500 subscribed for, certain investors who had subscribed for 1,748,334 units requested refund of their subscriptions in the amount of $524,500. Holders of the remaining $3,367,000 agreed to extend the outside release date from May 31, 2021 to July 15, 2021. All of the requested refunds were repaid in July, 2021, such that the balance held in escrow as at June 30, 2021 was still $3,891,500. This amount has been presented as subscription receipts - held in trust offset by a subscription receipts liability on the consolidated statement of financial position.

(c) CSE listing approval - July 15, 2021

On July 15, 2021, the Company received approval to list its common shares on the CSE. Accordingly, Royal Wins had satisfied escrow release conditions pertaining to the remaining 11,223,331 Subscription Receipts, resulting in the issuance of 11,223,331 shares. Each subscription receipt was automatically converted without any further action by the holders into one common share of Royal Wins and one-half of one common share purchase warrant. Each full warrant will entitle the holder to acquire one common share of the Company at a price of $0.40 for a period of 24 months from the date of the closing of the private placement. Finder's fees totalling $235,690 and 785,633 broker warrants have been paid in relation to the placement of these securities.

10. PLANT AND EQUIPMENT

	Computer equipment
Cost	
As at July 1, 2019 (Restated-note 2(c))	$ 14,246
Effects of foreign exchange	318
As at June 30, 2020 (Restated-note 2(c))	14,564
Effects of foreign exchange	(136)
As at June 30, 2021	$ 14,428
Accumulated depreciation	
As at July 1, 2019 (Restated-note 2(c))	$ 7,597
Depreciation	790
Effects of foreign exchange	202
As at June 30, 2020 (Restated-note 2(c))	8,589
Depreciation	699
Effects of foreign exchange	(101)
As at June 30, 2021	$ 9,187
Net book value	
As at July 1, 2019 (Restated-note 2(c))	$ 6,649
As at June 30, 2020 (Restated-note 2(c))	$ 5,975
As at June 30, 2021	$ 5,241

11. INTANGIBLE ASSETS

	Intellectual properties
Cost	
As at July 1, 2019 (Restated-note 2(c))	$ **48,420**
Effects of foreign exchange	1,082
As at June 30, 2020 (Restated-note 2(c))	**49,502**
Effects of foreign exchange	(459)
As at June 30, 2021	$ **49,043**
Accumulated amortization	
As at July 1, 2019 and June 30, 2020 (Restated-note 2(c))	$ **-**
Amortization	26,238
Effects of foreign exchange	(759)
As at June 30, 2021	$ **25,479**
Net book value	
As at July 1, 2019 (Restated-note 2(c))	$ **48,420**
As at June 30, 2020 (Restated-note 2(c))	$ **49,502**
As at June 30, 2021	$ **23,564**

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2021	June 30 2020 (Restated-note 2(c))	July 1 2019 (Restated-note 2(c))
Trade accounts payable	$ **163,695**	$ 10,668	$ 53,624
Accrued liabilities	**68,765**	16,888	17,436
Payroll liabilities	**73,875**	132,904	91,398
HST payable	**110,041**	68,486	60,638
	$ **416,376**	$ 228,946	$ 223,096

13. SHARE CAPITAL

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the consolidated statements of changes in shareholders' equity for the period from July 1, 2019 to June 30, 2021. Descriptions of the changes in shareholders' equity are as follows:

(a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of first preferred shares issuable in series by the directors. The common shares are without nominal or par value and may carry rights, privileges, priorities, limitations, conditions and restrictions according to the class their issued at including receiving dividends and voting rights.

The first preferred shares shall be entitled to preference over the common shares of the Company and over any other shares of the Company ranking junior to the first preferred shares with respect to payment of dividends and return of capital and in the distribution of assets in the event of liquidation, dissolution or wind-up of the Company.

All amounts for common share transactions up to March 31, 2021 have been retroactively restated to give effect to the RTO that resulted in the exchange of 2 RWPL shares for 1 Resulting Issuer share (*see note 6(c)(i))*.

(b) Share issuances during the year ended June 30, 2020

During the year ended June 30, 2020, the Company completed numerous private placements that resulted in the issuance of 3,627,246 shares at an average price per share of $0.34 for gross proceeds of $1,235,940.

(c) Share issuances up to March 31, 2021

During the nine month period up to March 31, 2021, the period preceding the RTO, RWPL completed the following share capital transactions:

(i) Numerous private placements that resulted in the issuance of 3,147,661 shares at an average price per share of $0.04 for gross proceeds of $125,312.

(ii) Issuance of 3,400,000 shares to the CEO in accordance with the terms of his long term incentive plan valued at $936,318, an average of $0.28 per share.

(iii) Issuance of 529,540 shares to employees under the terms of the Employee Stock Ownership Plan valued at $202,532, an average of $0.38 per share.

13 SHARE CAPITAL, CONTINUED

(d) Reverse takeover transaction of RWC (the "Issuer") by RWPL ("the Resulting Issuer"):

As a result of the reverse takeover transaction described in note 6, the following share capital transactions transpired:

(i) Former shareholders of RWPL exchanged their former 151,034,822 RWPL shares (on a 2 for 1 basis) for 75,517,411 Resulting Issuer shares,

(ii) Original shareholders of the Issuer exchanged their 24,853,762 former Issuer shares for 24,853,762 shares of the Resulting Issuer, valued at $6,064,318, an average of $0.244 per share (determined from the price per share ascribed from the most recent private placement of RWC *(see note 9(a))* just prior to completion of the RTO), and

(iii) A finders' fee was paid through issuance of 3,775,872 shares of the Resulting Issuer valued at $921,313, an average of $0.244 per share.

(e) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the year ended June 30, 2021 was 78,845,312 (2020 - 65,635,923).

The potentially dilutive equity instruments outstanding as at June 30, 2021 were (i) 11,500,000 stock options (2020 - Nil), and (ii) 8,088,763 warrants (2020 - Nil).

14. STOCK OPTIONS

(a) The Company has a stock option plan pursuant to which options to purchase common shares may be granted to executive officers, directors, employees and consultants. The plan allows for the issuance of up to 10% of the issued and outstanding common shares.

(b) Stock option activity during the years ended June 30, 2021 and 2020 was as follows:

(i) The Company had no stock options issued or outstanding prior to the RTO transaction.

(ii) As a result of the RTO, stock options granted prior to the RTO transaction by RWC remain exercisable after the completion of the reverse acquisition.

14. STOCK OPTIONS, CONTINUED

Grant date	April 1, 2021	April 1, 2021	April 1, 2021	Totals/ weighted average
Exercise date	July 5, 2021	December 15, 2025	December 15, 2022	
Number of options granted	2,000,000	4,000,000	5,500,000	11,500,000
Valuation methodology	Black Scholes	Black Scholes	Black Scholes	
Stock price	$ 0.244	$ 0.244	$ 0.244	
Exercise price	$ 0.025	$ 0.075	$ 0.075	$ 0.066
Expected remaining life (years)	0.26	4.70	1.70	2.49
Expected volatility	100%	100%	100%	
Discount rate	0.09%	0.97%	0.22%	
Expected dividends	0.00%	0.00%	0.00%	
Vesting	Deemed fully vested on RTO			
Fair value per option	$ 0.2190	$ 0.2103	$ 0.1846	
Fair value attributed on RTO	$ 438,000	$ 841,200	$ 1,015,300	$ 2,294,500

(c) Share based compensation recognized for the year ended June 30, 2021 totalled $694,028 (2020 - $70,927) based on the value of shares issued to the Company's CEO under the terms of his Long Term Incentive Plan.

15. WARRANTS

(a) Warrant activity during the years ended June 30, 2021 and 2020 was as follows:

(i) The Company had no warrants issued or outstanding prior to the RTO transaction.

(ii) As a result of the RTO, warrants granted prior to the RTO transaction by RWC remain exercisable after the completion of the reverse acquisition.

Effective grant date, being RTO date	April 1, 2021	April 1, 2021	April 1, 2021	April 1, 2021	Totals/ weighted average
Exercise date	October 30, 2021	December 11, 2021	February 26, 2023	December 11, 2021	
Number of warrants granted	1,866,664	4,966,670	1,106,166	149,263	8,088,763
Valuation methodology	Black Scholes	Black Scholes	Black Scholes	Black Scholes	
Stock price	$ 0.244	$ 0.244	$ 0.244	$ 0.244	
Exercise price	$ 0.100	$ 0.100	$ 0.400	$ 0.400	$ 0.257
Expected remaining life (years)	0.58	0.69	1.90	0.69	3.60
Expected volatility	100%	100%	100%	100%	
Discount rate	0.11%	0.11%	0.22%	0.30%	
Expected dividends	0.00%	0.00%	0.00%	0.00%	
Vesting	Deemed fully vested on RTO				
Fair value per warrant	$ 0.1508	$ 0.1529	$ 0.0949	$ 0.0423	
Fair value attributed on RTO	$ 281,493	$ 759,404	$ 104,975	$ 6,314	$ 1,152,186

16. INCOME TAXES

(a) Income tax rate reconciliation

The Company's provision for income taxes differs from the amounts computed by applying the basic current rate of 26.5% for Ontario and 26.0% for Australia to the loss for the year before taxes as shown in the following table as at June 30, 2021 and 2020:

	2021	2020
Net loss before recovery of income taxes	**$ (11,326,250)**	$ (1,054,617)
Statutory tax rates	**26.50%**	26.50%
Expected income tax benefit based on statutory rates	**(2,981,969)**	(290,020)
Increase (decrease) resulting from:		
Permanent differences	**2,526,150**	8,633
Share issue costs	**(2,740)**	-
Change in unrecognized deferred tax assets	**458,559**	281,387
Income tax expense (recovery)	**$ -**	$ -

(b) Deferred income taxes

	2021	2020
Deferred tax assets		
Deferred transaction costs	$ 213,614	$ 329,263
Non-capital losses carried forward	2,118,844	1,529,318
Provisions and accruals	25,875	41,193
	2,358,333	1,899,774
Deferred tax assets not recognized	(2,358,333)	(1,899,774)
Net deferred tax assets/liabilities	$ -	$ -

Certain deferred tax assets have not been recognized because it is not probable that future taxable profit will not be available against which the Company can utilize the benefits therefrom.

(c) Loss carryforwards

Carryforward of Canadian non-capital losses	$ 847,941	
Potential tax benefit at 26.5%		$ 224,705
Carryforward of Australian non-capital losses	$ 7,285,151	
Potential tax benefit at 26.0%		1,894,139
Total potential tax benefit		$ 2,118,844

17. Related Party Transactions

During the years ended June 30, 2021 and 2020, the Company had the following related party transactions, including (i) compensation of key management personnel and directors, and (ii) transactions with entities related to or controlled by current and/or former officers and directors:

	2021	2020
Consulting fees	$ **663,008**	$ **348,709**
Rent and other administrative expenses	**70,437**	**71,295**
Marketing fees	**-**	**405,301**
Share based compensation	**491,265**	**70,928**

(a) Accounts payable and accrued liabilities as at June 30, 2021 includes $10,562 (2020 - $109) and prepaid expenses includes $38,915 (2020 - $Nil) with respect to related parties for the transactions disclosed above.

18. Government Grants

The Company has participated in grants offered by the Government of Australia to help offset the negative impact of the COVID-19 pandemic. During the year ended June 30, 2021, the Company received funding of $42,145 (2020 - $55,372) under various Australian government payroll support programs, the proceeds of which have been netted against the employee compensation and benefits caption in the statement of net loss and comprehensive loss.

19. Financial Instruments And Risk Factors

(a) Fair value of financial instruments

The fair values of cash, accounts receivable, subscription receipts - held in trust, bank loan payable, accounts payable and accrued liabilities and subscription receipts liability approximate their fair values due to the short-term or demand nature of these balances. The Company's financial instruments are exposed to certain financial risks, as summarized below.

(b) Credit risk

Credit risk arises from deposits with banks and refundable Canadian sales tax ITC's. The maximum exposure to credit risk as at June 30, 2021 is $494,511 of cash and accounts receivable in the consolidated statement of financial position.

The Company's credit risk is attributable to its accounts receivable, which is comprised mostly of refundable Canadian sales tax input tax credits. Management has recorded an impairment provision against the entire balance of $49,676 *(see note 8)* pending resolution of an audit by Canadian tax authorities.

Cash consists of bank deposits invested with Canadian and Australian chartered banks, from which management believes the risk of loss to be remote. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

19. FINANCIAL INSTRUMENTS AND RISK FACTORS, continued

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2021, the Company had working capital of $87,050 (June 30, 2020 - $115,288). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

The Company received the proceeds of the subscription receipts in July, 2021 in the amount of $3,367,000 *(see note 9(b))* to continue enhancing its gaming platforms through hiring new staff for the marketing team and development team.

(d) Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) foreign currency risk, (ii) interest rate risk, and (iii) other price risk.

(i) Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from Australian dollar denominated cash and other payables. A 1% change in the foreign exchange rates would not result in any significant impact to the financial statements.

(ii) Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at June 30, 2021 as there are no material long-term borrowings outstanding.

(iii) Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at June 30, 2021.

20. CAPITAL DISCLOSURES

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The Company includes equity, comprised of common shares, share based compensation, warrants, accumulated deficit and foreign currency translation reserve, in its definition of capital.

The Company manages its capital structure and adjusts it in light of economic conditions. Upon approval from its Board of Directors, it will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the prior fiscal year.

21. COMMITMENTS

As at June 30, 2021, the Company had the following commitments:

(a) An agreement with a company controlled by a director for a monthly amount of $20,000. The contract started May 1, 2021 with an initial 6 month period. After the initial period, the agreement continues on a monthly basis with a 3 month notice requirement. The services provided under the agreement finance and accounting, regulatory affairs and corporate governance, investor relations, communications and general administrative support for Royal Wins; and

(b) A consulting agreement with a company controlled by the CEO for his services as CEO at a monthly amount of AUD $8,760, expiring in February, 2022.

22. SEGMENTED INFORMATION

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer of the Company. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment. The Company's operations comprise a single operating segment engaged in skill game wagering and betting on mobile casual games.

23. SUBSEQUENT EVENTS

(a) Share issuances

On July 5, 2021, 2,000,000 options were exercised for proceeds of $50,000 *(see note 14)*.

(b) Listing on CSE

On July 15, 2021, the Company was approved for listing on the CSE under the symbol "SKLL", and trading commenced on July 20, 2021 *(see note 9(c))*.

(c) Subscription receipts

Concurrent with the CSE listing approval, 11,223,331 shares were issued on July 15, 2021 on the Company having satisfied escrow release conditions pertaining to the Subscription Receipts *(see note 9(c))*.

(d) Acquisition of Antics Gaming LLC and Winning with Words

On September 7, 2021, the Company closed on two acquisitions as follows:

(i) 100% of the units of Antics Gaming LLC ("Antics") of Las Vegas, Nevada. The agreed upon purchase price was $158,756 (USD $125,786), using the foreign exchange rate in effect on the closing date. The purchase price was settled through cash consideration of $96,077 (USD $75,786) and 298,048 shares at an agreed-upon value of $0.21 per share, or $62,590 (USD $50,000), and

(ii) a 100% interest in the computer game, including the electronic mobile version, known as "Winning with Words" (the "Assets"), including all intellectual property rights and goodwill associated with the Assets. The agreed upon purchase price was $37,863 (USD $30,000), using the foreign exchange rate in effect on the closing date, and was paid in full by cash. The vendor also retains a 5% royalty on all net income generated from the Assets.

(e) Share issuance - September, 2021

On August 9, 2021, the Company agreed to issue 60,399 shares valued at $11,174 to a third-party development contractor as partial consideration for services rendered. The shares were issued on September 29, 2021.

(f) Premises lease - October, 2021

In October 2021, the Company entered into a new premises lease for its Australian offices. The lease is for a five-year term commencing December 1, 2021 at an annual base rent of approximately $340,000 (AUD $366,000) plus share of operating costs, and has an option for a three year extension at then-market rates.