

Consolidated Financial Statements
(Expressed in Canadian dollars)

NORTHSTAR GAMING HOLDINGS INC.

And Independent Auditor's Report thereon

Years ended December 31, 2023, and 2022



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place
Suite 1400
Vaughan, ON Canada L4K 0J3
Telephone (905) 265-5900
Fax (905) 265-6390
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Northstar Gaming Holdings Inc.

Opinion

We have audited the consolidated financial statements of Northstar Gaming Holdings Inc. (the Entity), which comprise:

- the Consolidated Statements of Financial Position as at December 31, 2023 and December 31, 2022
- the Consolidated Statements of Loss and Comprehensive Loss for the years ended December 31, 2023 and December 31, 2022
- the Consolidated Statements of Changes in Shareholders' Deficit for the years ended December 31, 2023 and December 31, 2022
- the Consolidated Statements of Cash Flows for the years ended December 31, 2023 and December 31, 2022
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting 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 auditor's report.



We are independent of the Entity 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 of the financial statements, which indicates that the Entity has experienced losses since inception. The net loss for the year ended December 31, 2023 was \$25,475,646 and the accumulated deficit as at December 31, 2023 was \$47,556,697. The Company's unrestricted cash resources as of December 31, 2023 of \$3,909,761 are not sufficient to fund its planned business operations over the next twelve months.

As stated in Note 2, these conditions, along with other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Recognition of gaming revenue

Description of the matter

We draw attention to Note 4(a) to the financial statements. The Entity offers sports-betting and online casino related transactions, where it generates a net gain or loss on a bet that is determined by an uncertain future event. Revenue is recorded as the gain or loss on betting transactions settled during the period net of free bets, promotional costs, bonuses and fair value adjustments on open bets (unsettled bets). The Entity recognizes the gain or loss on a betting transaction as revenue when a bet is settled.

Why the matter is a key audit matter

We identified the recognition of gaming revenue as a key audit matter. This matter represented a significant risk of material misstatement given gaming revenue is computed and recorded within gaming platforms. The recognition of gaming revenue is highly dependent on the processing within the gaming platforms and the reports generated therefrom. Involvement of those with specialized skills and knowledge were required in performing and evaluating the results of our procedures.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

We involved information technology professionals with specialized skills and knowledge, who assisted in:



- Evaluating the design and testing the operating effectiveness around the data flow for gaming revenue by observing bets placed from the customer-facing systems and examining the transactions through the gaming platforms
- Evaluating the design and testing the operating effectiveness of automated controls around wallet deposits and withdrawals, placing and settlement of bets, and the determination of revenue by placing live bets
- Evaluating the design and testing the operating effectiveness of automated application controls over the financial data reports from the gaming platforms
- Evaluating the design and testing operating effectiveness of relevant controls at the service provider through evaluation of a service organization controls report and evaluating the design and testing the operating effectiveness of the complimentary user entity controls.

In addition, we compared revenue recognized during the period to the financial data reports obtained from the gaming platforms.

Evaluation of the acquisition-date fair value of the of the customer contract intangible asset from the acquisition of Slapshot Media Inc.

Description of the matter

We draw attention to Note 7 to the financial statements. On May 8, 2023, the Entity acquired 100% of the issued and outstanding shares of Slapshot Media Inc. ("Slapshot"). The total purchase consideration was \$2,225,754. As part of the transaction, the Entity acquired a customer contract intangible asset with an acquisition-date fair value of \$1,895,989. The significant assumptions used in the valuation of this intangible asset are forecasted revenue and discount rate.

Why the matter is the key audit matter

We identified the evaluation of the acquisition-date fair value of the of the customer contract intangible asset from the acquisition of Slapshot as a key audit matter. This matter represented a significant risk of material misstatement due to the magnitude of the balance and the high degree of estimation uncertainty in determining the fair value of the customer contract intangible asset. In addition, involvement of those with specialized skills and knowledge were required in performing and evaluating the results of our audit procedures due to the sensitivity of the fair value of the customer contract intangible asset to possible changes in significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

- We evaluated the forecasted revenue, by comparing past performance of both the Entity and Slapshot and publicly available industry data.
- We involved valuation professionals with specialized skills and knowledge, who assisted in assessing the discount rate used in the valuation model by comparing the discount rate to an independently developed market rate of return.



Other Information

Management is responsible for the other information. Other information comprises:

- the information included in 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 we 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 indications 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 auditor's 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 auditor's 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 the financial statements in accordance with IFRS Accounting 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

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



- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this independent auditor's report is Lesley Bridget Luk.

Vaughan, Canada

April 29, 2024

NORTHSTAR GAMING HOLDINGS INC.

Consolidated Statements of Financial Position
As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

	<u>December 31</u> <u>2023</u>	<u>December 31</u> <u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,909,761	\$ 1,178,977
Restricted cash related to performance guarantee	271,000	100,000
Player deposits on hand	850,224	538,959
Amounts held for Abenaki Council of Wolinak	125,718	-
Amounts due from payment processors	2,892,461	161
Accounts receivable	1,549,893	1,394,866
Subscription receipts held in escrow (note 15)	-	5,075,000
Proceeds from convertible debenture held in escrow (note 15)	-	7,250,000
Prepaid expenses and deposits	<u>1,010,321</u>	<u>1,053,961</u>
Total current assets	10,609,378	16,591,924
Non-current assets		
Equipment (note 12)	35,930	30,138
Intangible assets (note 13)	<u>2,377,911</u>	<u>473,666</u>
	2,413,841	503,804
Total assets	<u>\$ 13,023,219</u>	<u>\$ 17,095,728</u>
Liabilities and Shareholders' Deficit		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,777,204	\$ 6,401,719
Due to related party (note 19)	1,769,414	1,381,103
Liability for player deposits on hand	838,250	490,630
Open bets liability (note 11)	10,171	40,126
Liability for player loyalty bonuses	129,636	19,400
Amount due to Abenaki Council of Wolinak	125,718	-
Subscription receipts owed to subscribers (note 15)	-	5,075,000
Convertible debenture (note 15)	-	12,250,000
Contingent consideration payable (note 7)	98,254	-
Current portion redeemable preferred shares (note 14)	<u>6,482,486</u>	<u>6,982,917</u>
Total current liabilities	17,231,134	32,640,895
Non-current liabilities		
Convertible debenture (note 8)	3,020,100	-
Conversion feature derivative (note 8)	<u>911,951</u>	<u>-</u>
Total liabilities	21,163,185	32,640,895
Shareholders' deficit		
Share capital (note 15)	\$ 26,828,431	\$ 5,159,856
Contributed surplus (notes 15 and 16)	11,775,712	420,042
Equity component of redeemable preferred shares (note 14)	812,588	955,986
Accumulated deficit	<u>(47,556,697)</u>	<u>(22,081,051)</u>
Total shareholders' deficit	(8,139,966)	(15,545,167)
Total liabilities and shareholders' deficit	<u>\$ 13,023,219</u>	<u>\$ 17,095,728</u>
Going concern (note 2)		
Commitments (note 23)		
Subsequent events (note 24)		

See accompanying notes to the consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on April 29, 2024

/s/ Barry Shafran
Barry Shafran, Director

/s/ Michael Moskowitz
Michael Moskowitz, Director

NORTHSTAR GAMING HOLDINGS INC.

Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

	Year Ended December 31 2023	Year Ended December 31 2022
Revenues (note 10)	\$ 19,413,390	\$ 5,744,029
Cost of revenues		
Operator participant fees	4,038,854	1,309,853
Service provider fees	8,202,277	3,237,064
Gross margin	7,172,259	1,197,112
Expenses		
Marketing	14,093,761	13,941,875
General and administrative (note 21)	11,335,697	6,878,402
Share based compensation expense (note 17)	5,343,240	364,911
Public listing costs	2,789,316	-
Amortization and depreciation (notes 12 and 13)	246,291	70,056
Total operating expenses	33,808,305	21,255,244
Gain on remeasurement of contingent consideration payable (note 7)	390,228	-
Gain on derecognition of preferred shares	48,800	-
Gain on remeasurment of conversion feature derivative (note 8)	1,351,959	-
Amortization of transaction cost (Note 8)	(1,138)	-
Foreign exchange loss	(2,923)	-
Interest income	87,234	-
Finance cost (note 14)	(713,760)	(138,903)
	1,160,400	(138,903)
Loss before income taxes	(25,475,646)	(20,197,035)
Income taxes	-	-
Net loss and comprehensive loss	\$ (25,475,646)	\$ (20,197,035)
Loss per common share (notes 6 and 18):		
Basic and diluted	(0.16)	(0.19)
Weighted average number of common shares outstanding, (note 6 and 18):		
Basic and diluted	160,544,233	104,995,361

See accompanying notes to the consolidated financial statements.

NORTHSTAR GAMING HOLDINGS INC.

Consolidated Statements of Changes in Shareholders' Deficit
Years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

Year ended December 31, 2023	Common Shares		Non-voting Common Shares		Contributed Surplus	Equity Component of Redeemable Preferred Shares	Accumulated Deficit	Total Shareholders' Deficit
	Number	Value	Number	Value				
Balance January 1, 2023	105,214,111	\$ 5,159,855	8,471,820	\$ 1	\$ 420,042	\$ 955,986	\$ (22,081,051)	\$ (15,545,167)
Exercise of warrants (notes 15 and 16)	4,051,740	402,401	-	-	(55,131)	-	-	347,270
Shares and warrants issued to former Baden Resources Inc. Shareholders (note 6 and note 15)	4,181,430	2,090,715	-	-	370,990	-	-	2,461,705
Additional shares issued to former Baden Resources Shareholders (notes 6 and 15)	63,008	1	-	-	-	-	-	1
Exchange of non-voting shares of NorthStar Gaming Inc. for voting shares of NorthStar Gaming Holdings Inc. (note 6)	8,471,820	1 (8,471,820)	-	(1)	-	-	-	-
Shares and warrants issued, net of transaction costs (notes 6, 15 and 16)	10,150,000	4,225,546	-	-	124,290	-	-	4,349,836
Shares and warrants issued on conversion of convertible debenture (notes 6, 15 and 16)	24,500,000	8,205,885	-	-	4,044,115	-	-	12,250,000
Shares issued upon acquisition of Slapshot Media Inc. (notes 7 and 15)	3,818,181	1,737,272	-	-	-	-	-	1,737,272
Shares issued on redemption of preferred shares (notes 14 and 15)	2,127,273	1,172,942	-	-	-	(143,398)	-	1,029,544
Exercise of warrants (notes 15 and 16) post March 3, 2023	369,000	203,235	-	-	(81,180)	-	-	122,055
Exercise of stock options (note 15 and 17)	12,278	4,600	-	-	(1,842)	-	-	2,758
Shares and warrants issued on private placement, net of transaction costs (note 8 and 15)	29,528,458	3,515,323	-	-	1,611,188	-	-	5,126,511
Shares issued in exchange for services	304,716	110,655	-	-	-	-	-	110,655
Share-based payment expense (note 17)	-	-	-	-	5,343,240	-	-	5,343,240
Net loss for the period	-	-	-	-	-	-	(25,475,646)	(25,475,646)
Balance December 31, 2023	192,792,015	\$ 26,828,431	-	\$ -	\$ 11,775,712	\$ 812,588	\$ (47,556,697)	\$ (8,139,966)

See accompanying notes to the consolidated financial statements

NORTHSTAR GAMING HOLDINGS INC.

Condensed Consolidated Statements of Cash Flows
Years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

	Twelve months ended December 31 2023	Twelve months ended December 31 2022
Cash flows used in operating activities		
Net loss for the period	\$ (25,475,646)	\$ (20,197,035)
Adjustments for:		
Public listing costs (note 6)	2,364,620	-
Shares for services	110,655	-
Change in fair value of open events (note 11)	(29,955)	(8,203)
Depreciation and amortization (notes 12 and 13)	246,290	70,056
Gain on remeasurement of consideration payable (note 7)	(390,228)	-
Fair value change in derivative liability	(1,351,959)	-
Gain on derecognition of preferred shares	(48,800)	-
Interest accretion expense (note 14)	713,789	138,903
Share-based payment expense (note 17)	5,343,240	364,911
	<u>(18,517,994)</u>	<u>(19,631,368)</u>
Change in non-cash operating working capital:		
Player deposits on hand	(207,340)	(538,959)
Amount due from Abenaki Council of Wolinak	(125,718)	-
Amount due from payment processors	(2,702,454)	(161)
Accounts receivable	(8,317)	(234,854)
Prepaid expenses and deposits	43,641	(744,731)
Accounts payable and accrued liabilities	1,174,917	7,073,562
Due to related party (note 19)	388,311	1,381,103
Liability for player deposits on hand	243,695	442,301
Amount due to Abenaki Council of Wolinak	125,718	-
Liability for player loyalty bonuses	110,236	19,400
Change in non-cash working capital	(957,311)	7,397,661
Change in restricted cash	(171,000)	(100,000)
Net cash flows used in operating activities	<u>(19,646,304)</u>	<u>(12,333,707)</u>
Proceeds from financing activities:		
Proceeds from issuance of common shares and warrants (notes 15 and 16)	4,349,837	5,213,986
Proceeds from exercise of warrants and stock options (notes 15,16 and 17)	472,084	-
Proceeds from issuance of redeemable preferred shares	-	3,777,700
Proceeds from private placement financing (note 6)	5,126,513	-
Proceeds from convertible debenture (note 8)	12,398,133	5,000,000
Net Proceeds from financing activities	<u>22,346,567</u>	<u>13,991,686</u>
Cash flows used in investing activities:		
Cash and cash equivalents received on the acquisition of NorthStar Gaming Holdings Inc. (note 6)	106,971	-
Cash and cash equivalents received on the acquisition of Slapshot Media Inc. (note 7)	183,888	-
Purchase of equipment (note 12)	(14,970)	(7,642)
Purchase of intangible assets (note 13)	(245,368)	(483,040)
Net cash flows used in investing activities	<u>30,521</u>	<u>(490,682)</u>
Increase (decrease) in cash and cash equivalents	2,730,784	1,167,297
Cash and cash equivalents, beginning of period	1,178,977	11,680
Cash and cash equivalents, end of period	<u>\$ 3,909,761</u>	<u>\$ 1,178,977</u>

See accompanying notes to the consolidated financial statements

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

1. Corporate Information:

NorthStar Gaming Holdings Inc., (the “Company”) formerly Baden Resources Inc. (“Baden”) was incorporated in the Province of British Columbia on January 19, 2020 under the Business Corporations Act of British Columbia. The Company’s shares were listed on the Canadian Securities Exchange (“CSE”) under the symbol “BDN” until March 3, 2023 at which time they were delisted.

As described in note 5, the Company completed a reverse takeover transaction (the “Transaction”) on March 3, 2023, pursuant to a business combination with NorthStar Gaming Inc. (“NorthStar”), a non-reporting issuer. The reverse takeover transaction was accomplished via an amalgamation between NorthStar and a newly incorporated subsidiary of the Company. Immediately prior to the transaction, the Company, changed its name from Baden to NorthStar Gaming Holdings Inc.

The consolidated financial statements prepared for reporting purposes are continuance of NorthStar Gaming Inc.’s financial statements, the acquiror under IFRS Accounting Standards.

On March 8, 2023, the Company was listed as a Tier 2 issuer on the TSX Venture Exchange (“TSXV”) under the symbol BET. The Company’s head office is located at Suite 200, 220 King Street West, Toronto Ontario M5H 1K4.

On April 12, 2022, NorthStar Gaming (Ontario) Inc., a wholly-owned subsidiary of the Company received its license from the Alcohol and Gaming Commission of Ontario (“AGCO”) and on May 9, 2022 it launched its online gaming site www.northstarbets.ca which offers access to regulated sports betting markets, and a robust and curated casino offering, including the most popular slot offerings and live dealer games.

In connection with the launch of operation of NorthStar Gaming (Ontario) Inc.’s online gaming site, NorthStar Gaming (Ontario) Inc. also entered into an agreement with iGaming Ontario (“Agreement”), a subsidiary of AGCO, effective May 9, 2022. Under the terms of the agreement, NorthStar Gaming (Ontario) Inc. will operate its online gaming and sports betting site in accordance with the regulations as set out by the AGCO and as included in the Agreement. As part of the terms of the Agreement, iGaming Ontario charges the NorthStar Gaming (Ontario) Inc. fees which are based on a percentage of gross gaming revenue as defined in the Agreement. The Agreement is for an initial term of 5 years.

On May 8, 2023, the Company acquired 100% of the outstanding shares of Slapshot Media Inc. (“Slapshot”) pursuant to a share purchase agreement dated May 8, 2023. The Slapshot share purchase is accounted for in accordance with IFRS 3, as the operations of Slapshot constitute a business (note 5). Slapshot earns managed services fees from Abenaki Council of Wolinak operates in Canada excluding Ontario under the license issued by the Kahnawake Gaming Commission.

The Company has one operating segment for financial reporting purposes. The Company’s segment’s revenue is primarily generated from the proceeds from the Company’s online casino and sportsbook.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

2. Going Concern

These consolidated financial statements have been prepared on a going concern basis in accordance with the basis of the presentation outlined in note 3, that assumes the Company will continue in operation for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at December 31, 2023, the Company was in its early stage of operations and has experienced losses since inception. The net loss for the year ended December 31, 2023 was \$25,475,646 and the accumulated deficit as at December 31, 2023 was \$47,556,697. The Company's unrestricted cash resources as of December 31, 2023 of \$3,909,761 are not sufficient to fund its planned business operations over the next twelve months. In order to fund the planned business operations, which include marketing, product development, obtaining and maintaining iGaming licenses and technical infrastructure, and before the Company expects to generate positive cash flow, additional financing will be required. The Company intends to continue to pursue opportunities to improve liquidity and profitability over the next twelve months, which includes, without limitation, seeking additional capital through the issuance of debt or equity offerings; renewing the strategic marketing arrangement with Playtech Software; reducing operating costs through targeted cost-saving measures; and seeking arrangements with potential strategic partners.

The failure to execute these opportunities may result in the delay or indefinite postponement of current business operations. The above conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the assumption of going concern were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, adjustments may be necessary to the carrying value of assets, liabilities, and reported expenses, and these adjustments could be material.

3. Basis of Preparation

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 29, 2024.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

b. Basis of presentation

These consolidated financial statements have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes. Certain amounts, which are not material, in the prior year's consolidated financial statements have been reclassified to conform to the current year presentation for player deposits on hand and open bets liability.

c. Principles of consolidation

The accompanying consolidated financial statements include the Company and its wholly owned subsidiaries, NorthStar Gaming Inc., NorthStar Gaming (Ontario) Inc. and Slapshot Media Inc. on a consolidated basis from the date the control of each subsidiary was acquired. All intercompany transactions and balances are eliminated on consolidation. On January 1, 2024, NorthStar Gaming Inc. amalgamated with NorthStar Gaming Holdings Inc.

d. Foreign currency translation

The functional currency of the Company is the Canadian dollar, which is also the presentation currency for the consolidated financial statements.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transaction. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated into the functional currency using the prevailing rate of exchange at the reporting date. Gains and losses on translation of monetary items are recognized in the consolidated statements of loss and comprehensive loss.

4. Summary of Material Accounting Policy Information

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) January 1, 2023 onwards. Although the amendments did not result in any changes to the accounting policies, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant' accounting policies.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below and have been consistently applied to both years presented.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

a. Revenues

The Company earns revenues from two main sources: (i) gaming revenues for its online casino and sports betting operations; and (ii) managed services revenues. The Company has adopted the following policies for gaming revenue recognition.

i) Gaming revenue:

Gaming revenue represents the operating business transactions accounted for under both IFRS 9, Financial Instruments (“IFRS 9”) and IFRS 15, Revenue from Contracts with Customers (“IFRS 15”).

The Company has assessed that it is the primary obligor in its sports-betting and online casino gaming contracts with its players. The Company offers sports-betting and online casino related transactions, where it generates a net gain or loss on a bet that is determined by an uncertain future event. These transactions are within the scope of IFRS 9. Revenue is recorded as the gain or loss on betting transactions settled during the period net of free bets, promotional costs, bonuses and fair value adjustments on open bets (unsettled bets). The Company recognizes the gain or loss on a betting transaction as revenue when a bet is settled.

IFRS 15 reflects revenue earned from transactions where the Company administers games amongst players (“administered games”).

Significant judgment is needed to determine whether gaming transactions are within the scope of IFRS 9 or IFRS 15. Currently, www.northstarbets.ca only offers gaming transactions where the Company takes a position against the player, and thus all transactions are in the scope of IFRS 9.

ii) Managed services revenue

The Company has entered into a contract with Abenaki Council of Wolinak, through the acquisition of Slapshot Media Inc., whereby it receives consideration in exchange for services to administer games over the contract period. These services are recorded as managed services revenue based on gaming revenue generated by Abenaki Council of Wolinak and is recognized in the periods in which those gaming revenue and activities conclude. Managed services revenue has been accounted for in accordance with IFRS 15.

The Company determines revenue recognition through the following steps under IFRS 15:

- Identify the contract, or contracts, with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to performance obligations in the contract; and
- Recognize revenue when, or as, the Company satisfies performance obligations by transferring the promised good or services.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

b. Cost of revenues

Cost of revenues includes direct costs incurred by the Company associated with revenue generation activities and principally comprises of operator participant fees and service provider fees.

In connection with the launch of operation of the Company's online gaming site, the Company entered into an agreement with iGaming Ontario, a subsidiary of the AGCO, effective May 9, 2022. Operator participant fees reflect fees that the Company pays under the terms of its agreement with iGaming Ontario. These operator participant fees are based on a percentage of gross gaming revenue as defined in the iGaming Ontario operating agreement and are expensed simultaneously as gaming revenue is earned.

Service provider fees reflect fees that the Company pays to vendors who provide services over the Company's platform which are utilized to generate gaming revenue and managed services revenue. Service provider fees include supplier costs and customer payment transaction fees and are recorded based on the level of transactions and contractual amounts and are expensed as incurred.

c. 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 typically with maturities of three months or less when acquired or cashable on demand without penalty and excludes restricted cash related to performance guarantee.

d. Restricted cash related to performance guarantee

Restricted cash related to performance guarantee represents cash held in a trust account in respect of a performance guarantee for the Company's obligations under the terms of the Operating Agreement.

e. Player deposits on hand

Player deposits on hand represent cash held on behalf of players of Ontario.

f. Amounts held for and amounts due to Abenaki Council of Wolinak

Amounts held for Abenaki Council of Wolinak represents the players balances held under the managed services agreement. Amounts due to Abenaki Council of Wolinak is the corresponding liability.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

g. Subscription receipts held in escrow and Subscription receipts owed to subscribers

Subscription receipts held in escrow represent subscription receipts held with a trust company for subscriptions of common shares related to the private placement that were subject to the successful completion of the Transaction (note 5). As at December 31, 2022, the Transaction had not occurred yet and subscription receipts owed to subscribers represented the amounts the Company owed to these subscribers, in the event the Transaction, was not successful. The transaction closed on March 3, 2023, at which time the subscription receipts held in escrow were released to the Company and subscription receipts owed to subscribers were exchanged for shares (note 5).

h. Amounts due from payment processors

Amounts due from payment processors represent the funds held by the payment processors as part of the payment processors' risk management to ensure there is adequate funds to honour the future withdrawals from the players.

i. Equipment

Equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated using the straight-line basis over the estimated useful life of the asset as follows:

- Computer equipment 5 years

The useful lives and methods of depreciation and the assets' residual values are reviewed at least annually, and the depreciation charge is adjusted prospectively, if appropriate.

An item of equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of net loss and comprehensive loss when the asset is derecognized.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

j. Intangible assets

Intangible assets with finite lives that are acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use.

Other costs such as enhancements and routine maintenance are expensed as incurred.

Amortization is calculated using the straight-line basis over the estimated useful life of the asset as follows:

- Software (including licenses and integration) 5 years
- Domain names 5 years
- Customer contract 11 years

k. Liability for player loyalty bonuses

Liability for player loyalty bonuses reflect the liability for incentive points that are earned by players based on the volume of play and are redeemable for complimentary bets or wagers and/or cash. Bonuses are recognized as a liability measured at the amount payable on demand.

l. Redeemable preferred shares

The Company's redeemable preferred shares are classified as a compound financial instrument with a liability component as they are redeemable in cash by the holders and have an equity redemption feature. The redeemable preferred shares that allow the holder to request a redemption in common shares at a fixed price per common share results in a compound financial instrument with an equity and a liability component. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option.

The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is accreted to the redemption value using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest, losses and gains relating to the financial liability are recognized as period costs.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

m. Convertible debenture / Proceeds from convertible debenture held in escrow

On December 19, 2022, the Company issued a convertible debenture. The convertible debenture allows the holder to convert the debenture into 24,500,000 common shares, 12,250,000 A warrants and 12,250,000 B warrants. The debenture carries interest at 8% which will be waived by the holder if the Transaction occurs within 90 days of the date of issue. The conversion feature of the convertible debenture requires the Company to deliver, in the future, a combination of shares and warrants. As a result, the conversion feature does not meet the definition of equity, the convertible debenture is therefore a financial liability in its entirety and is measured at fair value through profit and loss ("FVTPL"). On conversion, the value ascribed to the separate equity instruments will be allocated using the relative fair value method. The debenture was converted on March 3, 2023 (note 8).

n. Convertible debentures with conversion option

On October 31, 2023, the Company issued three-year, 8% unsecured convertible debentures of \$5,167,480. Interest is payable quarterly in cash or, at the Company's option, in kind and capitalized to the carrying amount of the debenture. The convertible debentures allow the holders to convert the original principal amount of the debenture into a fixed number of common shares at \$0.20 per share and to convert any capitalized interest into common shares at the market price of the shares on the last day of the respective interest period. The conversion of capitalized interest is into a variable number of common shares meaning the conversion feature is a derivative liability. On initial recognition, the derivative liability was recognized and the host financial liability was recognized as the residual of the proceeds received less the derivative liability. The derivative liability is remeasured at fair value at each reporting date (note 8).

o. Contingent consideration payable

Contingent consideration payable represent contingent earn-out on business combination. Contingent consideration payable that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration payable that is classified as a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, Financial Instruments, or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

p. Share capital

Voting common shares and non-voting common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized, net of any tax effects, as a reduction from equity. For unit offerings that consist of multiple categories of equity, the proceeds from the issuance of units are allocated between voting common shares and share purchase warrants using the relative fair value method.

q. Share-based payments

The Company grants stock options to its employees, directors and consultants. Stock options vest over time in tranches and expire after various periods of time. For employees, and consultants providing services in exchange for share-based payments with vesting conditions, the fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model.

For consultants providing services in exchange for share-based payments without vesting conditions, the fair value of each grant is measured at the date of grant using the closing share price on the date of grant.

Share-based compensation expense is recognized over the vesting period of the award based on the number of awards expected to vest with an equal increase in the contributed surplus. The number of awards expected to vest is reviewed at each reporting period, with any changes recognized immediately as an adjustment to share-based compensation expense and contributed surplus.

If and when stock options are exercised, an increase in share capital is recognized equal to the consideration received and the fair value attributed to these options which is transferred from contributed surplus. Forfeited options are recognized immediately as an adjustment to share-based compensation expense and contributed surplus.

r. Restricted Share Units

The Company has a Share Unit Plan for directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of equity-settled restricted share units is measured at the grant date based on the market value of the Company's common shares on that date. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest with the offset credited to contributed surplus. The number of awards expected to vest is reviewed at each reporting date with any change recognized immediately as an adjustment to share-based compensation expense and contributed surplus.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

When common shares are issued for restricted share units, the fair value attributed to these restricted share units is transferred from contributed surplus to share capital.

s. Warrants

All warrants issued under a unit financing arrangement are valued on the date of grant using the Black-Scholes pricing model, net of related issuance costs. Warrants meeting equity classification have been classified as an equity instrument within contributed surplus as they have a fixed exercise price, denominated in Canadian dollars, as well as a fixed number of equity instruments for which the exercise price will be exchanged.

If and when warrants are exercised, consideration received is credited to share capital and the fair value attributed to these warrants is transferred from contributed surplus to share capital. The fair value of expired warrants is reclassified from contributed to retained earnings or deficit.

t. Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The average number of shares is calculated by assuming that outstanding conversions were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

u. Business combinations

On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value of the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date. Incremental costs related to acquisitions are expensed as incurred. When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, Financial Instruments, or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

v. Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable or recoverable is based on taxable profit or loss for the year. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding tax bases (known as temporary differences).

Deferred tax liabilities are generally recognized for all temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future years when the carrying amount of the asset or liability is recovered or settled (taxable temporary differences).

Deferred tax assets are generally recognized for all temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future years when the carrying amount of the asset or liability is recovered or settled (deductible temporary differences) only to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the years in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting year.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

w. Financial Instruments

Financial assets

Initial Recognition and Measurement

The Company recognizes a financial asset when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost – Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. . Financial assets measured at amortized cost are comprised of cash and cash equivalents, amounts due from payment processors, and accounts receivable Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Fair value through other comprehensive income – Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income is calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

- Mandatorily at fair value through profit or loss – Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets mandatorily measured at fair value through profit or loss.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different basis. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated at fair value through profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment and derecognition

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions. The Company applies the simplified approach for receivables from payment processors. Using the simplified approach, the Company records a loss allowance equal

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the relative fair value.

Classification and subsequent measurement

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Open bets are measured at fair value through profit and loss.

5. Use of estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and exercise judgement in applying the Company's accounting policies and to measure assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Information about the significant judgements made by management and the key source of estimation uncertainty are described in the following:

Judgements

Judgements has been exercised in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements:

- The ability of the Company to continue as a going concern – note 2.
- Significant judgment is needed to determine whether sports betting and online casino gaming transactions (gaming revenue) are within the scope of IFRS 9 or IFRS 15. To date, the Company only provides sports betting and online casino gaming transactions where it takes a position against the player, and thus all transactions are in the scope of IFRS 9. The Company has applied judgement when determining the primary obligor in respect of the Company's sports-betting and casino gaming contracts with its players – note 10.
- Accounting for business combinations and the reverse take-over transaction – notes 6 and 7.
- Recognition of software intangible assets – note 13.
- Classification of redeemable preferred shares as either a liability or component of equity – note 14

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

- Classification of warrants as either a component of equity or a liability – note 15.

Assumption and estimation uncertainties

Information about assumption and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year is included in the following notes:

- note 11 – Fair value on open bets liability. These are estimated using the amount of the wagers and the average return to players for the month of December 2023.
- note 12 and 13 – Estimated useful lives of long-lived assets (equipment and intangible assets).
- notes 6 and 16 – Fair value of warrants. The Company uses the Black-Scholes option pricing model for valuation of the warrants issued to purchasers of its share capital. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate which correspondingly affects the Company's equity reserves.
- Note 8– Fair value of conversion feature derivative component of convertible debentures. The Company measures the conversion feature derivative at fair value on initial recognition and subsequent reporting dates using a valuation model. The fair values derived are sensitive to changes in the volatility and credit spread inputs in the model.
- note 7 – Estimated fair values of assets and liabilities acquired and contingent consideration in business combinations. The Company makes estimates of the fair values of assets and liabilities acquired as part of business combinations.
- note 17 – Fair value of share-based payments. The fair value of all share-based payments granted are determined using the Black-Scholes option pricing model which incorporates assumptions regarding risk-free interest rates, dividend yield, expected volatility, estimated forfeitures, and the expected life of options.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

6. Reverse Take-Over Transaction, Private Placement and Conversion of Convertible Debenture

Reverse Take-Over Transaction

On June 29, 2022, Baden and NorthStar entered into an Arrangement Agreement to execute an amalgamation by way of a reverse take-over. The Transaction closed on March 3, 2023. The Transaction was an arm's length transaction and resulted in a reverse take-over and change of control of the Company, by the shareholders of NorthStar.

As part of the Transaction:

- Immediately prior to the Transaction, all of NorthStar's outstanding common shares were subdivided on a 1 for 736.68 basis.
- NorthStar's common shares outstanding following the share split were exchanged for post-consolidation common shares of the Company on a one for one basis. Accordingly, common shares of pre-close NorthStar were exchanged for 117,737,671 common shares of the Company.
- In addition, the NorthStar Redeemable Preferred Shares were also exchanged on a one-for-one basis for redeemable preferred shares of the Company and all of the outstanding convertible securities of NorthStar, in accordance with their terms, ceased to represent a right to acquire NorthStar common shares and instead now provide the right to acquire common shares of the Company on a one-for-one basis post-consolidation and on the same economic terms and conditions.
- The Company, formerly Baden, also completed a consolidation of its outstanding common shares immediately before the Transaction on a 3.333333:1 basis.
- Under the Transaction, former security holders of the Company, formerly Baden, were issued 4,181,430 common shares of the Company and 1,222,680 warrants having an exercise price of \$0.33 and 600,000 warrants having an exercise price of \$0.43. All outstanding options of the Company (formerly Baden Resources Inc.) outstanding prior to the Transaction were cancelled prior to the execution of the Transaction.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

Given that the Company, formerly Baden, did not meet the definition of a business, prior to the Transaction, the reverse take-over is accounted for as an asset acquisition of the Company, formerly Baden, by NorthStar. Accordingly, the comparative figures presented are those of NorthStar for the respective comparative periods in 2022 and all per share numbers have been restated on a retroactive basis to reflect NorthStar's pre-transaction share split.

The fair value of the net assets acquired under the Transaction on March 3, 2023 and the public listing cost expensed are summarized as follows:

Fair value of 4,181,430 common shares issue (a)	\$2,090,715
Fair value of 1,222,680 warrants exercisable at \$0.33 issued (b)	268,990
Fair value of 600,000 warrants exercisable at \$0.43 issued (c)	102,000
Total Purchase Price	\$2,461,705
Cash and cash equivalents	\$ 106,971
Accounts receivable	6,171
Accounts payable and accrued liabilities	(16,057)
Net assets assumed	\$ 97,085
Public listing	2,364,620
	2,461,705

- (a) The total consideration has been estimated based on \$0.50 per common share.
- (b) The fair value on the date of the Transaction of each warrant exercisable at \$0.33 issued to former Baden warrant holders has been estimated at \$0.22 resulting in a total estimated fair value of \$268,990. The estimated fair value of these warrants was calculated using the Black-Scholes option pricing model with the following assumptions: i) share price \$0.50, ii) exercise price \$0.33 iii) the expected life of each warrant of 0.73 years; iv) the risk-free rate of 3.85%; v) the dividend yield of nil; and vi) expected volatility of 71%. These are highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.
- (c) The fair value on the date of the Transaction of each warrant issued to former Baden warrant holders, exercisable at \$0.43 has been estimated at \$0.17 resulting in a total estimated fair value of \$102,000. The estimated fair value of these warrants was calculated using the Black-Scholes option pricing model with the following assumptions: i) share price \$0.50, ii) exercise price \$0.43 iii) the expected life of each warrant is 0.73 years; iv) the risk-free rate is 3.85%; v) the dividend yield is nil; and vi) expected volatility is 71%. These are highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

The fair value of consideration paid exceeds the fair value of net assets assumed by \$2,364,620 which is treated as public company listing costs and expensed in the year ended December 31, 2023. Public listing costs for year ended December 31, 2023 also include \$424,696 of accounting

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

and legal expenses related to the Transaction. The public listing costs have been included in the consolidated statement of loss and comprehensive loss.

Private Placement

Immediately prior to the closing of the Transaction, subscription receipts received and held in escrow as at December 31, 2022, for common shares at a price of \$0.50 per share, totalling \$5,075,000 were released from escrow and were exchanged for the issuance of 10,150,000 post-split common shares of the Company as the escrow conditions have been met upon successful completion of the Transaction.

Proceeds released from escrow on the close of the Transaction, were net of agency cash fees of \$304,500, and \$160,000 in broker legal fees. Additionally, the Company issued 609,000 broker warrants to the agents with an exercise price of \$0.50. The value of each broker warrant has been estimated at \$0.20 resulting in a total estimated fair value of \$121,800 and is classified in contributed surplus. The estimated fair value of broker warrants was calculated using the Black-Scholes option pricing model with the following assumptions: i) share price \$0.50, ii) exercise price \$0.50 iii) the expected life of each warrant is 2 years; iv) the risk-free rate is 3.85%; v) the dividend yield is nil; and vi) expected volatility is 71%. These are highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

In addition, NorthStar incurred \$219,278 in respect of accounting and legal fees in respect of the Private Placement.

Convertible Debenture

Immediately prior to the closing of the Transaction, the convertible debenture, as noted in 4(m) that was entered into with Playtech plc on December 19, 2022, was converted into a total of 24,500,000 common shares of the Company, as well as 12,250,000 A warrants which are exercisable at \$0.85 for a period of 5 years from March 3, 2023 and 12,250,000 B warrants which is exercisable at \$0.90 for a period of 5 years from March 3, 2023. Also concurrent with the conversion, the remaining, \$7,250,000 of proceeds from the convertible debenture, which was held in escrow, was released.

The value of each A warrant, exercisable at \$0.85, has been estimated at \$0.25 resulting in a total estimated fair value of \$3,057,167. The estimated fair value of warrants was calculated using the Black-Scholes option pricing model with the following assumptions: i) share price \$0.50, ii) exercise price \$0.85 iii) the expected life of each warrant is 5 years; iv) the risk-free rate is 3.85%; v) the dividend yield is nil; and vi) expected volatility is 71%. These are highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

The value of each B warrant, exercisable at \$0.90, has been estimated at \$0.24 resulting in a total estimated fair value of \$2,980,013. The estimated fair value of warrants was calculated using the Black-Scholes option pricing model with the following assumptions: i) share price \$0.50, ii) exercise price \$0.90 iii) the expected life of each warrant is 5 years; iv) the risk-free rate is 3.85%; v) the dividend yield is nil; and vi) expected volatility is 71%. These are highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

Upon conversion, the carrying value of the convertible debenture was derecognized and recorded in equity components using the relative fair value of common shares and warrants issued. The value allocated to the common shares issued was \$8,205,885, while the value allocated to the A warrants and B warrants was \$2,047,899 and \$1,996,216.

7. Acquisition of Slapshot Media Inc.

On May 8, 2023, the Company acquired 100% of the issued and outstanding shares of Slapshot, a leading Canadian iGaming marketing and managed services company that specialized in providing managed services to Spreads.ca an iGaming site owned and operated by the Abenaki Council of Wolinak. The goal of this strategic acquisition is to access the Canadian market outside of Ontario, and materially expand the addressable market available to the Company. This strategic acquisition is highly complementary to the Company's current online casino and sportsbook offerings. Spreads.ca which has changed the name to Northstarbets.com in November 2023 is not and will not be made available in Ontario and Northstarbets.ca will continue to be the only online casino and sports book offered by NorthStar in Ontario. The Company acquired 100% of Slapshot's issued and outstanding shares plus an adjustment of \$300,000 for working capital, in exchange for 3,818,181 common shares of NorthStar on May 8, 2023. The total consideration paid based on the closing price of NorthStar's shares on May 8, 2023 was \$1,737,272. The former owners of Slapshot are also be entitled to a separate earn-out of up to \$500,000 based on revenue performance of Slapshot for the 12-month period following the closing, payable quarterly in Company common shares with a deemed value per share equal to the greater of: (i) a 20-day volume weighted average price calculated at the end of each applicable quarter; and (ii) \$0.45 per share. On acquisition date, the contingent consideration payable included the estimated full value of \$500,000. The value has been remeasured to its estimated fair value of \$410,000 based on revenue performance of Slapshot as noted above plus an additional \$78,482 in respect of additional working capital.

Following the acquisition, the Company controls Slapshot and for accounting purposes the Company is deemed the acquirer. The acquisition of Slapshot is accounted for in accordance with IFRS 3 as the operations of Slapshot constitute a business. As a result, the business combination is accounted for using the acquisition method of accounting and Slapshot's identifiable net assets acquired are recognized at their fair value. The Slapshot SPA has been accounted for at the fair

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

value of the consideration provided to Slapshot, consisting of cash, common shares, the deferred payment liability and the settlement of a pre-existing relationship. In respect of the acquired customer contracts, significant assumptions used in the valuations are the forecasted revenue and the discount rate.

The Company's deferred payment liability to the former shareholders of Slapshot is carried at fair value. Management uses current and historical operational results, estimates and probabilities of future earnings and discounted cash flows to estimate the earn-out payment.

The following table summarizes the amounts of assets acquired, liabilities assumed and consideration paid, at the date of acquisition:

<hr/>	
Fair Value of Identifiable Net Assets:	
Cash and cash equivalents	\$ 183,888
Player balances on hand	\$ 103,925
Amounts due from payment processors	\$ 189,845
Accounts receivable	\$ 140,539
Contract with Abenaki of the Wolinak	\$1,895,989
Accounts payable and accrued liabilities	(184,507)
Liability for player deposits on hand	(103,925)
	<hr/>
	\$2,225,754
	<hr/>
Fair value of common shares issued	\$1,737,272
Consideration liability	\$ 410,000
Working capital	78,482
	<hr/>
Total Purchase Price	\$2,225,754
	<hr/>

At December 31, 2023, the Company revalued the contingent consideration payable and concluded that certain earn out targets as per the agreement were not for met, which resulted in an adjustment to earn out of \$390,228. The gain on remeasurement of the contingent consideration payable has been recognized on the statement of loss and comprehensive loss.

From acquisition date to December 31, 2023, Slapshot contributed revenue of \$465,247 and net loss of \$853,270. If the acquisition had occurred on January 1, 2023, management estimates that consolidated revenue would have been 19,653,718 and consolidated net loss for the year would have been \$25,645,054.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

8. Private Placement and Convertible Debenture

On October 31, 2023, the Company completed a private placement financing before legal cost -- of \$10,273,508, consisting of common shares, warrants and convertible debentures (the "October 2023 Offering").

Pursuant to the October 2023 Offering, the Company issued 29,528,458 units at a price of \$0.175 per Unit, with each Unit comprised of one common share of the Company (a "Common Share"), one half warrant to acquire Common Shares exercisable at \$0.36 per full warrant (each such whole warrant an "A Warrant"), and a further half warrant to acquire Common Shares exercisable at \$0.40 per full warrant (each such whole warrant a "B Warrant"), in each case for a period of five years.

The value of each A warrant, exercisable at \$0.36, has been estimated at \$0.0562 resulting in a total estimated fair value of \$830,059.

The value of each B warrant, exercisable at \$0.40, has been estimated at \$0.0538 resulting in a total estimated fair value of \$794,006.

The estimated fair values of warrants were calculated using the Black-Scholes option pricing model with the following assumptions: i) share price \$0.50, ii) exercise price \$0.20 iii) the expected life of each warrant is 5 years; iv) the risk-free rate is 3.58%; v) the dividend yield is nil; and vi) expected volatility is 71%. These are highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

As part of the October 2023 offering the Company has also issued three-year, 8% unsecured convertible debentures ("Convertible Debentures") in the aggregate principal amount of \$5,167,480) Interest is payable quarterly in cash or, at the Company's option, in kind and capitalized to the carrying amount of the debenture. The Convertible Debentures allow the holders to convert the original principal amount of the debenture into a fixed number of common shares at \$0.20 per share and to convert any capitalized interest into common shares at the market price of the shares on the last day of the respective interest period. The conversion of capitalized interest is into a variable number of common shares meaning the conversion feature is a derivative liability. On initial recognition, the derivative liability was recognized at its fair value of \$2,263,910 and the host financial liability was recognized as the residual of the proceeds received less the derivative liability at an amount of \$2,903,570. The derivative liability is remeasured at fair value at each reporting date, which resulted in a gain on remeasurement of \$1,351,959 in the year ended December 31, 2023.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

The measurement of the conversion feature assumes that all interest amounts are capitalized to the loan for the term of the debenture. The model used to measure the conversion feature incorporated the following inputs and the fair values derived were discounted to present value using a marginal cost of borrowing.

	On date of issuance	At December 31, 2023
Stock price	\$0.08	\$0.04
Exercise prices	\$0.20 for the principal and \$0.035 and \$0.56 for the capitalized interest	\$0.20 for the principal and \$0.035 and \$0.56 for the capitalized interest
Risk free interest rate	4.08%	3.58%
Remaining term	36 months for the principal and the remaining term for each capitalized interest period	36 months for the principal and the remaining term for each capitalized interest period
Volatility	71%	71%

The Company incurred \$81,936 legal costs related to the private placement. Of the \$ 81,936 legal costs, \$40,968 was allocated to common shares and warrants, \$20,484 was deferred as transaction cost and amortized over three years and the balance \$20,484 was expensed in year ended 31, 2023.

9. New and revised IFRS Standards applied for the first time and issued but not yet effective

The Company's accounting policies as described in note 4, Material Accounting Policies, have been applied consistently to all periods presented in these consolidated financial statements.

The following new standards, interpretation or amendment were adopted for the first time on January 1, 2023:

IAS 1 – Presentation of Financial Statements (“IAS 1”)

In February 2021, the IASB issued amendments to IAS 1 to assist entities in determining which accounting policies to disclose in the financial statements. The amendments to IAS 1 require that an entity disclose its material accounting policies, instead of its significant accounting policies. The amendments apply to annual reporting periods beginning on or after January 1, 2023. There was no material impact from the adoption of this amendment on the Company's consolidated financial statements.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

In January 2020, IAS 1 was amended to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023 and are to be applied retrospectively. There was no material impact from the adoption of this amendment on the Company's consolidated financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, revenue or expense, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. The Company did not adopt the amendments early.

The following are new standards, interpretation or amendment that are issued but not yet effective:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements (the 2020 amendments), to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) (the 2022 amendments), to improve the information a company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively "the Amendments") are effective for annual periods beginning on or after January 1, 2024. The Company is assessing the impact of this amendment.

Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

On May 25, 2023, the IASB issued Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) for companies to provide disclosures about its supplier finance arrangements. The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. The Company is assessing the impact of this amendment.

10. Revenues

The Company's revenue disaggregated by line of business is as follows:

	Year ended Dec 31, 2023	Year ended Dec 31, 2022
Gaming revenue from wagered games (sports-betting and casino transactions)	\$ 18,948,143	\$ 5,744,029
Gaming revenue from administered games	-	-
Sub-total Gaming revenue	\$ 18,948,143	\$ 5,744,029
Other revenue from managed services	465,247	-
Revenue	\$ 19,413,390	\$ 5,744,029

11. Fair value of open bets liability

As at December 31, 2023, the open bets liability for unsettled wagers was \$10,171 (December 31, 2022 - \$40,126). Open bets liability is a derivative financial instrument and as at December 31, 2023, the fair value remeasurement gain of \$1,803 (year ended December 31, 2022 – fair value remeasurement gain of \$8,203) was recorded in gaming revenue. Open bets are fair valued using Level 3 inputs in the fair value hierarchy, using the amount of the wagers and the average return to players for the month of December 2023 (note 20).

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

12. Equipment

Cost	Computer Equipment	Total
Balance, December 31, 2021	\$ 30,649	\$ 30,649
Additions	7,642	7,642
Balance, December 31, 2022	38,291	38,291
Additions	14,970	14,970
Balance, December 31, 2023	\$ 53,261	\$ 53,261
Amortization		
Balance, December 31, 2021	\$ 1,314	\$ 1,314
Change for the year	6,839	6,839
Balance, December 31, 2022	\$ 8,153	\$ 8,153
Change for the year	\$ 9,178	\$ 9,178
Balance, December 31, 2023	\$ 17,331	\$ 17,331
Net Book Value		
December 31, 2022	\$ 30,138	\$ 30,138
December 31, 2023	\$ 35,930	\$ 35,930

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

13. Intangible assets

Cost	Software	Domain Names	Customer Contract	Total
Balance, December 31, 2021	\$ 32,283	\$ 21,560	\$ -	\$ 53,843
Additions	473,002	10,038	-	483,040
Balance, December 31, 2022	505,285	31,598	-	536,883
Additions	245,368	-	-	245,368
Acquisitions	-	-	1,895,989	1,895,989
Balance, December 31, 2023	\$ 750,653	\$ 31,598	\$ 1,895,989	\$ 2,678,240
Amortization				
Balance, December 31, 2021	\$ -	\$ -	\$ -	\$ -
Change for the year	59,004	4,213	-	63,217
Balance, December 31, 2022	\$ 59,004	\$ 4,213	\$ -	\$ 63,217
Change for the year	\$ 118,741	\$ 6,320	\$ 112,051	\$ 237,112
Balance, December 31, 2023	\$ 177,745	\$ 10,533	\$ 112,051	\$ 300,329
Net Book Value				
December 31, 2022	\$ 446,281	\$ 27,385	\$ -	\$ 473,666
December 31, 2023	\$ 572,908	\$ 21,065	\$ 1,783,938	\$ 2,377,911

14. Redeemable preferred shares:

The authorized share capital of the Company consists of an unlimited number of redeemable preferred shares ("Redeemable Preferred Shares").

In connection with the Transaction, the 78,000 redeemable preferred shares of NorthStar were exchanged for 78,000 redeemable preferred shares of the Company. Holders of Redeemable Preferred Shares have no right to receive notice of any meeting of shareholders of the Company, to attend such meeting or to vote thereat. Holders of Redeemable Preferred Shares are entitled to receive an annual non-cumulative dividend of 6% on the redemption value of \$100 per share (the "Redemption Amount") of the preferred shares if and when declared by the Board of Directors. The Board has not declared any such dividends during the year ended December 31, 2023 (Year ended December 31, 2022 – \$nil).

The Redeemable Preferred Shares are redeemable at the option of either the Company or the holder. While these redeemable preferred shares are redeemable at the option of the holder, the British Columbia Business Corporations Act prevents redemptions where such redemption would cause an insolvency event for the Company.

Under a separate agreement, the holders of 50,000 of the redeemable preferred shares can request a redemption in Common shares at a price of \$0.75 per common share instead of cash representing up to 6,666,666 common shares.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

For accounting purposes, the redeemable preferred shares are separated into their liability and equity components. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the redeemable preferred shares assuming an 11% discount rate, which was the estimated rate for a similar instrument without a conversion feature. The residual value is recognized in equity as the conversion feature. The fair value of the liability component was not remeasured as of December 31, 2023.

The following is a summary of the Company's redeemable preferred shares:

Redeemable Preferred Shares	Number	Redeemable preferred shares liability	Equity component of redeemable preferred shares
Balance, December 31, 2021	28,000	\$ 2,800,000	\$ -
Issued during the period	50,000	4,044,014	955,986
Subtotal	78,000	\$ 6,844,014	\$ 955,986
Interest accretion during the period		138,903	-
Balance, December 31, 2022	78,000	\$ 6,982,917	\$ 955,986
Balance, December 31, 2022	78,000	\$ 6,982,917	\$ 955,986
Redemption, May 31, 2023 (b)	(11,700)	(1,078,344)	(143,398)
Subtotal	66,300	\$ 5,904,573	\$ 812,588
Interest accretion during the period		577,913	-
Balance, December 31, 2023	66,300	\$ 6,482,486	\$ 812,588

- (a) On February 17, 2023, the Company received an irrevocable waiver from the holder of 66,300 of the preferred shares indicating that it has not and will not seek to redeem the preferred shares of the Company for a period of 18 months years from the date on which the common shares of the Company trades on the TSX Venture Exchange.
- (b) On May 31, 2023, the Company entered into an agreement with the holders of 11,700 redeemable preferred shares, whereby 11,700 redeemable preferred shares were redeemed in exchange for the issuance of 2,127,273 common shares. No cash was exchanged in this transaction.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

15. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Common Shares

During the year ended December 31, 2023, the Company:

- (a) On January 20, 2023, issued 4,051,740 common shares on the exercise of warrants with an exercise price of \$0.0857 for proceeds of \$347,270 (note 16). In relation to the exercise, the fair value of the warrants of \$55,131 was reallocated from contributed surplus to share capital.
- (b) In connection with the Transaction on March 3, 2023 (note 6), exchanged all 8,471,820 non-voting common shares of NorthStar for voting shares of the Company.
- (c) In connection with the Transaction on March 3, 2023 (note 6), issued 4,181,430 common shares to the former shareholders of Baden at a value of \$2,090,715. The fair value of the warrants of \$370,390 were allocated to contributed surplus. In addition, in conjunction with the Transaction, another 63,008 common shares were issued to settle previously outstanding shares in Baden for nominal proceeds.
- (d) In connection with the Transaction on March 3, 2023 (note 6), issued 10,150,000 common shares for the private placement financing for net proceeds of \$4,225,546 (\$5,075,000, before issuance costs and broker warrants), and the remaining proceeds of \$124,290 were allocated to contributed surplus for the warrants issued.
- (e) In connection with the Transaction on March 3, 2023 (note 6), issued 24,500,000 common shares on the conversion of the convertible debenture. The value of the shares issued was \$8,205,885 (note 4). The warrants remain outstanding. The fair value of the warrants of \$4,044,115 were reallocated to contributed surplus.
- (f) On March 31, 2023, issued 282,000 common shares on the exercise of warrants with an exercise price of \$0.33 for proceeds of \$93,060 (note 15). In relation to the exercise, the fair value of the warrants of \$62,040 was reallocated from contributed surplus to share capital.
- (g) On May 8, 2023, issued 3,818,181 common shares in connection with the acquisition of Slapshot (note 1 and note 6).

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

- (h) On May 9, 2023, issued 87,000 common shares on the exercise of warrants with an exercise price of \$0.33 (note 15). In relation to the exercise, the fair value of the warrants of \$19,140 was reallocated from contributed surplus to share capital.
- (i) On May 31, 2023, issued 2,127,273 common shares in exchange for the 11,700 redeemable preference shares.
- (j) On October 31, 2023, issued 29,528,458 common shares for the private placement financing (note 7) for net proceeds of \$3,515,323 (\$5,167,480 in gross proceeds before legal costs incurred). Of the gross proceeds \$1,611,189 was classified to contributed surplus to reflect the fair value of the warrants issued as part of the financing arrangement. The warrants remain outstanding.

During the year ended December 31, 2022, the Company:

- (a) On January 27, 2022, the Shareholders of the Company approved and ratified a share option plan (note 15). On the same day, 9,576,840 stock options were issued, 3,007,864 share options were exercised for non-voting common shares.
- (b) On February 11, 2022, the Company offered and sold a total of 8,103,480 voting common shares and 4,051,740 warrants (note 16) resulting in gross proceeds of \$555,611. The Company incurred cash share issuance cost of \$11,930 relating to the offering. The net proceeds from the offering are expected to be used for working capital and general corporate purposes. Each common share sold was accompanied by a ½ warrant (note 14) to purchase additional common shares. Each whole warrant entitles the holder to purchase one common share at \$0.0857 per share on the earlier of i) the Company completing a going public transaction or ii) the merger or sale of all or substantially all of the assets of the Corporation.
- (c) On March 23, 2022, 1,387,168 share options were exercised for non-voting common shares.
- (d) On March 28, 2022, the Company offered and sold a total of 23,442,631 voting common shares resulting in gross proceeds of \$4,999,873. The Company incurred cash share issuance cost of \$329,568 relating to the offering.
- (e) On September 14, 2022, an additional 5,534 share options were exercised for non-voting common shares for nominal proceeds.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

16. Warrants

The following schedule summarizes the warrant transactions for the year ended December 31, 2023:

Warrants	Number	Value
Balance, January 1, 2022	0	0
Issued		
Exercisable at \$0.0136	4,051,740	\$ 55,131
Balance, December 31, 2022	4,051,740	\$ 55,131
Balance, January 1, 2023	4,051,740	\$ 55,131
Issued		
Exercisable at \$0.33 (b)	1,222,680	268,990
Exercisable at \$0.43 (b)	600,000	102,000
Exercisable at \$0.50 (c)	609,000	124,290
Exercisable at \$0.85 (d)	12,250,000	2,047,899
Exercisable at \$0.90 (d)	12,250,000	1,996,216
Exercisable at \$0.36 (g)	14,764,229	830,059
Exercisable at \$0.40 (g)	14,764,229	794,006
Expired	(1,453,680)	(289,810)
Exercised (a), (e), (f)	(4,420,740)	(136,311)
Balance, December 31, 2023	54,637,458	\$ 5,792,470

As at December 31, 2023, the Company had the following warrants outstanding

Number of Warrants	Exercise Price	Expiry Date
609,000	\$0.50	March 3, 2025
12,250,000	\$0.85	March 3, 2028
12,250,000	\$0.90	March 3, 2028
14,764,229	\$0.36	October 31, 2028
14,764,229	\$0.40	October 31, 2028

During the year ended December 31, 2023, the Company:

- (a) On January 20, 2023, issued 4,051,740 common shares on the exercise of warrants for proceeds of \$347,270 (note 15). In relation to the exercise, the fair value of the warrants of \$55,131 was reallocated from contributed surplus to share capital.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

- (b) In connection with the Transaction on March 3, 2023, the Company issued 1,222,680 warrants exercisable at \$0.33 and 600,000 warrants exercisable at \$0.43 to former shareholders of Baden (note 6). The fair value of the warrants issued of \$370,990 was allocated to contributed surplus (note 6).
- (c) In connection with the private placement concurrent with the Transaction on March 3, 2023, issued 609,000 warrants to agents (note 6). The fair value of the warrants issued of \$124,390 was allocated to contributed surplus (note 6).
- (d) In connection with the conversion of the convertible debenture on March 3, 2023, issued to Playtech 12,250,000 warrants exercisable at \$0.85 and 12,250,000 warrants exercisable at \$0.90 (note 6). The fair value of the warrants issued of \$4,044,115 (\$2,047,899 for A warrants and \$1,996,216 for B warrants) was allocated to contributed surplus (note 6).
- (e) On March 31, 2023, issued 282,000 common shares on the exercise of warrants for proceeds of \$93,060 (note 15).
- (f) On May 9, 2023, issued 87,000 common shares on the exercise of warrants for proceeds of \$28,997 (note 15).
- (g) In connection with the private placement on October 31, 2023, issued 14,764,229 warrants exercisable at \$0.36 and 14,764,229 warrants exercisable at \$0.40 to Playtech, senior management and directors and agents. The fair value of the warrants issued of \$830,059 and \$794,006 was allocated to contributed surplus (note 8).

17. Share-based payment arrangements:

At December 31, 2023, the Company had the following share-based payment arrangements:

The Equity Compensation Plan adopted by the Company in 2022 includes options, restricted share units, performance share units, deferred share units and dividend-equivalent rights (collectively, "Awards").

Stock Options

Under the Equity Compensation Plan, the maximum number of Common Shares issuable from treasury pursuant to stock option Awards shall not exceed 10% of the total outstanding Common Shares. A further 15,656,910 Common Shares are reserved for all other types of Awards. The options can be granted for a maximum of 10 years and vest at the discretion of the Board of Directors. Vesting is determined by the Board.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

The following schedule summarizes the stock option transactions for the period ended December 31, 2023:

	Number of options	Weighted average exercise price
Outstanding, January 1, 2022	-	\$ -
Granted	20,000	\$ 54.99
Exercised	(11,500)	\$ 0.0001
Cancelled or forfeited	(1,500)	\$ 0.0001
Outstanding, December 31, 2022	7,000	157.12
Outstanding, January 1, 2023	5,156,760	\$ 0.21
Granted	8,058,542	\$ 0.50
Exercised	(12,278)	\$ 0.21
Cancelled or forfeited	(1,621,433)	\$ 0.21
Outstanding, end of period	11,581,591	\$ 0.40
Vested and exercisable, end of period	3,951,539	\$ 0.37
Unvested	7,630,274	\$ 0.42

Options outstanding as of January 1, 2023 are restated to reflect the share split of 736.68:1 of NorthStar Gaming Inc. (note 6).

On March 3, 2023, 8,058,542 stock options were granted to employees and contractors in connection with the Transaction. The exercise price of these options is \$0.50. Of these options, 2,054,601 vested immediately. The remaining 6,003,941 options vest one year from the date of grant.

The value of each stock option that vests immediately is \$0.25 resulting in a total estimated fair value of \$505,875. The estimated fair value of the stock-options was calculated using the Black-Scholes option pricing model with the following assumptions: i) share price \$0.50, ii) exercise price \$0.50 iii) the estimated expected life of each stock option is 3 years; iv) the risk-free rate is 3.85%; v) the dividend yield is nil; and vi) expected volatility is 71%. These are highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

The value of each stock option that vests over one year is \$0.28 resulting in a total estimated fair value of \$1,677,450. The estimated fair value of the stock-options was calculated using the Black-Scholes option pricing model with the following assumptions: i) share price \$0.50, ii) exercise price \$0.50 iii) the estimated expected life of each stock option is 4 years; iv) the risk—

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

free rate is 3.85%; v) the dividend yield is nil; and vi) expected volatility is 71%. These are highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

At December 31, 2023, the following table provides the outstanding options at their respective exercise prices and the related weighted average remaining contractual life:

Number outstanding	Exercise Price	Weighted average remaining contractual life (in years)
4,259,728	\$0.21	4.41
7,321,863	\$0.50	4.17

Restricted Share Units

On April 6, 2023, the Company issued 12,135,827 restricted share units to directors, officers, employees and consultants, of which 9,534,036 were issued to directors and officers. These restricted share units are expected to be settled through the issuance of 12,135,827 common shares of the Company.

These restricted share units vest one year from the date of grant. The fair value of these restricted share units issued was \$0.55 per restricted share unit using the following inputs and assumptions: (i) quoted market price on the date of issuance - \$0.55 and, (ii) expected forfeiture rate - 30%.

The expenses related to the vesting of RSUs for year ended December 31, 2023 was \$3,426,348 (2022 - \$nil).

18. Loss per share:

The following table sets forth the calculation of basic and diluted loss per share:

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

	Twelve months ended December 31, 2023	Twelve months ended December 31, 2022
Numerator:		
Loss for the period	(25,475,646)	(20,197,035)
Denominator:		
Weighted average number of shares:		
Basic and diluted	160,544,233	104,995,361
Loss per share:		
Basic and diluted	(0.16)	(0.19)

All per share numbers used in the calculation of the denominator have been adjusted on a retroactive basis to reflect NorthStar's pre-transaction share split on March 3, 2023 (note 5).

During the years ended December 31, 2023 and December 31, 2022, outstanding stock options, warrant, RSUs redeemable preferred shares, and convertible debenture were excluded from the computation of diluted loss per share since their effect would be anti-dilutive. The weighted average number of shares outstanding was calculated as the weighted average number of shares outstanding pre-acquisition of Northstar through to the date of acquisition, plus the weighted average number of shares outstanding of the Company from March 3, 2023 through June 30, 2023.

19. Related party transactions:

Playtech

Playtech obtained significant influence over the Company as of March 3, 2023. The Company paid \$ 3,835,388 to Playtech during the year ended December 31, 2023 (January 1, 2022 – December 31, 2022 - \$857,619) for service provider fees. Service provider fees reflect fees that the Company pays to Playtech in respect of its iGaming platform and ancillary services including managed services fees. Service provider fees are recorded based on the level of transactions and contractual amounts and are expensed as incurred.

The Company owed \$1,769,414 to Playtech at December 31, 2023 in respect of trade accounts payable and accrued liabilities which are due on 30 day payment terms and are non-interest bearing (December 31, 2022 - \$555,730).

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

In addition, on October 31, 2023, the Company completed a private placement financing of \$10,000,000, consisting of common shares, warrants and convertible debentures (note 7).

TorStar Corporation

The Company paid \$1,461,462 to Torstar, a company under common control, during the year ended December 31, 2022 for advertising services. The Company also paid \$230,318 to Torstar during the year ended December 31, 2022 in respect of technology and general and administrative services pursuant to a managed services agreement. The Company owed \$1,381,103 to Torstar at December 31, 2022 in respect of trade accounts payable and accrued liabilities which are due on 30 day payment terms and are non-interest bearing.

In addition, On September 9, 2022, the Company issued 50,000 redeemable preferred shares valued at \$100.00 per share to Torstar in exchange for gross proceeds of \$5,000,000. These redeemable preferred shares are convertible by the holder into Common shares at a price of \$552.51 per common share at the holder's discretion. In connection with this transaction, \$1,222,300 of trade accounts payable due to Torstar was settled and the Company received net proceeds of \$3,777,700.

As at December 31, 2023, TorStar is no longer a related party as TorStar and NorthStar Gaming Holdings are not under common control. The effective date of the change was March 3, 2023.

Key Management Personnel

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company. Key management personnel include members of the Board of Directors, Chief Executive Officer, Chief Corporate Officer and the Chief Financial Officer. Compensation provided to key management during the year ended December 31, 2023 was \$ 1,547,514 (December 31, 2022 - \$1,636,986). Post-employment benefits expense and share based compensation expense were \$27,457 and \$2,855,431 respectively during the year ended December 31, 2023 (December 31, 2022 – \$7,246 and \$96,750)

In addition, on October 31, 2023, the key management personnel participated in a private placement financing of \$166,511, consisting of common shares and warrants (note 7).

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

20. Financial instruments and capital management:

(a) Classification and fair values of financial instruments:

The following table sets out the Company's classification and carrying amount, together with the fair value, for each type of financial asset and financial liability as at December 31, 2023 and December 31, 2022:

Classification	December 31, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Amortized cost:				
Cash and cash equivalents	\$ 3,909,761	\$ 3,909,761	\$ 1,178,977	\$ 1,178,977
Restricted cash related to performance guarantee	271,000	271,000	100,000	100,000
Player deposits on hand	850,224	850,224	538,959	538,959
Amounts held for Abenaki Council of Wolinak	125,718	125,718		
Amount due from payment processor	2,892,461	2,892,461	161	161
Accounts receivable	1,549,893	1,549,893	1,394,866	1,394,866
Subscription receipts held in escrow (note 5)	-	-	5,075,000	5,075,000
Proceeds from convertible debenture held in escrow (note 5)	-	-	7,250,000	7,250,000
Prepaid expenses and deposits	1,010,321	1,010,321	1,053,961	1,053,961
Financial liabilities:				
Amortized cost:				
Accounts payable and accrued liabilities	\$ 7,777,204	\$ 7,777,204	\$ 6,401,719	\$ 6,401,719
Subscription receipts owed to subscribers	-	-	5,075,000	5,075,000
Due to related party	1,769,414	1,769,414	1,381,103	1,381,103
Liability for player deposits on hand	838,250	838,250	490,630	490,630
Open bets liability (note 10)	10,171	10,171	40,126	40,126
Liability for player loyalty bonuses	129,636	129,636	19,400	19,400
Amount due to Abenaki Council of Wolinak	125,718	125,718		
Convertible debenture	3,020,100	3,020,100	12,250,000	12,250,000
Working capital	78,482	78,482	-	-
Current portion redeemable preferred shares (note 13)	6,482,486	6,482,486	6,982,917	6,982,917
Fair value through profit and loss				
Deferred payment liability	19,772	19,772	-	-
Conversion feature derivative (note 22)	911,951	911,951	-	-

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

The carrying values of cash and cash equivalents, restricted cash related to performance guarantee, player deposits on hand, subscription receipts held in escrow, proceeds from convertible debenture held in escrow, accounts receivable, amounts due from payment processor, accounts payable and accrued liabilities, subscription receipts owed to subscribers, liability for player deposits on hand, due to related party, player loyalty bonuses, convertible debenture and redeemable preferred shares approximate their fair values due to the nature of these financial instruments and the short settlement cycle that is expected for these financial assets and liabilities.

The fair value of open events liability is determined using Level 3 fair value measurements.

The Company, when applicable, provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities.
- Level 2 - inputs are based on observable market data, either directly or indirectly other than quoted prices; and includes the mark to market on open events. This is calculated using the published odds of the event at the date of the financial statements.
- Level 3 - inputs are not based on observable market data.

(b) Risk Management:

The Company has exposure to the following risks:

(i) 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. In the normal course of business, the Company is exposed to credit risk from its cash and cash equivalents and receivables. The maximum exposure to credit risk at the reporting date is the carrying value of these financial assets. The Company also is exposed to credit risk from its payment processor which transfers funds it receives to the Company's account on a daily basis.

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient balances in cash, managing credit risk as outlined below and raising additional capital. The

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

Company is exposed to this risk mainly in respect of accounts payable and accrued liabilities which are all contractually due within three months or less.

The Redeemable Preferred Shares are callable on demand by the holders. While these preferred shares are redeemable at the option of the holder, the British Columbia Business Corporations Act prevents redemptions where such redemption would cause an insolvency event for the Company (note 14).

(c) Capital management:

The Company's capital management objectives are to maintain financial flexibility in order to preserve its capacity to meet its financial commitments, to meet its potential obligations resulting from internal growth and acquisitions and to the extent possible, pay dividends.

The Company defines capital as total equity and redeemable preferred shares which is consistent with December 31, 2022. At December 31, 2023, capital under management was a deficit of \$1,657,478 (December 31, 2022 – deficit of \$8,562,250) as it was in its early stage of operations (note 2).

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, subject to capital market conditions, the Company may elect to adjust the amount of debt outstanding or issue new shares.

In connection with the launch of operation of the Company's online gaming site, the Company also entered into an agreement with iGaming Ontario, a subsidiary of the AGCO, effective May 9, 2022. As per the terms of the agreement, the Company remits 100% of the funds from gross gaming revenues to iGaming Ontario and iGaming Ontario then remits approximately 80% of those funds back to the Company. The Company is not subject to any other external capital requirements.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

21. General and administrative expense classified by nature

	Year ended December 31,	
	2023	2022
Salaries, other short-term benefits and contractors	\$ 4,767,003	\$ 4,563,893
Professional and consulting fees	2,708,683	1,025,423
Other administrative expenses	2,650,569	818,601
Insurance	1,209,442	470,485
	✓ \$ 11,335,697	\$ 6,878,402

22. Income Taxes

Deferred tax expense (recovery)

	Year ended December 31, 2023	Year ended December 31, 2022
Current tax expense (recovery)	\$ -	\$ -
Deferred tax expense (recovery)	\$ -	\$ -
Total income tax expense (recovery)	\$ -	\$ -

Income tax rate reconciliation

The effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian federal and provincial income tax rate to income (loss) before income taxes. These difference result from the following items:

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

	Year ended December 31, 2023	Year ended December 31, 2022
Net loss	\$ (25,475,646)	\$ (20,197,035)
Combined federal and provincial income tax rates	26.5%	26.5%
Computed expected tax recovery	(6,751,046)	(5,352,214)
Increase resulting from:		
Deferred tax assets not recognized	4,959,407	5,114,916
Non-deductible items and other	1,791,639	237,298
As at Dec 31	\$ -	\$ -

The statutory income tax rate was 26.5% for 2023 and 26.5% for 2022.

Recognized and unrecognized deferred income taxes

Deferred income taxes reflect the net income tax effects of temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and the amounts used for income tax purposes.

The movements of deferred tax assets and liabilities for the years indicated are as follows:

	January 1, 2023	Recognized in Net Loss	Acquisition	December 31, 2023
Equipment	(7,058)	(105)		(7,163)
Intangible assets		7,163	(383,392)	(376,229)
Non-capital losses	7,058	(7,058)	383,392	383,392
Deferred tax asset (liability)	\$ -	(0)	-	(0)

	January 1, 2022	Recognized in Net Loss	December 31, 2022
Equipment	\$ (5,710)	\$ (1,348)	\$ (7,058)
Non-capital losses	5,710	1,348	7,058
Deferred tax asset (liability)	\$ -	\$ -	-

The amount of unused tax losses and deductible temporary differences for which no deferred income tax assets have been recognized are as follows:

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

	Year ended December 31, 2023	Year ended December 31, 2022
Non-capital losses	\$ 41,199,819	\$ 21,686,295
Other deductible temporary differences	\$ 1,243,839	\$ 654,372
	\$ 42,443,658	\$ 22,340,667

Non-capital loss carryforwards will expire in 2043 and 2042, if they remain unused.

In assessing deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, the character of the deferred tax assets and available tax planning strategies in making the adjustments.

23. Commitments

The Company has no off-balance sheet arrangements or long-term obligations, other than the agreements noted below.

During the five-year period as a gaming operator, in addition to the amounts stated below, the Company is also required to pay a percentage of future gross gaming revenue to its service providers. The Company only has short-term leases or leases for which the underlying asset is of low value. Lease payments associated with these short-term leases are recognized as an expense on a straight-line basis and totalled \$94,199 for the year (2022 - \$99,160).

	Less than One Year	One to Five Years	Greater than Five Years
Contractual commitments under service contracts:			
Related Party	\$ 2,366,400	\$ 9,652,800	\$ 19,903,500
Others	3,127,523	2,423,086	3,198,333
Balance, end of period	\$ 5,493,923	\$ 12,075,886	\$ 23,101,833

24. Subsequent events

- On April, 25 2024, the Company issued a \$3,000,000 unsecured, interest-bearing promissory note (the "April Note") to Playtech plc, a significant investor in the Company. The April Note shall bear interest of 8% per annum, payable in arrears at maturity. Unless otherwise

NORTHSTAR GAMING HOLDINGS INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian dollars)

accelerated pursuant to its terms, the April Note will become immediately due and payable on the earlier of (i) the date which is 12 months from the date thereof; and (ii) the date on which the Company or any of its subsidiaries completes additional financing transactions with aggregate gross proceeds of at least \$10 million, subject to certain exceptions. Proceeds from the April Note will be used to fund the Company's continued growth and for general corporate purposes.

- On April 25, 2024 NorthStar (Ontario) Inc. and Playtech Software have extended the marketing agreement implemented in 2023 to accelerate NorthStar Ontario's player acquisition strategy in Ontario. Under the renewal, Playtech Software will provide marketing services in Ontario, through to October 31, 2024. Playtech Software will be reimbursed and compensated through a share of gaming revenue from the income generated in connection with the marketing initiatives to which it contributes.