

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

NORTHSTAR GAMING HOLDINGS INC.

Three and nine months ended September 30, 2024 and 2023
(Unaudited)

Notice of no auditor review of interim financial statements

The accompanying unaudited interim condensed consolidated financial statements of Northstar Gaming Holdings Inc. have been prepared by and are the responsibility of management. Northstar Gaming Holdings Inc's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

NORTHSTAR GAMING HOLDINGS INC.

Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2024 and December 31, 2023

(Unaudited, amounts expressed in Canadian dollars)

	September 30 2024	December 31 2023 (Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 1,246,157	\$ 3,909,761
Restricted cash related to performance guarantee	513,000	271,000
Player deposits on hand	949,728	850,224
Amount due from Abenaki Council of Wolinak	410,464	125,718
Amount due from payment processors	2,366,536	2,892,461
Accounts receivable	1,686,798	1,549,893
Prepaid expenses and deposits	1,022,369	1,010,321
Total current assets	<u>8,195,052</u>	<u>10,609,378</u>
Non-current assets		
Equipment	36,327	35,930
Intangible assets	2,215,200	2,377,911
	<u>2,251,527</u>	<u>2,413,841</u>
Total assets	<u>\$ 10,446,579</u>	<u>\$ 13,023,219</u>
Liabilities and Shareholders' Deficit		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,410,278	\$ 7,777,205
Due to related party (note 16)	4,657,470	1,769,414
Liability for player deposits on hand	923,166	838,250
Open bets liability (note 10)	23,698	10,171
Liability for player loyalty bonuses	174,022	129,636
Amount due to Abenaki Council of Wolinak	410,464	125,718
Contingent consideration payable (note 6)	100,738	98,254
Current portion conversion feature derivative (note 7)	552,470	-
Unsecured promissory note (note 16)	6,114,411	-
Redeemable preferred shares (note 11)	6,768,929	6,482,486
Total current liabilities	<u>25,135,646</u>	<u>17,231,134</u>
Non-current liabilities		
Convertible debenture (note 7)	3,638,688	3,020,100
Conversion feature derivative (note 7)	179,912	911,951
Total liabilities	<u>28,954,246</u>	<u>21,163,185</u>
Shareholders' deficit		
Share capital (note 12)	\$ 33,668,671	\$ 26,828,431
Contributed surplus (notes 12 and 13)	8,882,633	11,775,712
Equity component of redeemable preferred shares (note 11)	812,588	812,588
Accumulated deficit	<u>(61,871,559)</u>	<u>(47,556,697)</u>
Total shareholders' deficit	<u>(18,507,667)</u>	<u>(8,139,966)</u>
Total liabilities and shareholders' deficit	<u>\$ 10,446,579</u>	<u>\$ 13,023,219</u>

Going concern (note 2)

See accompanying notes to the condensed consolidated interim financial statements

NORTHSTAR GAMING HOLDINGS INC.

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
For the three and nine months ended September 30, 2024 and September 30, 2023
(Unaudited, amounts expressed in Canadian dollars except share data)

	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Revenues (note 9)	\$ 6,800,819	\$ 4,681,634	\$ 20,197,862	\$ 12,962,345
Cost of revenues				
Operator participant fees	1,518,723	953,291	4,345,189	2,691,082
Service provider fees	2,620,826	2,099,144	7,828,330	5,617,665
Gross margin	2,661,270	1,629,199	8,024,343	4,653,598
Expenses				
Marketing	2,751,247	1,976,467	10,206,893	8,621,780
General and administrative (note 18)	2,626,628	2,098,569	7,157,268	7,066,648
Share based compensation expense (note 14)	81,330	1,664,045	3,781,626	3,963,607
Public listing costs	-	-	-	2,789,316
Amortization and depreciation	89,242	63,336	262,983	141,196
Total operating expenses	5,548,447	5,802,416	21,408,770	22,582,547
Gain (loss) on remeasurement of consideration payable (note 6)	-	144,444	(2,484)	372,222
Gain (loss) on remeasurement of conversion feature derivative (note 7)	187,301	-	112,194	-
Amortization of transaction cost (Note 7)	(1,707)	-	(5,121)	-
Foreign exchange loss	(17,089)	-	(44,496)	-
Interest income	5,364	-	30,046	-
Loss on disposal	-	-	(2,309)	-
Interest expense	(74,957)	-	(118,354)	-
Finance cost (note 11)	(312,622)	(163,690)	(899,910)	(444,195)
	(213,710)	(19,246)	(930,435)	71,973
Loss before income taxes	(3,100,887)	(4,192,464)	(14,314,862)	(18,000,922)
Income taxes	-	-	-	-
Net loss and comprehensive loss	\$ (3,100,887)	\$ (4,192,464)	\$ (14,314,862)	\$ (18,000,922)
Loss per common share (notes 5 and 15):				
Basic and diluted	(0.02)	(0.03)	(0.08)	(0.12)
Weighted average number of common shares outstanding, (note 5 and 15):				
Basic and diluted	205,676,837	163,200,549	185,487,148	149,698,082

See accompanying notes to the condensed consolidated interim financial statements

NORTHSTAR GAMING HOLDINGS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficit)

For the nine months ended September 30, 2024 and September 30, 2023

(Unaudited, amounts expressed in Canadian dollars except share data)

Nine months ended September 30, 2024	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, 2024	192,792,015	\$ 26,828,431	-	\$ -	\$ 11,775,712	\$ 812,588	\$ (47,556,697)	\$ (8,139,966)
Shares issued on conversion of Restricted Share Units (notes 12 and 14)	12,135,827	6,674,705	-	-	(6,674,705)	-	-	-
Share-based payment expense (note 14)	-	-	-	-	3,781,626	-	-	3,781,626
Shares issued on conversion of unsecured convertible debenture (note 12)	336,875	67,375	-	-	-	-	-	67,375
Shares issued in exchange for services	500,000	98,160	-	-	-	-	-	98,160
Net loss for the period	-	-	-	-	-	-	(14,314,862)	(14,314,862)
Balance September 30, 2024	205,764,717	\$ 33,668,671	-	\$ -	\$ 8,882,633	\$ 812,588	\$ (61,871,559)	\$ (18,507,667)

Nine months ended September 30, 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 (note 12 and 13)	4,051,740	402,401	-	-	(55,131)	-	-	347,270
Shares and warrants issued to former Baden Resources Inc. Shareholders (notes 5 and 12)	4,181,430	2,090,715	-	-	370,990	-	-	2,461,705
Additional shares issued to former Baden Resources Shareholders (notes 5 and 12)	63,008	1	-	-	-	-	-	1
Exchange of non-voting shares of NorthStar Gaming Inc. for voting shares of NorthStar Gaming Holdings Inc. (notes 5 and 12)	8,471,820	1 (8,471,820)	(1)	(1)	-	-	-	-
Shares and warrants issued, net of transaction costs (note 5, 12 and 13)	10,150,000	4,225,546	-	-	124,290	-	-	4,349,836
Shares and warrants issued on conversion of convertible debenture (notes 5, 12 and 13)	24,500,000	8,205,885	-	-	4,044,115	-	-	12,250,000
Shares issued upon acquisition of Slapshot Media Inc. (note 6 and 12)	3,818,181	1,737,272	-	-	-	-	-	1,737,272
Shares issued on redemption of preferred shares (note 11 and 12)	2,127,273	1,172,942	-	-	-	(143,398)	-	1,029,544
Exercise of warrants (notes 12 and 13) post March 3, 2023	369,000	203,235	-	-	(81,180)	-	-	122,055
Exercise of stock options (note 12 and 13)	12,278	4,600	-	-	(1,842)	-	-	2,758
Shares issued in exchange for services	304,716	112,064	-	-	-	-	-	112,064
Share-based payment expense (note 14)	-	-	-	-	3,963,607	-	-	3,963,607
Net loss for the period	-	-	-	-	-	-	(18,000,922)	(18,000,922)
Balance September 30, 2023	163,263,557	\$ 23,314,517	-	\$ -	\$ 8,784,891	\$ 812,588	\$ (40,081,973)	\$ (7,169,977)

See accompanying notes to the condensed consolidated interim financial statements

* The common share numbers as of January 1, 2023 in this statement are retrospectively restated to reflect the share split of 736.68:1 of NorthStar Gaming Inc. (note 5).

NORTHSTAR GAMING HOLDINGS INC.

Condensed Consolidated Interim Statements of Cash Flows

Three and nine months ended September 30, 2024 and September 30, 2023

(Unaudited, amounts expressed in Canadian dollars)

	Nine months ended September 30 2024	Nine months ended September 30 2023
Cash flows used in operating activities		
Net loss for the period	\$ (14,314,862)	\$ (18,000,922)
Adjustments for:		
Public listing costs (note 5)	-	2,364,620
Shares for services	98,160	112,064
Change in fair value of open bets (note 10)	13,527	1,511
Depreciation and amortization	262,983	141,196
Loss on disposal of fixed assets	2,309	
(Gain) loss on remeasurement of consideration payable (note 6)	2,484	(372,222)
Change in fair value of conversion feature derivative liability	(112,194)	-
Interest accretion expense (notes 11 and 16)	1,019,442	538,966
Share-based payment expense (note 14)	3,781,626	3,963,607
	<u>(9,246,525)</u>	<u>(11,251,180)</u>
Change in non-cash operating working capital:		
Player deposits on hand	(99,504)	(375,140)
Amount due from Abenaki Council of Wolinak	(284,746)	-
Amount due from payment processors	525,924	(1,184,536)
Accounts receivable	(136,905)	997,339
Prepaid expenses and deposits	(12,048)	56,200
Accounts payable and accrued liabilities	(2,366,927)	(512,643)
Due to related party (note 16)	2,888,056	(298,955)
Liability for player deposits on hand	84,916	375,140
Amount due to Abenaki Council of Wolinak	284,746	-
Liability for player loyalty bonuses	44,386	76,212
Change in non-cash working capital	<u>927,898</u>	<u>(866,383)</u>
Change in restricted cash	<u>(242,000)</u>	<u>(171,000)</u>
Net cash flows used in operating activities	(8,560,627)	(12,288,563)
Proceeds from financing activities:		
Proceeds from issuance of common shares and warrants (notes 12 and 13)	-	11,625,337
Proceeds from related party for issue of note payable (note 16)	6,000,000	
Proceeds from exercise of warrants (notes 12 and 13)	-	472,084
Net Proceeds from financing activities	6,000,000	12,097,421
Cash flows used in investing activities:		
Cash and cash equivalents received on the acquisition of NorthStar Gaming Holdings Inc. (note 5)	-	106,972
Cash and cash equivalents received on the acquisition of Slapshot Media Inc. (note 6)	-	287,813
Purchase of equipment	(11,540)	(13,021)
Purchase of intangible assets	(91,437)	(121,101)
Net cash flows used in investing activities	(102,977)	260,663
Increase (decrease) in cash and cash equivalents	(2,663,604)	69,521
Cash and cash equivalents, beginning of period	3,909,761	1,178,977
Cash and cash equivalents, end of period	<u>\$ 1,246,157</u>	<u>\$ 1,248,498</u>

See accompanying notes to the condensed consolidated interim financial statements

NORTHSTAR GAMING HOLDINGS INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and September 30, 2023

(Unaudited)

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.

On March 8, 2023, the Company was listed as a Tier 2 issuer on the TSX Venture Exchange (“TSXV”) under the symbol BET and on the OTCQB under the symbol “NSBBF. 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 AGCO and as included in the Agreement. As part of the terms of the Agreement, iGaming Ontario charges 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 6). Slapshot earns managed services fees from Abenaki Council of Wolinak and operates in Canada, excluding Ontario, under a license issued by the Kahnawake Gaming Commission.

The Company has one operating segment for financial reporting purposes. This segment’s revenue is primarily generated from the Company’s online casino and sportsbook and providing managed services to its customer.

2. Going Concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, 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.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
Three and nine months ended September 30, 2024 and September 30, 2023
(Unaudited)

As at September 30, 2024, the Company was in its early stage of operations and has experienced losses since inception. The net loss for the three and nine months ended September 30, 2024 were \$3,100,887 and \$14,314,862 respectively and the accumulated deficit as at September 30, 2024 was \$61,871,559. The Company's unrestricted cash resources as at September 30, 2024 of \$1,246,157 are not sufficient to fund its planned business operations over the next twelve months. Additional financing will be required in order to fund the planned business operations, which include marketing, product development, obtaining and maintaining iGaming licenses and technical infrastructure, until the Company is able to generate positive cash flow from operations. 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 Limited ("Playtech Software"), a wholly owned subsidiary of Playtech plc ("Playtech"); 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 casts significant doubt on the Company's ability to continue as a going concern. These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements were prepared using the same accounting policies that were used in the Company's annual financial statements for the years ended December 31, 2023 and 2022 and should be read in conjunction with those financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 26, 2024.

b. Basis of presentation

These condensed consolidated interim financial statements have been prepared under the historical cost basis except for the open bets liability, contingent consideration payable and conversion feature derivative which are measured at fair value through profit and loss.

c. Principles of consolidation

The accompanying condensed consolidated interim 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. All intercompany transactions and balances are eliminated on consolidation. On January 1, 2024, NorthStar Gaming Inc. amalgamated with NorthStar Gaming Holdings Inc.

NORTHSTAR GAMING HOLDINGS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
Three and nine months ended September 30, 2024 and September 30, 2023
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d. Foreign currency

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

4. Use of estimates and judgments

The preparation of condensed consolidated interim 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. The significant judgements made by management and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

5. Reverse Take-Over Transaction

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") which closed on March 3, 2023. The Transaction was arm's length and resulted in a reverse take-over and acquisition 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.

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 prior to closing the Transaction and all per share numbers have been restated on a retroactive basis to reflect NorthStar's pre-transaction share split.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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(Unaudited)

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 issued (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 costs expensed	2,364,620
	2,461,705

- (a) The total consideration has been estimated based on a market price of \$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) a risk-free rate of 3.85%; v) dividend yield of nil; and vi) expected volatility of 71%.
- (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) a risk-free rate of 3.85%; v) dividend yield of nil; and vi) expected volatility of 71%.

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 during the year ended December 31, 2023. Public listing costs for the year ended December 31, 2023 also include \$424,696 of accounting and legal expenses related to the Transaction.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
Three and nine months ended September 30, 2024 and September 30, 2023
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6. Acquisition of Slapshot Media Inc.

On May 8, 2023, the Company acquired 100% of the issued and outstanding shares of Slapshot, as described in note 7 to the consolidated financial statements for the year ended December 31, 2023.

The consideration payable to the former owners of Slapshot included an earn-out of up to \$500,000 based on the 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 the acquisition date, the contingent consideration payable included the estimated full value of \$500,000. The earn-out liability was remeasured as at December 31, 2023 to its estimated acquisition-date fair value of \$410,000 based on the revised revenue performance of Slapshot with an equal decrease in the acquisition-date fair value of the contract with Abenaki of the Wolinak.

The contingent consideration payable is measured at fair value at each reporting date with changes in fair value recognized in net income. Management uses current and historical operational results, estimates and probabilities of future earnings and discounted cash flows to estimate the earn-out payment. In the three months ended September 30, 2024, there was no fair value adjustment to the contingent consideration payable. In the nine months ended September 30, the Company remeasured the contingent consideration payable to the actual liability of \$100,738, which resulted in a loss of \$2,484.

7. Private Placement and Convertible Debenture

On October 31, 2023, the Company completed a private placement financing of \$10,273,508 before legal cost, 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 prices of each A and B warrant of \$0.18 and \$0.20 respectively iii) an expected life of 5 years; iv) a risk-free rate of 3.58%; v) dividend yield of nil; and vi) expected volatility of 71%.

As part of the October 2023 offering the Company 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

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market price of the shares on the last day of the respective interest period. During the three and nine months ended September 30, 2024, debentures of \$67,375 were converted into 336,875 common shares (note 12). 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 of \$187,301 in the three months ended September 30, 2024 and a gain of \$112,194 in the nine months ended September 30, 2024 (and a gain on remeasurement of \$1,351,959 in the year ended December 31, 2023).

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	At September 30, 2024
Stock price	\$0.08	\$0.04	\$0.08
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	\$0.20 for the principal and \$0.035 and \$0.56 for the capitalized interest
Risk free interest rate	4.08%	3.58%	3.96%
Remaining term	36 months for the principal and the remaining term for each capitalized interest period	34 months for the principal and the remaining term for each capitalized interest period	25 months for the principal and the remaining term for each capitalized interest period
Volatility	71%	71%	71%

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

8. New and revised IFRS Standards and amendments applied for the first time

The Company applied the amendments to IAS 1 Classification of Liabilities as Current or Non-current on January 1, 2024, retrospectively to prior periods. The amendments clarify the classification of liabilities as current or non-current. Adoption had no material impact on the Company's condensed consolidated interim financial statements and no impact on the comparative information.

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9. Revenues

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Gaming revenue from wagered games (sports-betting and casino transactions)	\$ 6,507,608	\$ 4,454,878	\$ 19,403,222	\$ 12,604,801
Gaming revenue from administered games	-	-	-	-
Sub-total Gaming revenue	\$ 6,507,608	\$ 4,454,878	\$ 19,403,222	\$ 12,604,801
Other revenue from managed services	\$ 293,211	\$ 226,775	\$ 794,639	\$ 357,544
Revenue	\$ 6,800,819	\$ 4,681,654	\$ 20,197,862	\$ 12,962,345

10. Open bets liability

As at September 30, 2024, the open bets liability for unsettled wagers was \$23,698 (December 31, 2023 - \$10,171). Open bets liability is a derivative financial instrument and the fair value remeasurement gain of \$210 in the period ended September 30, 2024 (September 30, 2023 – fair value remeasurement gain of \$6,692) 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 September 2024 (note 17).

11. Redeemable preferred shares

The authorized share capital of the Company includes 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 nine months ended September 30, 2024 and nine months ended September 30, 2023.

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,

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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.

Redeemable Preferred Shares	Number	Redeemable preferred shares liability	Equity component of redeemable preferred shares
Balance, January 1, 2023	78,000	\$ 6,982,917	\$ 955,986
Redemption, May 31, 2023 (a)	(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
Interest accretion during the period		286,443	-
Balance, September 30, 2024	66,300	\$ 6,768,929	\$ 812,588

(a) 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.

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 trade on the TSX Venture Exchange.

12. Share capital

Authorized share capital

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

Common Shares

During the nine months ended September 30, 2024, the Company:

- (a) On June 7, 2024, issued 12,135,827 common shares on the exercise of Restricted Share Units with an exercise price of \$0.55. In relation to the exercise, the fair value of the Restricted Share Units of \$6,674,705 was reclassified from contributed surplus to share capital.
- (b) On July 26, 2024, issued 336,875 common shares on the conversion of unsecured convertible debentures with an exercise price of \$0.20. The carrying amount of the debentures of \$67,375 was reclassified to share capital.

During the nine months ended September 30, 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 13). In relation to the exercise,

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the fair value of the warrants of \$55,131 was reclassified from contributed surplus to share capital.

- (b) In connection with the Transaction (note 5), exchanged all 8,471,820 non-voting common shares of NorthStar for voting shares of the Company.
- (c) In connection with the Transaction (note 5), 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 (note 5), 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 (note 5), issued 24,500,000 common shares on the conversion of the convertible debenture. The value of the shares issued was \$8,205,885. The warrants remain outstanding. The fair value of the warrants of \$4,044,115 was allocated 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. In relation to the exercise, the fair value of the warrants of \$62,040 was reclassified 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 6).
- (h) On May 9, 2023, issued 87,000 common shares on the exercise of warrants with an exercise price of \$0.33 (note 13). In relation to the exercise, the fair value of the warrants of \$19,140 was reclassified from contributed surplus to share capital.

13. Warrants

	Number	\$
Balance, December 31, 2023 and September 30, 2024	54,637,458	5,792,470

No warrants were issued or exercised during the nine months ended September 30, 2024.

As of September 30, 2024, 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

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14. Share-based payment arrangements

The Equity Compensation Plan adopted by the Company in 2022 includes stock options, restricted share units, performance share units, deferred share units and dividend-equivalent rights (collectively, "Awards"). At September 30, 2024 the Company had issued stock options and restricted share units as described in the following.

Stock Options

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

The following schedule summarizes the stock option transactions for the nine months ended September 30, 2024:

	Number of options	Weighted average exercise price
Outstanding, January 1, 2023	5,156,760	\$ 0.21
Granted	8,058,542	\$ 0.05
Exercised	(4,600)	\$ 0.21
Cancelled or forfeited	(672,846)	\$ 0.21
Outstanding, September 30, 2023	12,537,856	\$ 0.40
Outstanding, January 2024	11,336,277	\$ 0.40
Granted	5,960,000	\$ 0.06
Outstanding, September 30, 2024	17,296,277	\$ 0.29
Vested and exercisable, end of period	10,463,195	\$ 0.39
Unvested	6,833,102	\$ 0.08

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 and the remaining 6,003,941 options vested on March 3, 2024.

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) an estimated expected life of 3 years; iv) a risk-free rate of 3.85%; v) dividend yield of nil; and vi) expected volatility of 71%.

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The value of each stock option that vests later than 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) an estimated expected life of 4 years; iv) a risk-free rate of 3.85%; v) dividend yield of nil; and vi) expected volatility of 71%.

On May 30, 2024, the Company granted a total of 5,960,000 options to an officer, employees and contractors, of which 2,400,000 were issued to an officer of the Company. Of the options, 1,966,800 will vest on May 30, 2025 and the remaining 3,993,200 options vest in tranches of 499,150 on each of the eight subsequent quarters. The estimated fair value of the stock-options was calculated using the Black-Scholes option pricing model with the following assumptions: i) share price \$0.055, ii) exercise price \$0.06 iii) an estimated expected life of 43years; iv) a risk-free rate of 3.85%; v) dividend yield of nil; and vi) expected volatility of 71%.

At September 30, 2024, the following table provides the outstanding options at their respective exercise prices and the related weighted average remaining contractual life:

Exercise price	Number outstanding	Weighted average remaining contractual life (in years)
\$0.21	3,719,743	3.92
\$0.50	8,058,542	3.67
\$0.06	5,960,000	5.67

Restricted Share Units

On April 6, 2023, the Company issued 12,135,827 restricted share units (RSU) to directors, officers, employees and consultants, of which 9,426,154 were issued to directors and officers. Each RSU is settled by the issuance of one common share of the Company. The RSUs vest one year from the date of grant. The fair value of each RSU issued was \$0.55 based on the quoted market price on the date of issue. The forfeiture rate was estimated to be 30% on the date of grant and was adjusted to 0% at April 6, 2024. RSU expense for the three months ended September 30, 2024 was \$nil and nine months ended September 30, 2024 was \$3,248,356 (three month ended September 30, 2023 was \$1,168,073 and \$2,258,275 for nine months ended September 30, 2023). The RSUs were exercised on June 7, 2024 and settled by the issue of 12,135,827 common shares of the Company and an amount of \$6,674,705 was reclassified from contributed surplus to share capital.

15. Loss per share

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

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	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Numerator:				
Loss for the period	\$ (3,100,887)	\$ (4,192,464)	\$ (14,314,862)	\$ (18,000,922)
Denominator:				
Weighted average number of shares:				
Basic and diluted	205,676,837	163,200,549	185,487,148	149,698,082
Loss per share:				
Basic and diluted	(0.02)	(0.03)	(0.08)	(0.12)

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

During the three and nine months ended September 30, 2024 and September 30, 2023, outstanding stock options, warrants, RSUs and Redeemable Preferred Shares 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 September 30, 2024.

16. Related party transactions

Playtech obtained significant influence over the Company as of March 3, 2023. The Company recognized an expense of \$2,558,922 and \$7,529,340 to Playtech Software during the three and nine months ended September 30, 2024 respectively (three and nine months ended September 30, 2023 were \$877,887 and \$2,552,411 respectively) for service provider fees and marketing affiliate fees. Service provider fees are paid in respect of the Company's 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. Marketing affiliate fees are based on the revenue generated from marketing services provided by Playtech Software under a Marketing Agreement.

The Company also received \$1,500,000 and \$4,429,427 during the three and nine months ended September 30, 2024 respectively (three and nine months ended September 30, 2023 – \$459,972 and \$959,972) towards marketing costs under the Marketing Agreement.

The Company owed \$5,215,442 to Playtech Software at September 30, 2024 in respect of trade accounts payable and accrued liabilities which are due on 30-day payment terms and are non-interest bearing (December 31, 2023 - \$1,769,414).

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The Company owed Playtech Software \$3,103,233 including accrued interest, under an unsecured, interest-bearing promissory note (the “April Note”) at September 30, 2024 (December 31, 2023 – nil). The April Note bears interest at 8% per annum. The April Note and all accrued interest will become immediately payable on the earlier of (i) the date which is 12 months from the issuance date and (ii) the date on which the Company or any of its subsidiaries completes a financing transaction with aggregate gross proceeds of at least \$10 million, subject to certain exceptions.

The Company owed Playtech Software \$3,011,178 including accrued interest, under an unsecured, interest-bearing promissory note (the “September Note”) at September 30, 2024 (December 31, 2023 – nil). The September Note bears interest at 8% per annum. The September Note and all accrued interest will become immediately payable on the earlier of (i) the date which is 12 months from the issuance date and (ii) the date on which the Company or any of its subsidiaries completes a financing transaction with aggregate gross proceeds of at least \$10 million, subject to certain exceptions.

17. Financial instruments and capital management

(a) Classification and fair values of financial instruments

The following table sets out the classification of each financial asset and financial liability.

Financial instrument	Classification
<i>Financial assets</i>	
Cash and cash equivalents	Amortized cost
Restricted cash related to performance guarantee	Amortized cost
Player deposits on hand	Amortized cost
Amounts held for Abenaki Council of Wolinak	Amortized cost
Amount due from payment processor	Amortized cost
Accounts receivable	Amortized cost
<i>Financial liabilities</i>	
Accounts payable and accrued liabilities	Amortized cost
Due to related party	Amortized cost
Liability for player deposits on hand	Amortized cost
Open bets liability	Fair value through profit and loss
Liability for player loyalty bonuses	Amortized cost
Amounts due to Abenaki Council of Wolinak	Amortized cost
Convertible debenture	Amortized cost
Redeemable preferred shares	Amortized cost
Deferred payment liability	Fair value through profit and loss
Conversion feature derivative	Fair value through profit and loss

The carrying amount of the convertible debenture approximates fair value as at September 30, 2024 and December 31, 2023 because the effective interest rate is comparable to current market rates at each reporting date. The carrying values of the other financial instruments measured at amortized cost approximate fair values because of the short settlement cycle expected for these instruments.

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The Company classifies fair values using a hierarchy that reflects the subjectivity of the inputs used in the measurement. The three levels of fair value hierarchy 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.
- Level 3 - inputs are not based on observable market data.

The fair values of open bets liability, deferred payment liability and conversion feature derivative are determined using Level 3 inputs.

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's exposure to credit risk from its payment processor is reduced because the processor 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 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 (notes 2 and 11).

(c) Capital management

The Company's capital management objectives are to maintain financial flexibility in order to meet financial commitments, 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 at September 30, 2024, was a deficit of \$11,738,738 (December 31, 2023 – deficit of \$1,657,480) (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. There have been no changes to the components of capital or its management since December 31, 2023.

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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 received 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.

18. General and administrative expense classified by nature

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Salaries, other short-term benefits and contractors	\$ 1,217,818	\$ 998,727	\$ 4,049,692	\$ 3,351,067
Professional and consulting fees	850,408	486,826	1,681,455	1,804,066
Other administrative expenses	423,077	363,455	788,883	952,543
Insurance	135,325	249,560	637,238	958,972
	\$ 2,626,628	\$ 2,098,568	\$ 7,157,268	\$ 7,066,648