NORTHSTAR GAMING

Annual Report 2024

NorthStar Gaming Holdings Inc.
Annual Report 2024

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Effective Execution Positions Us for Further Growth

Letter to Shareholders from the Chair & CEO

Michael Moskowitz, Chair & CEO

NORTHSTAR GAMING

2024 Operating Highlights

NorthStar Elite program – Initiated a loyalty program for high value players

Branded Tables – Showcased NorthStar Bets branding for select live dealer games

Casino Games – More than doubled the number of available games to over 1,400

Sports Insights 2.0 – Enhanced our content vertical with comprehensive statistics, live injury reports, added sports coverage and new casino content

Betting Options – Introduced personalized prop bets and intelligent parlay suggestions

Blackjack Championship – Ran an innovative $100,000 online tournament that helped drive player acquisition and wagering activity

EURO/Copa Campaign – Asked Canadians if they prefer to say “soccer” or “football”

Fellow Shareholders,

On behalf of NorthStar Gaming Holdings Inc. (TSXV: BET) (OTCQB: NSBBF) (“NorthStar” or the “Company”), I am pleased to report our results for fiscal 2024 and outline our strategy for continued growth.

Our team executed effectively against all our major objectives in 2024. We expanded our industry-leading content, adding hundreds of new casino games and an enhanced Sports Insights section. We introduced innovations that simplify the user experience and offer our players more relevant betting options. The “NorthStar Elite” program implemented last spring is helping us secure the loyalty of our high-value customers. We launched successful promotions that reinforced our brand and helped attract new customers.

The outcome of these achievements can be seen in our 2024 financial results. We delivered year-over-year growth in excess of 50% for each of total wagers, revenue and gross margin. Total wagers approached one billion dollars for the year, while revenue of $29.6 million was up by $10.7 million. The $10.5 million of gross margin amounted to 36% of revenue, compared to 29% in 2023.

2024 Financial Highlights

($ Millions)	FY 2024	FY 2023	Increase ($)	Change (%)
Total Wagers	**$980.0**	$648.8	$330.0	**+51%**
Revenue	**$29.6**	$18.8	$10.7	**+57%**
Gross Margin	**$10.5**	$5.5	$5.0	**+91%**
Profit before Marketing and Other Expenses	**$0.1**	$(6.7)	$6.8	**–**

Please review the Company's management's discussion and analysis ("MD&A") for the three and twelve-months ended December 31, 2024 and the Company's audited consolidated financial statements for the years ended December 31, 2024 and 2023, each as included in this Annual Report, for important information about the Company's activities and financial results in 2024 and for additional context regarding the below.

Strategic Progress

These are still early days for NorthStar. It is worth noting that 2024 was our first full year as a public company, having obtained a TSXV listing in March 2023. The NorthStar Bets platform has only been live for three years, beginning when Ontario licensed online gaming in 2022.

I am very proud of everything our team has achieved in this relatively brief timeframe. From a standing start, we have built an iGaming platform that is successfully positioned as a premium offering in a crowded market. We compete against multinational companies with established products and much larger promotion budgets. NorthStar is one of the smaller operators in Ontario, but we are steadily growing our market share.

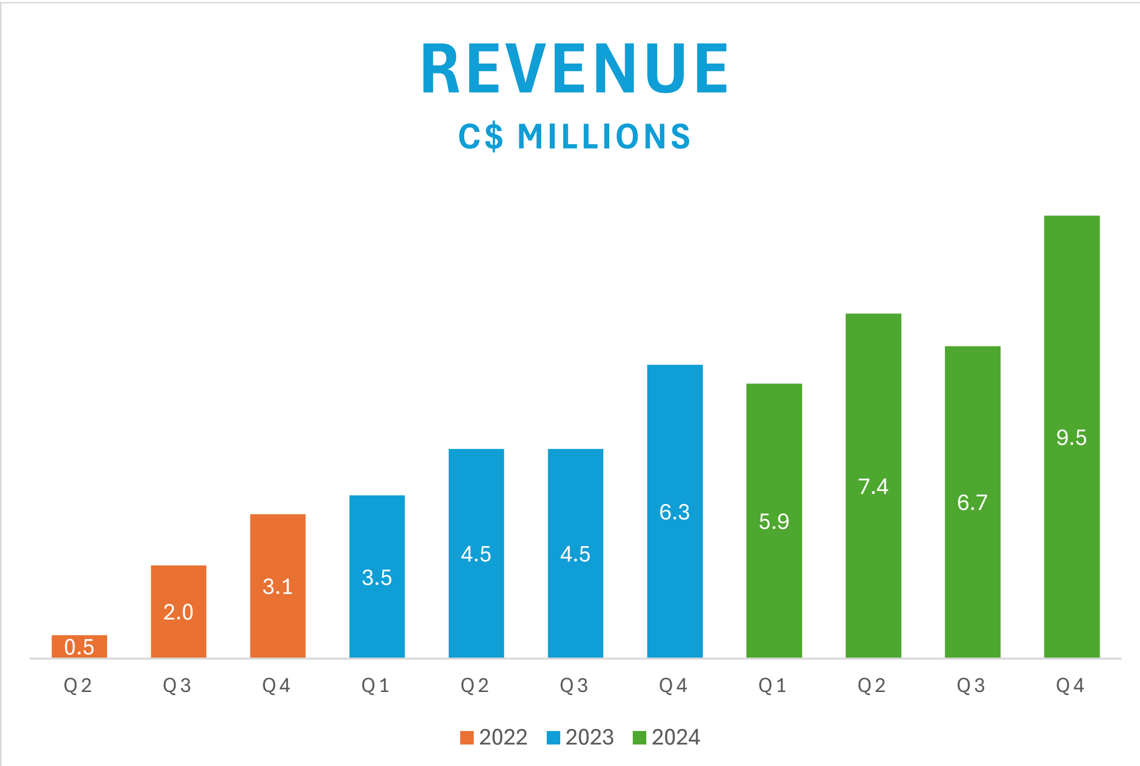
Our objective from the outset has been to build a company that will thrive over the long term. That has meant refusing to compromise on quality or customer service, while being disciplined stewards of our shareholders' capital. It meant assembling a great team that buys into our vision to "change the game for the bettor." We have avoided promotional tactics that tend to boost short-term numbers at the expense of sustainable results. We also prioritized building relationships with world- leading partners so that we can offer best-in-class gaming technology and content.

Two key strategic partners recently recognized the strength of our fundamentally sound approach. Beach Point Capital Management advanced C$43.4 million of long-term debt financing in January 2025, and Playtech plc – our largest shareholder and a core technology supplier – is providing credit support for the loan. As the largest financing in NorthStar's history, this funding will be vital in supporting the continued growth of the Company.

Scalable Business Model

The power of our business model is that it is highly scalable: each incremental dollar of revenue delivers increasing returns. In 2024, for example, revenue growth of 57% led to a 91% increase in gross margin, with certain fixed costs being amortized over a larger base of business. At the same time, marketing expense – an important driver of customer acquisition – increased by just 10%. Our other major operating expenses declined in 2024, as our existing people and infrastructure have the capacity to manage a higher volume of activity. We refer to this as operating leverage.

Continued revenue growth and economies of scale is expected to take us to profitability. We reached an important milestone in 2024 with gross margin covering our overhead expenses. Profit before marketing and other expenses was $0.1 million, an improvement of $6.8 million over 2023. We will continue to report on this important measure.



Certain quarterly revenue figures have been restated. Please see the Company's Consolidated Financial Statements and Management's Discussion and Analysis for the years ended December 31, 2024 and 2023 for details.

Priorities and Outlook for 2025

In many respects, our strategy for creating value is to maintain our focus on what has worked well for us. We are confident that effective execution on the fundamentals of our business will drive continued growth. Our key priorities for 2025 will be familiar to those who have followed the NorthStar story.

- **Operational excellence**. Our brand promise is to deliver a premium entertainment experience. We recently improved our analytics capabilities to help us fully understand how our customers are using our platform and how we might make their journey more effortless and seamless. Improvements in areas like speed, reliability and simplicity lead to higher customer satisfaction and retention. Seemingly small differences, such as the ability to speak with a live agent combined with world-class AI call centre technology, help us stand out.
- **More innovation**. We will build on our recent achievements to roll out further enhancements to our platform. One example is the Spring Tournament Series we ran in March and April 2025, which leverages the development work completed for last fall's Blackjack Championship. Our

innovation roadmap will take advantage of AI technology to personalize and optimize each player's experience. New casino content will help showcase the NorthStar brand and Canada-centric themes. Our approach to innovation is to be consistently better, and fundamentally different – meaning we target opportunities that differentiate us from larger competitors.

- **Expanding our addressable market**. Ontario remains the only province in Canada to license online gaming, and it represents approximately 40% of the estimated $8.5 billion addressable market nationwide.[1] Other provinces, such as Alberta, are expected to follow suit when they determine the regulatory approach that works for them. We intend to apply to operate in those provinces, where we would leverage our existing technology stack and marketing spend. NorthStar currently addresses the Canadian market outside of Ontario through the managed services we provide to the Abenaki Council of Wolinak, which owns and operates the Northstarbets.com site. Managed services represented approximately 8% of total revenue in 2024, and we expect that contribution to increase.
- **Financial discipline**. We have maintained tight control of costs since the Company was founded, and we will continue to do so. The recent strengthening of our balance sheet will not change our approach, although it does provide reassurance that we can continue to execute our business plan. One key success factor in our management of expenses has been targeted marketing campaigns that maximize efficiency through ongoing data analysis and innovative, locally focused promotions. We will continue to prioritize the acquisition of high-value players.

"Our strategy for creating value is to maintain our focus on what has worked well for us. We are confident that effective execution on the fundamentals of our business will drive continued growth."

NorthStar has always emphasized our Canadian roots, starting with the brand name itself. Most of our customers value the distinct local flavour they find at NorthStar Bets, in the Sports Insights section and elsewhere. Many people across the country have recently made concerted efforts to "Buy Canadian." We are proud to be a local success story and are confident that those who try our platform will find that it meets or exceeds their expectations.

On behalf of the Board of Directors, I would like to acknowledge the entire NorthStar team for their commitment to serving our customers and building our company. Thanks also to our strategic partners, and to our shareholders for your continued support.

Michael Moskowitz

Michael Moskowitz
Chair and CEO

[1]Source PwC – Global Centre of Excellence for Betting & Gaming *Lessons from Int'l Markets* June 2022
Canada estimates calculated internally based on extrapolating Ontario estimates to the entire country based on population

Non-IFRS Financial Measures

Throughout this document, management uses certain non- IFRS “supplementary financial measures”, as defined in National Instrument 52-112 *Non-GAAP and Other Financial Measures*, to evaluate the performance of the Company. The term "Total Wagers" is a non-IFRS “supplementary financial measure”. Total Wagers is calculated as the total amount of money bet by customers in respect of bets that have settled in the applicable period. Total Wagers does not include free bets or other promotional incentives, nor money bet by customers in respect of bets that are open at period end. This measure is not a recognized measure under International Financial Reporting Standards (“IFRS”) and does not have a standardized meaning prescribed by IFRS and is, therefore, not necessarily comparable to similar measures presented by other companies. Rather, this measure is provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective and to discuss NorthStar’s financial outlook. Accordingly, this measure should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures, including industry metrics, in the evaluation of companies in our industry. Management also uses non-IFRS measures and industry metrics in order to facilitate operating performance comparisons from period to period, the preparation of annual operating budgets and forecasts and to determine components of executive compensation.

Cautionary Note Regarding Forward-Looking Information and Statements

This Letter to Shareholders contains "forward-looking information" within the meaning of applicable securities laws in Canada ("forward-looking statements"), including without limitation, statements with respect to the following: financial guidance for 2025, expected performance of the Company's business, strategic priorities, expansion into new markets, future growth opportunities and expected benefits of transactions. The foregoing are provided for the purpose of presenting information about management’s current expectations and plans relating to the future and allowing investors and others to get a better understanding of the Company’s anticipated financial position, results of operations, and operating environment. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. This forward-looking information is based on management’s opinions, estimates and assumptions that, while considered by NorthStar to be appropriate and reasonable as of the date of this letter, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, levels of activity, performance, or achievements to be materially different from those expressed or implied by such forward-looking information. Forward-looking information is subject to significant risks including, without limitation: risks related to the Company’s business and financial position; risks associated with general economic conditions; adverse industry risks; future legislative and regulatory developments; the ability of the Company to implement its business strategies; and those factors discussed in greater detail under the “Risk Factors” section of the Company’s most recent annual information form, which is available under NorthStar’s profile on SEDAR+ at www.sedarplus.com. Many of these risks are beyond the Company’s control.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking statements. Although the Company has attempted to identify important risk factors that could cause actual results to differ materially from those contained in the forward-looking statements, there may be other risk factors not presently known to the Company or that the Company presently believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking statements. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this letter represents NorthStar’s expectations as of the date specified herein and are subject to change after such date. However, the Company disclaims any intention or obligation or undertaking to update or revise any forward- looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

All of the forward-looking information contained in this letter is expressly qualified by the foregoing cautionary statements.

For the year ended December 31, 2024

May 14, 2025

The following Management's Discussion and Analysis ("MD&A") dated May 14, 2025 comments on the financial condition and results of operations of NorthStar Gaming Holdings Inc. ("we", "our" or the "Company") for the year ended December 31, 2024 and is intended to assist readers in understanding the business environment, strategies, performance and risk factors of the Company. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2024 and 2023, which have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. These materials are available on the Company's SEDAR+ profile at www.sedarplus.ca and on the Company's website at www.northstargaming.ca. All amounts are presented in Canadian dollars unless otherwise indicated. All references in this MD&A to "Q4 2024" are to the three-month period ended December 31, 2024 and to "Q4 2023" are to the three-month period ended December 31, 2023. All references to "FY2024" are to the twelve-month period ended December 31, 2024 and to "FY2023" are to the twelve-month period ended December 31, 2023.

Forward Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance, but instead provide insights regarding management's current expectations and plans and allows investors and others to better understand the Company's anticipated business strategy, financial position, results of operations and operating environment. Although the Company believes that the forward-looking statements are based on information, assumptions and beliefs that are current, reasonable and complete, such information is necessarily subject to a number of business, economic, competitive and other risk factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date the statements were made.

In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "believes", "expects", "estimates", "predicts", "projects", "forecasts", "targets", "intends" or the negative of these terms, and other similar expressions or future or conditional verbs such as "may", "will", "should", "would" and "could". This MD&A includes, among other things, forward-looking statements regarding the Company's expectations regarding revenue, expenses and operations, anticipated cash needs, timing or expansion of services, future growth plans, ability to attract and retain players, ability to attract and retain key personnel, regulatory changes, arrangements and terms with service providers and anticipated trends and challenges in the business and markets. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in the forward-looking statements.

Forward-looking statements are based on information currently available to management and on estimates and assumptions, including assumptions about future economic conditions and courses of action. Examples of material estimates, assumptions and beliefs made by management in preparing such forward-looking statements include but are not limited to: continued growth of our business; general economic and geopolitical conditions; our competitive position in our industry; our ability to keep pace with changing customer preferences; our expectations for future growth of the gaming industry; our ability to generate positive cash flow; and our expectations for capital expenditures.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Readers are advised to consider such forward-looking statements in light of the risks set forth under the heading "Risks and Uncertainties" in this MD&A. The Company's publicly filed documents can be accessed under the Company's profile on SEDAR+ at www.sedarplus.ca.

Forward-looking statements contained herein, are, unless stated otherwise, given as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, or results, except as may be required by applicable securities laws. There can be no assurance that the forward-looking statements set forth herein will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on any such forward-looking statements.

1. Overview and Strategy

A summary of our business and strategy

The Company was incorporated as Baden Resources Inc. ("Baden") under the *Business Corporations Act* (British Columbia) on January 19, 2020. Baden's shares were listed on the Canadian Securities Exchange under the symbol BDN until March 3, 2023, at which time they were delisted.

On March 3, 2023, Baden completed a reverse take-over transaction (the "Transaction") with NorthStar Gaming Inc. ("NSG"), a non-reporting issuer, pursuant to a business combination agreement between Baden and NSG. The Transaction was structured as a three-cornered amalgamation as a result of which, NSG became a wholly owned subsidiary of the Company. Baden changed its name to "NorthStar Gaming Holdings Inc." on March 2, 2023.Following the completion of the Transaction, 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. Given that prior to the Transaction Baden did not meet the definition of a business under IFRS, the reverse take-over was accounted for as an asset acquisition of Baden by NSG.

On April 12, 2022, NSG's wholly owned subsidiary, NorthStar Gaming (Ontario) Inc. ("NorthStar Ontario") completed its registration as an internet gaming operator with the Alcohol and Gaming Commission of Ontario ("AGCO") and on May 9, 2022, launched its online gaming site www.northstarbets.ca ("Northstarbets.ca"), which offers eligible players in Ontario access to regulated sports betting markets, and a robust and curated casino offering, including popular slot offerings and live dealer games. NorthStar Ontario is the holder of this registration with the AGCO and is the operator of Northstarbets.ca. The AGCO regulates internet gaming ("iGaming") in Ontario. Northstarbets.ca is offered in accordance with the AGCO's regulations, including the *Registrar's Standards for Internet Gaming*.

Prior to the launch of Northstarbets.ca, NorthStar Ontario also entered into an operating agreement (the "Operating Agreement"), effective May 9, 2022, with iGaming Ontario ("iGO"), a subsidiary of the AGCO. NorthStar Ontario operates Northstarbets.ca in accordance with and pursuant to the terms and conditions of the Operating Agreement as a regulated operator contracted by iGO, who is responsible for conducting and managing iGaming when provided through private operators in Ontario. Pursuant to the terms of the Operating Agreement, iGO retains a percentage of the Company's Gross Gaming Revenue, as defined in the Operating Agreement. The initial term of the Operating Agreement is five years.

On May 8, 2023, the Company acquired 100% of the issued and outstanding shares of Slapshot Media Inc. ("Slapshot") pursuant to a share purchase agreement dated May 8, 2023, as discussed in greater detail below.

On December 8, 2023, the Company continued under the Business Corporations Act (Ontario) (the "OBCA").

Competitive Landscape and Strategic Initiatives

The main offerings on Northstarbets.ca include an online sportsbook which features pre-match and live sports betting markets, including futures sports betting markets, and an online casino which features in excess of 1,600 online casino games servicing casual and VIP players, including slot games, blackjack, roulette and baccarat, and a variety of stakes and live dealer games.

Northstarbets.ca is offered exclusively in English to players nineteen years of age or older, physically located in Ontario and is deployed on an instant-play web-based desktop and mobile-optimized site. Northstarbets.ca offers native applications that are available on the iOS and Android platforms downloadable via the Apple App Store and Google Play channels. The desktop version provides for high flexibility and makes Northstarbets.ca available on all platforms, such as Windows and Mac, without requiring the download and installation of a platform specific application. The native applications offer substantially the entirety of the web offering, on a convenient mobile platform.

Northstarbets.ca features an in-app news portal called Sports Insights that seamlessly integrates sports news, betting insights, statistics, scores, and odds, which the Company believes to be a key strategic differentiator, a channel to acquire players, and an enhancement of NorthStar Ontario's ability to engage with its user-base.

Northstarbets.ca operates in the online sports betting industry which is highly competitive, constantly evolving, and subject to regulatory and rapid technological change. Ontario's regulated iGaming market is highly competitive and in its early stages. Given the nascency of this market, Northstarbets.ca is competing for market share and incurring significant expenses on advertisements and other marketing efforts to build brand recognition and onboard new players. As a result of the foregoing, NorthStar Ontario plans to continue to introduce and market new and innovative technologies, product and service offerings, and product and service enhancements to effectively stimulate customer demand, acceptance and engagement.

The Company's wholly owned subsidiary, Slapshot, a Canadian iGaming marketing and managed services company, provides managed services to the Abenaki (the "Abenaki"), who own and operate an iGaming site, Northstarbets.com (formerly Spreads.ca), which is licensed by the Kahnawake Gaming Commission. Northstarbets.com is offered across Canada, except in Ontario. Individuals physically located in Ontario are not permitted to access Northstarbets.com. Slapshot receives consideration by way of managed services revenue in exchange for providing the administration of games. These services are recorded as managed services revenue and are based on gaming revenue generated by the Abenaki and is recognized in the periods in which those gaming revenue and activities conclude.

Financial Highlights

Financial highlights for Q4 2024:

- Total Wagers(1) at Northstarbets.ca were $303.0 million in Q4 2024, an increase of 42% compared to $213.3 million in Q4 2023.
- Gross Gaming Revenue(1) at NorthStarbets.ca was $10.0 million in Q4 2024, an increase of 31.6% over $7.6 million in Q4 2023.
- Revenue, including managed services fees, net of bonuses, promotional costs and free bets was $9.5 million in Q4 2024, an increase of 51% over $6.3 million in Q4 2023.
- Gross margin was $3.6 million in Q4 2024, an increase of 71.3% over $2.1 million in Q4 2024 and represents approximately 38.0% of revenue compared to 33.6% of revenue in Q4 2023.

Financial highlights for FY2024:

- Total Wagers(1) at Northstarbets.ca were $980.0 million in FY2024, an increase of 51% compared to $648.8 million in FY2023.
- Gross Gaming Revenue(1) at NorthStarbets.ca was $34.0 million in FY2024, an increase of 51.1% over $22.5 million in FY2023.
- Revenue, including managed services fees, net of bonuses, promotional costs and free bets was $29.6 million in FY2024, an increase of 56.8% over $18.8 million in FY2023.
- Gross margin was $10.5 million in FY2024, an increase of 90.7% over $5.5 million in FY2023 and represents approximately 35.7% of revenue compared to 29.3% of revenue in FY2023.

The Company acquired Slapshot on May 8, 2023, and accordingly, the comparative revenue information for FY2023 does not include comparable operating results of Northstarbets.com.

The Company has restated the comparative period for errors identified related to an understatement of merchant fees, player bonus expenses and director fees. These fees and expenses were not included in the previously published financial statements (section 8 – summary of quarterly results).

Recent Developments

Debt Financing

On January 24, 2025, the Company entered into a credit agreement (the "Credit Agreement") in respect of a senior secured first lien term loan facility providing for US dollar denominated loans in an aggregate principal amount of up to US$30,000,000 or approximately CAD$43,431,000(the "Credit Facility") to be made available by Beach Point Capital Management LP ("Beach Point"). The Credit Agreement matures on January 24, 2030 (the "Maturity Date"). The interest rate on the loan is calculated based on the applicable SOFR rate plus 9.35%, with a SOFR floor of 4.40%. There are no principal amortization payments required for the first 30 months following the closing date, after which 2.5% of the principal amount is amortized per annum until the 42nd month (paid quarterly), and, thereafter, 5% per annum until the Maturity Date (paid quarterly).

The purpose of the Credit Facility is to support the Company's continued growth by significantly strengthening the Company's financial position. The Company has drawn down funds of CAD$43,431,000 under the Credit Facility to: (i) repay the aggregate CAD $9,500,000 principal amount (plus accrued interest) loaned to the Company by Playtech Plc ("Playtech"), a global leader in gambling technology that is a supplier of software and services to, and already a significant investor in the Company, pursuant to unsecured promissory notes dated April 25, 2024, September 13, 2024 and December 16, 2024; (ii) fund an interest reserve account in respect of the Credit Facility

1 Represents a non-IFRS financial measure. For definitions of Total Wagers and Gross Gaming Revenue, computation details and, for Gross Gaming Revenue, a reconciliation of Gross Gaming Revenue to its most directly comparable IFRS measure, please refer to the section titled "Non-IFRS Financial Measures" on page 22 of this MD&A.

in an amount equal to CAD$7,000,000; and (iii) pay transaction costs in connection with the Credit Facility. The use of the Credit Facility will be to fund working capital and for general corporate purposes. The interest payments will be drawn out of the interest reserve account. The interest reserve account will be maintained at a minimum balance of three months interest until the loan is repaid.

The Credit Facility is guaranteed by the Company, and by Playtech, together with certain of its affiliates (the "Playtech Guarantors"). In consideration of the Playtech Guarantors providing the guarantee (the "Playtech Guarantee"), NorthStar has issued to Playtech 32,735,295 Common Share purchase warrants ("Bonus Warrants"), exercisable at a price of CAD$0.055 per share, reflecting an approximately 8.70% premium to the five-day volume-weighted average price of the Common Shares of the Company on January 24, 2025. The Bonus Warrants will be subject to a trading hold period expiring four months from the date of issue under applicable securities laws. The Bonus Warrants expire on January 24, 2030 and are non-transferable. In accordance with the policies of the TSXV, if at any time the outstanding principal amount under the Credit Facility is reduced or repaid during the first year of the term of the Credit Facility, the expiry date in respect of a pro rata number of the total Bonus Warrants will be accelerated to the later of: (a) one year from the date of issuance of the Bonus Warrants; and (b) 30 days from such reduction or repayment of the Credit Facility.

Private Placement

On October 31, 2023, the Company completed a private placement financing of approximately $10.3 million, through the issuance of units ("Units"), comprised of common shares of the Company (the "Common Shares"), warrants, and Convertible Debentures (as defined below) (the "Offering"). Pursuant to the Offering, the Company issued 29,528,458 Units at a price of $0.175 per Unit, with each Unit comprised of one 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.

In addition, the Company issued three-year, 8% unsecured convertible debentures (the "Convertible Debentures") in an aggregate principal amount of approximately $5.2 million, converting into Common Shares at $0.20 per Common Share with interest payable-in-kind. Investors in the Offering included Playtech as well as members of the Company's senior management team.

Proceeds from the Offering have been and will continue to be utilized to fund marketing to promote the NorthStar Bets brand across Canada and for general working capital purposes.

Strategic Marketing Contribution

On June 26, 2023, NorthStar Ontario entered into an agreement with Playtech Software Limited ("Playtech Software") pursuant to which Playtech Software committed to an initial contribution of up to $1.5 million and subsequently increased the total contribution to approximately $4 million over eight months ending in February 2024. Beginning in the second half of 2023, this contribution has directly supported NorthStar Ontario's player acquisition strategy. Playtech Software is reimbursed and compensated through a share of revenue from the income generated in connection with the marketing initiatives to which Playtech Software contributed. On April 25, 2024, NorthStar Ontario extended the program with Playtech Software for a further 8 months until December 31, 2024, with contributions not to exceed $500,000 per month. Playtech Software's contribution in FY2024 was approximately $6 million compared to $3 million in FY2023.

The Playtech Software contribution materially increased NorthStar Ontario's marketing budget in 2024 and accelerated NorthStar Ontario's player acquisition during FY2024. The Playtech Software contribution is in addition to the $12.25 million equity investment received from Playtech in connection with the conversion of NSG's previously issued convertible debenture (further described herein) and the Transaction. The contribution is offset against the marketing cost for 2024.

On April 23, 2025, NorthStar Ontario and Playtech Software have extended the agreement implemented in 2023 to accelerate NorthStar Ontario's player acquisition strategy in Ontario. Under the renewal, Playtech Software will provide $1.5 million marketing services in Ontario, through to March 31, 2025. 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.

Preferred Share Conversion

On May 31, 2023, the Company reached an agreement with the arm's length holders of the redeemable preferred shares ("Redeemable Preferred Shares") issued by the Company to convert all of its Redeemable Preferred Shares into Common Shares. Pursuant to the agreement, the Company issued 2,127,273 Common Shares at $0.55 per Common Share in consideration for the cancellation of 11,700 Redeemable Preferred Shares held by the holders, with a notional value of $1.17 million. The Common Shares issued in respect of the conversion of Redeemable Preferred Shares were restricted from trading and released as follows: an initial 25% of such Common Shares were released from such restrictions on October 1, 2023 and the balance was released in equal tranches on October 31, 2023, November 30, 2023 and December 31, 2023.

The conversion of the holders' Redeemable Preferred Shares bolstered the Company's balance sheet, removing all current debt in respect of the Redeemable Preferred Shares as well as freeing up capital for player acquisition and business development.

Acquisition of Slapshot

On May 8, 2023, the Company acquired 100% of the issued and outstanding shares of Slapshot, a Canadian iGaming marketing and managed services company that specializes in providing managed services to the Abenaki for its iGaming operations in Canada (excluding Ontario) under the Spreads.ca brand. The goal of this strategic transaction was to expand the addressable market available to the Company through managed services revenue. On November 1, 2023, Spreads.ca changed its name to Northstarbets.com.

This strategic acquisition was highly complementary to the Company's existing online casino and sportsbook offerings. Northstarbets.com (formerly Spreads.ca) is not and will not be made available by the Abenaki in Ontario and Northstarbets.ca is and continues to be the only online casino and sports book offered by the Company in Ontario or elsewhere. NorthStarbets.com continues to be owned and operated by the Abenaki.

In connection with the acquisition, the Company acquired 100% of the issued and outstanding shares of Slapshot plus an adjustment of $0.3 million for working capital in exchange for 3,818,181 Common Shares. Based on the closing share price of the Common Shares on May 8, 2023, the total consideration paid was $1.7 million. In addition, the former shareholders of Slapshot were entitled to a separate earn-out of up to $0.5 million based on Slapshot's revenue performance for the 12-month period following the closing, payable quarterly in Common Shares with a deemed value per Common Share equal to the greater of: (i) the 20-day volume weighted average price calculated at the end of each applicable quarter; and (ii) $0.45 per Common Share.

On the acquisition date, the consideration payable liability includes the full value of the estimated payment of $0.41 million based on revenue performance of Slapshot as noted above plus an additional $0.079 million in respect of additional working capital. As of December 31, 2023, the contingent consideration liability was measured to be $0.098 million and a gain on remeasurement of $0.02 million for the three months ended December 31, 2024 and $0.4 million for the year ended December 31, 2023 was recognized. As of December 31, 2024, the contingent consideration payable is still $0.098 million.

As a result of the acquisition, the Company controls Slapshot and for accounting purposes the Company is deemed the acquirer. The Slapshot share purchase agreement is accounted for in accordance with IFRS 3, using the acquisition method as the operations of Slapshot constitute a business. As a result, Slapshot's identifiable net assets acquired are recognized at their fair value. The Slapshot share purchase agreement has been accounted for at the fair value of the consideration provided to Slapshot, consisting of cash, Common Shares, the deferred payment liability and the settlement of a pre-existing relationship. The Company's consideration payable 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 recognized amounts of assets acquired, liabilities assumed, and consideration paid, at the date of acquisition:

Fair Value of Identifiable Net Assets (in 000s)	
Cash and cash equivalents	$184
Player balances on hand	104
Amounts due from payment processors	190
Accounts receivable	141
Contract with Abenaki Council of Wolinak	1,897
Accounts payable and accrued liabilities	(186)
Liability for player deposits on hand	(104)
	$2,226
Fair value of Common Shares issued	$1,737
Contingent consideration liability	410
Working capital	79
Total purchase price	$2,226

<u>The Transaction</u>

On March 3, 2023, Baden completed a reverse take-over with NSG. The Transaction was an arm's length transaction and resulted in a reverse take-over and change of control of the Baden, by NSG's shareholders.

As part of the Transaction:

- Baden completed a consolidation of its outstanding common shares immediately before the Transaction on a 3.333333:1 basis.
- NSG's outstanding common shares were subdivided on a 1 for 736.68 basis (the "share split").
- NSG'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, the outstanding NSG common shares were exchanged for 117,737,671 Common Shares.
- NSG's outstanding redeemable preferred shares were exchanged on a one-for-one basis for the Redeemable Preferred Shares
- NSG's outstanding convertible securities ceased to represent a right to acquire NSG common shares and, in accordance with their terms, now represent a right to acquire Common Shares on the same economic terms and conditions.
- Former Baden securityholders were issued 4,181,430 Common Shares, 1,222,680 warrants having an exercise price of $0.33 and 600,000 warrants having an exercise price of $0.43. All outstanding Baden options were cancelled.

The fair value of the net assets acquired under the Transaction and the public listing costs expensed are summarized as follows:

(in '000s)	
Fair value of 4,181,430 Common Shares issued[(a)]	$2,091
Fair value of 1,222,680 warrants exercisable at $0.33 issued[(b)]	269
Fair value of 600,000 warrants exercisable at $0.43 issued[(c)]	102
Total purchase price	$2,462
Cash and cash equivalents	$107
Accounts receivable	6
Accounts payable and accrued liabilities	(16)
Net assets assumed	$97
Public listing costs expensed	$2,365
Total purchase price	$2,462

(a) The fair value per Common Share on the date of the Transaction was $0.50 which was based on the most recent issuance of Common Shares around the date of the announcement of the Transaction.

(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 $0.3 million. The estimated fair value of these warrants was calculated using the Black-Scholes option pricing model using 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 exercisable at $0.43 issued to former Baden warrant holders has been estimated at $0.17 resulting in a total estimated fair value of $0.1 million. The estimated fair value of these warrants was calculated using the Black-Scholes option pricing model using 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 in the Transaction exceeds the fair value of net assets assumed by $2.365 million and was treated as public listing costs and expensed in the three months ended March 31, 2023 and FY2023. Public listing costs for the three months ended March 31, 2023 also include $0.4 million of accounting and legal expenses related to the Transaction.

<u>Conversion of Convertible Debenture</u>

<u>October 31, 2023 Private Placement and Convertible Debenture</u>

On October 31, 2023, the Company completed the 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, one half A Warrant, and a further half B Warrant, in each case, exercisable 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 Offering, the Company has also issued the 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 $96,547 in the year ended December 31, 2024 and a gain 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 of 30% per annum:

	On date of issuance	At December 31, 2023	At December 31, 2024
Stock price	$0.08	$0.04	$0.035
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%	2.92%
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	36 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 Offering. Of the $81,936 of legal costs, $40,968 was allocated to Common Shares and warrants, $20,484 was expensed in year ended December 31, 2023 and the balance $20,484 was deferred as a transaction cost and amortized over three years.

2. Operating Results

A discussion of our operating results for the year ended December 31, 2024.

Selected Financial Information

The financial information for the three and twelve months ended December 31, 2023, included as comparatives in these operating results have been restated and replaces the previously disclosed information for the same periods for errors identified, as fully described in Note 2 to the restated audited annual consolidated financial statements for the year ended December 31, 2024.

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below has been derived from our audited annual consolidated financial statements, unaudited interim consolidated financial statements and accompanying notes for the three months and year ended December 31, 2024.

(in 000s, except per share amounts)	Unaudited Three months ended December 31, 2024	Unaudited Three months ended December 31, 2023 * Restated	$ Change Favourable/ (Unfavourable)	Twelve months ended December 31, 2024	Twelve months ended December 31, 2023 * Restated	$ Change Favourable/ (Unfavourable)
Revenue	**$9,478**	**$6,275**	**$3,203**	**$29,556**	**$18,845**	**$10,711**
					*	
Cost of revenues						
Operator participant fee	1,794	1,348	(446)	6,139	4,039	(2,100)
Service providers fees	4,074	2,819	(1,255)	12,874	9,278	(3,596)
Gross margin	**3,610**	**2,108**	**1,502**	**10,543**	**5,528**	**5,015**
Expenses:						
General and administrative:						
Salaries, short-term benefits and contractors	1,884	1,496	(388)	5,934	4,767	(1,167)
Professional and consulting fees	48	925	877	1,729	2,709	979
Other administrative expenses	887	1,676	789	1,675	2,921	1,246
Insurance	124	250	126	762	1,209	447
Public listing costs (cash)	-	-	-	-	425	425
Depreciation and amortization	90	105	15	353	246	(107)
	3,033	4,452	1,419	10,453	12,277	1,823
Profit/(Loss) before marketing and other expenses (1)	**577**	**(2,344)**	**2,921**	**90**	**(6,749)**	**6,839**
Marketing	5,249	5,472	223	15,456	14,094	(1,362)
Loss before other expenses (1)	**(4,672)**	**(7,816)**	**3,144**	**(15,366)**	**(20,843)**	**5,477**
Other Expenses						
Share-based payment expense	11	1,380	1,369	3,793	5,343	1,550
Public listing costs (non-cash)	-	-	-	-	2,364	2,364
Gain on remeasurement of consideration payable	(5)	(18)	(13)	(2)	(390)	(388)
Gain on derecognition of preferred shares	-	(49)	(49)	-	(49)	(49)
Gain on remeasurement of preferred shares	(1,144)	-	1,144	(1,144)	-	1,144
Gain on remeasurement of deferred share unit liability	(134)	-	134	(131)		131
Gain on settlement of expenses in shares	(129)			(129)		129
MTM gain on derivative financial liability	16	(1,352)	(1,368)	(97)	(1,352)	(1,255)
Amortization of deferred transaction costs	2	1	(1)	8	1	(7)
Gain/Loss on disposal of asset	-	-	-	2	-	(2)
Foreign exchange loss	45	4	(41)	89	3	(86)
Interest income	(5)	(87)	(82)	(35)	(87)	(52)
Interest expense	305	-	(305)	423	-	(423)
Finance cost	(32)	270	302	868	714	(154)
Total Other expenses	(1,070)	149	1,091	3,644	6,547	2,903
Net loss and comprehensive loss	**(3,602)**	**(7,965)**	**4,363**	**(19,011)**	**(27,390)**	**8,379**
Net loss per share (Basic and diluted)	**(0.02)**	**(0.05)**		**(0.10)**	**(0.17)**	

* The comparative periods are restated for understated merchant fees, player bonus expenses and director fees.

Per share amounts included in this MD&A are calculated using the weighted average number of shares outstanding for the applicable period. On March 3, 2023, immediately prior to the Transaction, all of NSG's outstanding common shares were subdivided on a 1 for 736.68 basis. Accordingly, all per share numbers in this MD&A have been restated to reflect the impact of this split.

Restatement of the comparative periods as at and for the years ended December 31, 2023 and as at January 1, 2023

The Company has restated the comparative periods for errors identified related to an understatement of merchant fees, player bonus expenses and director fees. These fees and expenses were not included in the previously published financial statements.

- With respect to merchant fees, the Company's payment processor deducted merchant fees from the remittances made to the Company, and the deductions were not accounted for by the Company. These additional fees were identified as part of the year-end reconciliation of the amount due from the payment processor, and the 2023 and 2022 consolidated financial statements have been restated accordingly. The service provider fees (cost of revenue) were understated in the financial statements for the years ended December 31, 2023 and 2022 by $1,075,668 and $456,437 respectively. The impact as at December 31, 2023 was a reduction of Amounts due from payment processor $1,075,668 and the impact as at January 1, 2023 (December 31, 2022) was a reduction of Amounts receivable of $456,437.

- The Company identified that certain player bonuses granted by the Company to players were not previously included in the bonus expense recorded by the Company, which is recorded as a reduction in determining Gaming Revenue; consequently, revenues were overstated in the financial statements for the years ended December 31, 2023 and 2022 by $568,796 and 198,071 respectively. The impact as at December 31, 2023 was a reduction of Amounts due from payment processor $399,503 a reduction of Amounts receivable of $169,293. The impact as at January 1, 2023 (December 31, 2022) was a reduction of Amounts receivable of $198,071

- As a result of the adjustments above, amount due from payment processors was overstated by $1,475,171 as at December 31, 2023 and amounts receivable was overstated by $823,801 as at December 31, 2023 and $654,508 as at January 1, 2023.

- The Company identified that certain director fees were not accrued for and therefore, director fee expense and accounts payable and accrued liabilities were understated by $270,000 in the financial statements as at and for the year ended December 31, 2023.

Consolidated Statements of Financial Positions As at December 31, 2023	Previously Reported	Adjustment	Restated
Current Assets			
Amount due from payment processors	2,892,461	(1,475,171)	1,417,290
Amounts receivable	1,549,893	(823,801)	726,092
Total current assets	10,609,378	(2,298,972)	8,310,406
Current liabilities			
Accounts payable and accrued liabilities	7,777,204	270,000	8,047,204
Total current liabilities	17,231,133	270,000	17,501,133
Accumulated deficit	(47,556,697)	(2,568,971)	(50,125,668)

Consolidated Statements of Financial Positions As at January 1, 2023	Previously Reported	Adjustment	Restated
Current Assets			
Amount due from payment processors	161	-	161
Amounts receivable	1,394,866	(654,508)	740,358
Total current assets	16,591,924	(654,508)	15,937,416
Current liabilities	6,401,719	-	6,401,719
Total current liabilities	32,640,895		32,640,895
Accumulated deficit	(22,081,051)	(654,508)	(22,735,559)

The following tables summarize the impacts of the foregoing error corrections on the Company's consolidated financial statements.

For the year ended December 31, 2023	Previously reported	Adjustment	Restated
Revenues	$ 19,413,390	$ (568,796)	$ 18,844,594
Operator participant fee	4,038,854	-	4,038,854
Service provider fees	8,202,277	1,075,668	9,277,945
Gross margin	7,172,259	$ (1,644,464)	5,527,795
Total operating expenses	33,808,305	270,000	34,078,305
Operating loss	(26,636,046)	(1,914,464)	(28,550,510)
Other expenses	1,160,400	-	1,160,400
Net loss and comprehensive loss	$ (25,475,646)	$ (1,914,464)	$ (27,390,110)

Consolidated Statements of CashFlows As At December 31, 2023	Previously reported	Adjustment	Restated
Net loss for the period	$ (25,475,646)	$ (1,914,464)	$ (27,390,110)
Adjustment for non-cash expenses	6,957,652	281,250	7,238,902
Change in non-cash operating working capital	(957,310)	1,627,755	670,445
Net cash flows used in operating activities	(19,646,304)	-	(19,646,304)
Proceeds from financing activities	22,346,567	-	22,346,567
Net cash flows used in investing activities	30,521	-	30,521
Net decrease in cash	$ 2,730,784	-	$ 2,730,784

Revenues

On April 12, 2022, NorthStar Ontario completed its registration as an internet gaming operator with the AGCO and on May 9, 2022, launched Northstarbets.ca which offers eligible players in Ontario access to regulated sports betting markets, and a robust and curated casino offering, including popular slot offerings and live dealer games. NorthStar Ontario is the holder of this registration with the AGCO and is the operator of Northstarbets.ca.

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

As noted above, on May 8, 2023, the Company acquired 100% of the issued and outstanding shares of Slapshot. Slapshot's revenues are generated from providing managed services to the Abenaki. and accordingly, the comparative revenue information for the year ended December 31, 2023 does not include comparable operating results of managed services revenues from contract with the Abenaki for the period prior to May 8, 2023.

Revenue in the three months ended December 31, 2024 increased by $3.2 million to $9.5 million, compared to $6.3 million in the three months ended December 31, 2023. Revenue in Q42024 included Gaming Revenue of $8.0 million (net of bonuses, promotional costs and free bets of $2.0 million) and managed services revenue of $1.5 million. Revenue in Q4 2023 included Gaming Revenue of $6.1 million (net of bonuses, promotional costs and free bets of $1.3 million) and managed services revenue of $0.2 million. The year-over-year increase is due to growth in active players, increased wagering and a $1.3 million increase in managed services revenue.

Revenue in FY2024 increased $10.7 million to $29.6 million compared to $18.8 million in FY2023. The increase is primarily due to growth in active players, total wagering, and a $1.8 million increase in managed services revenue.

Revenue in FY2024 included Gaming Revenue of $27.3 million (net of bonuses, promotional costs and free bets of $6.7 million) and managed services revenue of $2.3 million. Revenue in FY2023 was comprised of Gaming Revenue of $18.3 million (net of bonuses, promotional costs and free bets of $4.2 million) and managed services revenue of $0.5 million.

Total Wagers(2) in respect of Gaming Revenue from Northstarbets.ca were $303.0 million in Q4 2024. This compares to Total Wagers(2) of $213.3 million in respect of Gaming Revenue on Northstarbets.ca in Q4 2023. Total Wagers(2) in respect of Gaming Revenue from Northstarbets.ca were $980.0 million for FY2024. This represents an increase of $331.2 million compared to $648.8 million of Total Wagers(2) in FY2023.

Cost of revenues

Cost of revenues incurred during Q4 2024 and FY2024 primarily relate to service provider costs as well as operator participant fees associated with the operation of Northstarbets.ca. Service provider fees incurred in Q4 2024 also include $1.6 million of costs associated with the provision of managed services by Slapshot. Service provider fees include gaming related costs, platform fee, merchant fee, and player verification costs.

Operator participant fees are a variable cost of Gaming Revenue whereas service provider fees are a combination of fixed and variable charges. For the three and twelve months ended December 31, 2024, the Company incurred certain fixed service provider fees related to its operations. However, these fees as a proportion of revenue are lower than in the comparable periods in 2023 (42% in Q4 2024 compared to 45% in Q4 2023 and 43.6% in FY2024 compared to 49% in FY2023) and service provider fees will generally become more variable as revenues continue to grow.

In Q4 2024, gross margin was $3.6 million or 38% of revenues. Gross margin was $2.1 million or 33.6% of revenue in Q4 2023. For FY2024, gross margin was $10.5 million or 35.7% of revenues whereas gross margin was $5.5 million or 29.9% of revenue in FY2023.

Expenses

General and administrative

Salaries, directors fees, short-term benefits, and contractors represented $1.9 million and $6.0 million of expenses in Q4 2024 and FY2024 respectively, an increase of $0.4 million compared to Q4 2023 and an increase of $1.2 million compared to FY2023. The increases in Q4 2024 and FY2024 compared to Q4 2023 and FY2023 are related to additional resources associated with the growth of Northstarbets.ca in FY2024 and merit increases.

Professional and consulting fees were $0.01 million and $1.7 million in Q4 2024 and FY2024 respectively and relate to legal and other professional fees. These amounts reflect a decrease of $0.9 million and $1.0 million over the comparative periods in 2023. These professional fees represent the ongoing fees associated with i) business activities, and ii) various costs associated with requirements of the internet gaming registration, compliance with the Operating Agreement with iGO, and public company expenses. FY2023 included fees associated with the the acquisition of Slapshot in May 2023.

Other administrative expenses were $0.9 million and $1.7 million in Q4 2024 and FY2024 compared to $1.7 million and $2.9 million in Q4 2023 and FY2023. The decrease in Q4 2024 and FY2024 relative to the comparable periods in 2023 is related to cost savings initiatives undertaken in FY2024 and one-off costs associated with the launch of Northstarbets.com in FY2023.

2 Represents a non-IFRS financial measure. For definitions of Total Wagers and Gross Gaming Revenue, computation details and, for Gross Gaming Revenue, a reconciliation of Gross Gaming Revenue to its most directly comparable IFRS measure, please refer to the section titled "Non-IFRS Financial Measures" on page 19 of this MD&A.

Insurance costs were $0.1 million and $0.8 million respectively in Q4 2024 and FY2024 compared to $0.3 million in Q4 2023 and $1.2 million in FY2023. The variances relate to lower insurance premiums in FY2024 compared to FY2023.

Public listing costs of $2.8 million in FY2023 relate to the costs associated with the Transaction, as further discussed above. $2.4 million of these costs were non-cash and relate to the value of Common Shares and warrants provided to former Baden shareholders and warrant holders. The remaining expenses were legal and accounting fees associated with the Transaction and the subsequent listing on the TSXV.

Profit before marketing and other expenses was $0.6 million in Q4 2024 compared to a loss of $2.8 million in Q4 2023. The favourable variance was due to the higher gross profit margin and lower administrative expenses in Q4 2024 compared to Q4 2023. FY2024 profit before marketing and other expenses was $0.01 million compared to a loss of $6.7 million in FY2023. The favourable variance was due to higher gross profit margin in FY2024, and lower general and administrative expenses including a one-time public listing (cash) expense of $0.4 million in FY2023. The growth in revenue and gross margin in FY2024 was achieved with lower general and administrative costs compared to FY2023. This is the first time that the Company has posted a positive profit before marketing and other expenses in its fiscal year.

Marketing

Marketing expenses of $5.2 million were incurred in Q4 2024 compared to $5.5 million in Q4 2023. Marketing expenses in FY2024 were $15.5 million compared to $14.1 million in FY2023. As a percentage of revenues, FY2024 marketing expenses decreased to 52% of revenues from 75% of revenues for FY2023, reflecting increasing effectiveness in the Company's marketing efforts. The increase in marketing expenses in FY2024 compared to FY2023 was attributed to higher player acquisition volumes and increased revenue at a lower cost per player.

Marketing expenses are the main driver of growth in revenue and player acquisition and are completely at the discretion of management. The cost per player acquisition in FY2024 has decreased compared to FY2023 and management continues to work on marketing optimization to reduce the cost per player acquisition further.

Other Expenses

With the exception of interest income, all of the other expenses are non-cash.

Share-based payment expenses, which are non-cash, were $0.01 million in Q4 2024 compared to $1.4 million in Q4 2023, and reflect expenses associated with stock options of the Company ("Options"), restricted share units ("RSUs") and deferred share units ("DSUs"), the details of which are further discussed below in section 4 of this MD&A. FY2024 share-based payment expenses were $3.8 million compared to $5.3 million in FY2023.

Non-cash public listing costs of $2.4 million in FY2023 relate to the costs associated with the Transaction, as further discussed above. These costs relate to the value of Common Shares and warrants provided to former Baden shareholders and warrant holders.

Comprehensive loss

Comprehensive loss for Q4 2024 and FY2024 was $3.6 million and $19.0 million respectively compared to $8.0 million and $27.4 million in the comparable periods in 2023. The decrease in comprehensive loss in Q4 2023 relative to the comparable period in 2023 was the result of higher revenue, increased gross margin, lower non-cash share-based compensation expense, and lower other administrative expense, partially offset by non-cash mark to market adjustment to derivative finance liability.

Comprehensive loss for FY2024 decreased by $4.4 million due to increased revenue, higher gross margin, lower non-cash share-based compensation expense, lower professional and consulting fees, lower other administrative expenses, and one-off public listing costs incurred in FY2023, partially offset by higher marketing costs, higher salaries, short-term benefits and contractors, and non-cash mark to market adjustment to derivative financials.

Net loss per share for Q4 2024 and FY2024 was ($0.02) and ($0.5) respectively. This compares to loss per share of ($0.10) and ($0.17) for the comparable periods in 2023. The loss per share in Q4 2024 and FY2024 reflects the above noted net loss for the period divided by the weighted average number of Common Shares outstanding during those periods. In addition, all per-share numbers have been restated on a retroactive basis to reflect NSG's pre-transaction share split of 736.68:1.

3. Outlook

Given that the Company is still in its early stage of operations, we anticipate that player registrations and active players on Northstarbets.ca and associated revenues will continue to grow for the near to medium term based on our continued investment in marketing to support player acquisition, player retention initiatives, enhancement of the content-rich user experience, and improvements to the Company's world-class online casino.

Marketing Agreement

- On April 25, 2024, NorthStar Ontario and Playtech Software extended the marketing agreement implemented in 2023 to accelerate NorthStar Ontario's player acquisition strategy in Ontario. The initial agreement, announced by the Company on June 23, 2023, resulted in a total contribution of services from Playtech Software valued at $6 million in FY2024 and was a significant driver of NorthStar Ontario's growth since July 2023. 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.

- On April 23, 2025 NorthStar Ontario and Playtech Software have extended the agreement implemented in 2023 to accelerate NorthStar Ontario's player acquisition strategy in Ontario. Under the renewal, Playtech Software will provide $1.5 million of marketing services in Ontario, through to March 31, 2025. 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.

Unsecured Promissory Note

- On April 25, 2024, the Company issued a $3 million unsecured, interest-bearing promissory note (the "April Note") to Playtech, a significant investor in the Company. The April Note bears interest of 8% per annum, payable in arrears at maturity. Unless otherwise 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 issuance date; 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 September 13, 2024, the Company issued a $3 million unsecured, interest-bearing promissory note (the "September Note") to Playtech. The September Note bears interest of 8% per annum, payable in arrears at maturity. Unless otherwise accelerated pursuant to its terms, the September Note will become immediately due and 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 additional financing transactions with aggregate gross proceeds of at least $10 million, subject to certain exceptions. Proceeds from the September Note will be used to fund the Company's continued growth and for general corporate purposes.

- On December 17, 2024, the Company issued a $3.5 million unsecured, interest-bearing promissory note (the "December Note") to Playtech. The December Note bears interest of 8% per annum, payable in arrears at maturity. Unless otherwise accelerated pursuant to its terms, the December Note will become immediately due and 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 additional financing transactions with aggregate gross proceeds of at least $10 million, subject to certain exceptions. Proceeds from the December Note will be used to fund the Company's continued growth and for general corporate purposes.

The promissory notes are at a below market rate of interest and have been recognized at their initial fair value of $8,960,699 with the discount of $539,301 recognized in contributed surplus.

Long-Term Debt Financing

Subsequent to the year-end, on January 24, 2025, the Company entered into the Credit Agreement in respect of the Credit Facility to be made available by Beach Point. Playtech and the Playtech Guarantors have agreed to provide the Playtech Guarantee. The Credit Agreement matures on the Maturity Date. The interest rate on the loan is calculated based on the applicable SOFR rate plus 9.35%, with a SOFR floor of 4.40%. There are no principal amortization payments required for the first 30 months following the closing date, after which 2.5% of the principal amount is amortized per annum until the 42nd month (paid quarterly), and, thereafter, 5% per annum until the Maturity Date (paid quarterly).

The purpose of the Credit Facility is to support the Company's continued growth. The Company used the proceeds of loans made pursuant to the Credit Facility: (i) to repay the aggregate CAD$9.5 million principal amount plus $0.3 million accrued interest loaned to the Company by Playtech pursuant to the April Note, September Note and December Note; (ii) to fund an interest reserve account in respect of the Credit Facility in an amount equal to CAD$7 million; and (iii) to pay transaction costs in connection with the Credit Facility of $6.6 million. Future use of the Credit Facility will be to fund working capital and for general corporate purposes. Minimum quarterly liquidity requirement commencing Q1 2025 to be greater of (1) $ 2.5 million or (2) an amount equal to $5.0 million minus consolidated EBITDA for the period; if the consolidated EBITDA is negative, consolidated EBITDA shall deemed to be $0.

The Credit Facility is guaranteed by the Company and by Playtech, together with the Playtech Guarantors. In consideration of the Playtech Guarantors providing the Playtech Guarantee, NorthStar has issued to Playtech 32,735,295 Bonus Warrants, exercisable at a price of CAD$0.055 per share, reflecting an approximately 8.70% premium to the five-day volume-weighted average price of the Common Shares on January 24, 2025. The Bonus Warrants will be subject to a trading hold period expiring four months from the date of issue under applicable securities laws. The Bonus Warrants expire on January 24, 2030 and are non-transferable. In accordance with the policies of the TSXV, if at any time the outstanding principal amount under the Credit Facility is reduced or repaid during the first year of the term of the Credit Facility, the expiry date in respect of a pro rata number of the total Bonus Warrants will be accelerated to the later of: (a) one year from the date of issuance of the Bonus Warrants; and (b) 30 days from such reduction or repayment of the Credit Facility.

4. Liquidity and Capital Resources

A discussion of our cash flow, liquidity and other disclosures

As at December 31, 2024, the Company had total assets of $9.4 million, and negative working capital, excluding the Redeemable Preferred Shares and Convertible Debentures, of $9.2 million, including $2.1 million of unrestricted cash and cash equivalents (December 31, 2023 - $3.9 million).

In FY2024, the Company used $11.2 million of cash and cash equivalents in operating activities ($19.6 million in FY2023), generated $9.5 million of cash and cash equivalents from financing activities ($22.3 million in FY2023), and used $0.12 million of cash and cash equivalents in investing activities (($0.03) million in FY2023). The cash and cash equivalents used in operating activities reflect the $15.0 million comprehensive loss, net of non-cash expenses plus a reduction in net non-cash working capital of $4.0 million. The cash and cash equivalents generated from financing activities represents $9.5 million in proceeds from issuing short-term promissory notes. The cash and cash equivalents spent in investing activities was primarily due to acquisition of intangible assets.

The cash and cash equivalents used in operating activities in FY2023 reflect the $27.3 million comprehensive loss, net of non-cash expenses plus an increase in net non-cash working capital of $1.0 million. The cash and cash equivalents generated from financing activities in FY2023 represented $4.3 million in net proceeds from issuing Common Shares and warrants as part of the subscription receipt conversion, conversion of the Convertible Debentures discussed previously, $5.1 million of Common Shares issued through private placement, $12.4 million of Convertible Debentures, as well as $0.5 million in proceeds from the conversion of warrants into Common Shares. The cash and cash equivalents generated by investing activities in FY2023 was primarily cash and cash equivalents acquired by the Company from the Slapshot acquisition and from Baden, as part of the Transaction.

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 amounts due from the payment processor, accounts payable and accrued liabilities. Accounts payable and accrued liabilities are all contractually due within three months or less, and player balances; the players can withdraw their cash balances without giving notice to the Company.

The Redeemable Preferred Shares are callable on demand by the holders. While these preferred shares are redeemable at the option of the holder, the OBCA prevents redemptions where such redemption would cause an insolvency event for the Company (note 13 of the audited consolidated financial statements of the Company).

Subsequent to the year end, the Company entered into the Credit Agreement in respect of the Credit Facility. The Credit Agreement requires the Company to maintain minimum quarterly liquidity, commencing in Q1 2025, of the greater of (1) $2,500,000 or (2) an amount equal to $5,000,000 minus consolidated EBITDA for the period. If the consolidated EBITDA is negative, consolidated EBITDA shall deemed to be $0 (note 23). Based on the Company's forecast for the next twelve months, the Company expects to be in compliance with the covenants applicable to the Credit Agreement. Any substantial change to the Company's liquidity could cause a breach to the covenants under the Credit Agreement.

Ability to Continue Operations

Our consolidated 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.

Off Balance Sheet Arrangements

As at the date of this MD&A, the Company has not entered into any off-balance sheet arrangements.

Contractual Obligations and Other

As at December 31, 2024, the Company had the following minimum commitments:

	Payments Due by Period		
Contractual Obligations Under Service Contracts	**Less than One Year**	**One to Five Years**	**Greater than Five Years**
Related Party	$2.4 million	$9.7 million	$20.3 million
Others	$2.0 million	$1.5 million	$3.0 million

Current Share Information

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares (the "Preferred Shares"). As at December 31, 2024, 205,764,717 Common Shares and 66,300 Preferred Shares were issued and outstanding.

As at December 31, 2024, an aggregate of 54,637,458 warrants to purchase Common Shares were outstanding with exercise prices and expiry dates as follows:

	Exercise Price	**Expiry Date**
12,250,000 A warrants	$0.85	March 3, 2028
12,250,000 B warrants	$0.90	March 3, 2028
14,764,229 A warrants	$0.36	October 31, 2028
14,764,229 B warrants	$0.40	October 31, 2028

As at December 31, 2024, the Company had the following share-based payment arrangements:

Stock Options

As at December 31, 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	2,787,597	2.30
$0.50	7,321,863	3.25
$0.06	5,960,000	4.42

Total	16,069,460

The equity compensation plan adopted by the Company in 2022 (the "Equity Compensation Plan") permits the Company to issue Options, RSUs, performance share units, DSUs and dividend-equivalent rights (collectively, "Awards"). Under the Equity Compensation Plan, the maximum number of Common Shares issuable from treasury pursuant to Option Awards may not exceed 10% of the total outstanding Common Shares. A further 9,696,910 Common Shares are reserved for all other types of Awards.

As part of the Transaction, 5,156,760 outstanding NSG options with an exercise price of $0.21 were exchanged for Options. On March 3, 2023, 8,058,542 Options with an exercise price of $0.50 were granted to employees and contractors of the Company. Of these Options, 2,054,601 vested immediately. The remaining 6,003,941 Options vested one year from the date of grant.

- The value of each Option that vests immediately is $0.25 resulting in a total estimated fair value of $0.5 million. The estimated fair value of such 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 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 Option that vests over one year is $0.28 resulting in a total estimated fair value of $1.7 million. The estimated fair value of the 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 Option is 4 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.

On May 30, 2024, the Company granted 5,960,000 Options to an officer, employees and contractors, of which 2,400,000 were issued to an officer. 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 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 3 years; iv) a risk-free rate of 3.85%; v) dividend yield of nil; and vi) expected volatility of 71%.

As at December 31, 2024, and May 14, 2025], 16,068,968 Options were outstanding.

<u>Restricted Share Units</u>

On April 6, 2023, pursuant to the Equity Compensation Plan, the Company issued 12,135,827 RSUs to directors, officers, employees and consultants, of which 9,426,154 were issued to directors and officers. These RSUs were issued at a unit price of $0.55 and vested on the lifting of the blackout period immediately subsequent to April 6, 2024. These RSUs were exercised on June 7, 2024. There was no RSUs issued in the twelve months ended December 31, 2024.

<u>Deferred Share Units</u>

The Company has a DSU plan (the "DSU Plan") for directors. Under the DSU Plan, participants are granted DSUs that represent a right to receive an equivalent number of Common Shares or cash payment at the time of their departure from the Company.

DSUs vest immediately upon grant and are settled in cash or Common Shares upon the termination of the participant's service. The number of DSUs granted is based on the market value of the Company's Common Shares on the grant date.

The DSUs are classified as a liability and are marked to market at each reporting period, with changes in fair value recognized in the consolidated statement of income (loss). The liability is presented as part of current liabilities on the consolidated statement of financial position.

As at year ended December 31, 2024, the number of outstanding DSUs was 8,599,999 (2023 – nil), and the liability recognized in respect to the DSU plan was $336,000 (2023 – nil).

The following table summarizes the DSU activity during the year:

	Number of DSUs
Outstanding, January 1, 2024	0
Granted during the year	8,599,999
Outstanding, December 31, 2024	8,599,999

5. Related Party Transactions

A discussion of transactions with related parties

Playtech

On March 3, 2023, Playtech became a "related party" of the Company, as such term is defined under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*, as a person that has beneficial ownership of, or control or direction over, directly or indirectly, securities of the Company carrying more than 10% of the voting rights attached to all the Company's outstanding voting securities.

The Company paid $5,619,231 to Playtech in the twelve months ended December 31, 2024 (twelve months ended December 31, 2023 - $3,835,388) for service provider fees.

The Company incurred service provider fees of $10,633,211 from Playtech during the year ended December 31, 2024 (2023 - $5,448,085) for use of Playtech's iGaming platform, which is critical to the ongoing operations of Northstarbets.ca, 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 $6,079,964 to Playtech as at December 31, 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).

In addition, on October 31, 2023, the Company completed the Offering (note 7 of the audited consolidated financial statements of the Company). Proceeds from the Offering were used to grow the NorthStar Bets brand and for general working capital purposes.

The Company issued the April Note, September Note and December Note (collectively, the "Notes") to Playtech.

The Notes bear interest of 8% per annum, payable in arrears at a maturity date which is 12 months from the issuance date. Proceeds from the Notes will be used to fund the Company's continued growth and for general corporate purposes. The interest amounts were fair valued using 9.35% plus SOFR, being the interest rate per the Credit Agreement. SOFR on the dates of the Notes were used for the calculation of the fair values and accounted for in the annual audited consolidated financial statements. The total amount of the Notes and the interest accrued until January 27, 2025 were settled on January 28, 2025.

Playtech is a global leader in gambling technology that is a supplier of software and services to the Company.

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 (the "Board"), Chief Executive Officer, Chief Development Officer and the Chief Financial Officer. Compensation provided to key management during the year ended December 31, 2024 was $ 1,697,096 (December 31, 2023 - $1,949,442). Post-employment benefits expense and share-based compensation expense were $22,851 and $2,211,531 respectively during the year ended December 31, 2024 (December 31, 2023 – $27,457 and $3,054,866).

6. Financial Instruments

A summary of our financial instruments

The Company's financial instruments as at December 31, 2024 include cash and cash equivalents, restricted cash related to performance guarantee, player deposits on hand, amounts due from payment processors, accounts receivable, accounts payable and accrued liabilities, amounts due to related parties, liability for player deposits on hand, player loyalty bonuses, consideration payable liability and Redeemable Preferred Shares. The carrying value of these amounts are reasonable estimates of fair values due to the relatively short periods to maturity and the terms of these instruments.

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 2024.

For additional information about how the Company recognizes, measures, and classifies its financial instruments, see "7. Material Accounting Policies and Estimates" below.

7. Material Accounting Policies and Estimates

A description of accounting estimates and judgements that are material to our financial results, and changes to accounting policies.

Accounting Policies

We consider the accounting policies related to revenue, including Gaming Revenue, cost of revenues, Redeemable Preferred Shares, Convertible Debentures, share capital, share-based payments, warrants and financial instruments to be the material accounting policies used in the preparation of the Company's audited consolidated financial statements for the years ended December 31, 2024 and 2023. The accounting policies below reflect the policies used in preparation of these financial statements.

We have not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- **Revenue**

  Revenue is measured at the fair value of the consideration received.

  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. Gaming 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 Gaming 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 the Abenaki, through the acquisition of Slapshot, whereby it receives consideration in exchange for services for Administered Games over the contract period. These services are recorded as managed services revenue based on gaming revenue generated by the Abenaki 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

The Company has determined that it operates in a single reportable segment, based on the internal reporting structure and the nature of its operations.

The Chief Operating Decision Maker, determined to be the Chief Executive Officer of the Company, who is responsible for allocating resources and assessing performance, reviews the business as a single operating unit. All operations are substantially similar in nature, share common systems and processes, and are managed on a consolidated basis.

Accordingly, the Company has concluded that it has one reportable segment and segment disclosures have not been presented.

- **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 Northstarbets.ca, the Company entered into the Operating Agreement with iGO, a subsidiary of the AGCO, effective May 9, 2022. Operator participant fees reflect fees that the Company pays under the terms of the Operating Agreement. These operator participant fees are based on a percentage of Gross Gaming Revenue as defined in the 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 in respect of its iGaming platform and ancillary services including supplier costs and customer payment transaction fees. Service provider fees are recorded based on the level of transactions and contractual amounts and are expensed as incurred.

- **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.

- **Convertible Debentures**

On October 31, 2023, the Company issued the Convertible Debentures. 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.

- **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 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.

- **Share-based payments**

  The Company grants Options to its employees, directors and consultants. 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 tranche's vesting period based on the number of Awards expected to vest with the offsetting entry to contributed surplus. The number of Awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

  If and when Options are exercised, consideration received is credited to share capital and the fair value attributed to these Options is transferred from contributed surplus to share capital.

- **Restricted Share Units**

  The Company has an Equity Compensation 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 RSUs is measured at the grant date based on the market value of the 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.

  When Common Shares are issued for RSUs, the fair value attributed to these RSUs is transferred from contributed surplus to share capital.

- **Deferred Share Units**

  The Company has a DSU Plan for directors. Each tranche in an Award is considered a separate Award with its own grant date. The DSUs are vested on the grant date and the compensation expense and liability are recognized immediately. The Awards and the liability are reviewed at each reporting date with any change recognized immediately.

- **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.

- **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. 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. Financial assets measured at amortized cost are comprised of cash and cash equivalents, funds held by payment processors, and other receivables.

- 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.

- 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. Using the simplified approach, the Company records a loss allowance equal 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

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.

Accounting Estimates and Judgements

The preparation of the consolidated interim financial statements requires management to make judgements and estimates that affect the application of the Company's accounting policies and reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key source of estimation uncertainty are acquisitions and acquisitions of businesses under common control and whether such acquisition is treated as a continuity of interest, ability of the Company to continue as a going concern, Gaming Revenue, determination of whether gaming transactions are within the scope of IFRS 9 or IFRS 15. The Company has also made a judgement of it being the primary obligor in respect of the Company's sports-betting and casino gaming contracts with its players determination of primary obligor in assessing revenue recognition. Additional judgements were also made in respect of the fact that management has assessed that it does not have control over iGO or its service providers which comprise its cost of revenues (operator participant fees and service provider fees) and accordingly does not consolidate them. Additional judgements were also made around accounting for business combinations and the reverse take-over transaction, recognition of software intangible assets and classification of warrants as either a component of equity or a liability. Warrants have been classified as an equity instrument 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 for.

In assessing whether the going concern assumption is appropriate, management applies judgement and takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

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 include: (i) Mark to market on open events which are estimated using the amount of the wagers and the published odds for such wagers at the date of the financial statements; (ii) Estimated useful lives of long-lived assets (equipment and intangible assets); (iii) Fair value of warrants based on the Black-Scholes option pricing model for valuation of the warrants issued to purchasers of its share capital which requires the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate and changes in the input assumptions can materially affect the fair value estimate which correspondingly affects the Company's equity reserves; (iv) Fair value of share-based payments 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; and (v) Fair value of assets acquired in business combinations.

8. Summary of Quarterly Results

The following table summarizes the results of our operations for the eight most recently completed quarters. This unaudited quarterly information has been prepared in accordance with IFRS.

(in '000s of dollars) *(unaudited)*	**FY2024**				**FY2023**			
	Q4	**Q3** ***Restated**	**Q2** ***Restated**	**Q1** ***Restated**	**Q4** ***Restated**	**Q3** ***Restated**	**Q2** ***Restated**	**Q1** ***Restated**
Financial Summary:								
Revenue (Previously Reported)		**$6,801**	**$7,457**	**$5,940**	**$6,451**	**$4,682**	**$4,635**	**$3,645**
Adjustments Increase/(Decrease)		$(85)	$(25)	$(10)	$(176)	$(136)	$(122)	$(134)
Revenue (Restated)	**$9,478**	**$6,716**	**$7,432**	**$5,930**	**$6,275**	**$4,546**	**$4,513**	**$3,511**
Service Provider Fee (Previously Reported)		(2,621)	(2,742)	(2,465)	(2,585)	(2,099)	(1,826)	(1,693)
Adjustments Increase/(Decrease)		398	328	333	234	281	252	309
Service Provider Fee (Restated)	**(3,987)**	**(3,019)**	**(3,070)**	**(2,798)**	**(2,819)**	**(2,380)**	**(2,078)**	**(2,002)**
Gross Profit (Previously Reported)		2,661	3,234	2,213	2,518	1,630	1,865	1,159

Adjustments Increase/(Decrease)		(483)	(353)	(343)	(410)	(417)	(374)	(443)
Gross Profit (Restated)	**3,614**	**2,178**	**2,881**	**1,870**	**2,108**	**1,213**	**1,491**	**716**
Operating Expense (Previously Reported)		(5,548)	(8,145)	(7,715)	(11,225)	(6,374)	(6,450)	(9,759)
Adjustments Increase/(Decrease)		-	-	-	81	81	81	27
Operating Expense (Restated)	**(8,294)**	**(5,548)**	**(8,145)**	**(7,715)**	**(11,306)**	**(6,455)**	**(6,531)**	**(9,786)**
Operating Loss (Previously Reported)		(2,887)	(4,911)	(5,502)	(8,707)	(4,744)	(4,585)	(8,600)
Adjustments Increase/(Decrease)		483	353	343	491	498	455	470
Operating Loss (Restated)	**(4,680)**	**(3,370)**	**(5,264)**	**(5,845)**	**(9,198)**	**(5,242)**	**(5,040)**	**(9,070)**
Comprehensive Loss (Previously Reported)		(3,101)	(4,651)	(6,479)	(7,474)	(4,193)	(5,106)	(8,703)
Adjustments Increase/(Decrease)		(483)	(353)	(343)	491	498	455	470
Comprehensive Loss (Restated)	**(3,601)**	**(3,584)**	**(5,004)**	**(6,822)**	**(7,965)**	**(4,691)**	**(5,561)**	**(9,173)**
Basic loss per share (Previously Reported)		($0.02)	($0.02)	($0.03)	($0.05)	($0.03)	($0.03)	($0.07)
Basic loss per share (Restated)	**($0.02)**	**($0.02)**	**($0.03)**	**($0.03)**	**($0.05)**	**($0.03)**	**($0.03)**	**($0.07)**

* The comparative periods are restated for understated merchant fees, player bonus expenses and director fees.

The summary of quarterly results reflects the steady growth in the Company's customer base and betting volumes since the launch of Northstarbets.ca on May 9, 2022, as well as the cyclical nature of Gaming Revenue. The fourth quarter is generally the strongest quarter driven by seasonality in sporting activities.

Net loss from operations has been affected by the launch of Northstarbets.ca in May 2022 as well as our varying level of marketing investment since the launch. The Company's Net Loss has also been impacted by the Transaction.

The Net Loss for Q2 2023 has also been adjusted to reflect updated RSU expense to reflect a change to estimated vesting and forfeiture rate.

9. Reconciliation of Non-IFRS Measures to IFRS Measures

Millions (unaudited)	Three months ended		Year ended	
	Dec 31, 2024	Dec 31, 2023 Restated	Dec 31, 2024	Dec 31, 2023 Restated
Gross Gaming Revenue from wagered games (sports- betting and casino transactions)(1)	$10.0	$ 7.6	$ 34.0	$ 22.5
Bonuses, promotional costs and free bets	(2.0)	(1.5)	(6.7)	(4.2)
Sub-total Gaming Revenue	8.0	6.1	27.3	18.3
Other revenue from managed services	1.5	0.2	2.3	0.5
Revenue	$ 9.5	$ 6.3	$ 29.6	$ 18.8

[1] Represents a non-IFRS financial measures. For definitions of Total Wagers and Gross Gaming Revenue, computation details and, for Gross Gaming Revenue, a reconciliation of Gross Gaming Revenue to its most directly comparable IFRS measures, please refer to the section titled "Non-IFRS Financial Measures" in section 10 of this MD&A.

10. Non-IFRS Financial Measures

This MD&A makes reference to "Total Wagers" and "Gross Gaming Revenue" which are "supplementary financial measures" as defined in National Instrument 52-112 *Non-GAAP and Other Financial Measures*. Total Wagers is calculated as the total amount of money bet by customers in respect of bets that have settled in the applicable period. Total Wagers does not include free bets or other promotional incentives, nor money bet by customers in respect of bets that are open at period end. Gross Gaming Revenue is calculated as dollar amounts bet by customers less the dollar amounts paid out to the customers in respect of such bets which have settled in the applicable period. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are, therefore, not necessarily comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement other IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Total Wagers and Gross Gaming Revenue are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS measures, including industry metrics, in the evaluation of companies in our industry. Management also uses non-IFRS measures and industry metrics in order to facilitate operating performance comparisons from period to period, the preparation of annual operating budgets and forecasts and to determine components of executive compensation.

11. Regulatory Matters

Regulation of the Gaming Industry

Gaming laws are generally designed to protect gaming consumers and the viability and integrity of the gaming industry. Gaming laws may also be designed to protect and maximize local revenues, as well as to enhance economic development. To accomplish these public policy goals, gaming laws establish stringent procedures to ensure that participants in the gaming industry meet certain standards of character and responsibility.

Our business is subject to extensive laws, regulations and policies which enable and govern the operation of the iGaming site *Northstarbets.ca* and our provision of iGaming services to eligible individuals physically located in Ontario. Such laws, regulations and policies generally concern the responsibility, financial stability, integrity and character of the owners, managers, staff and persons with material financial interests in the gaming operation along with the integrity and security of the iGaming product offerings. We are generally subject to extensive and evolving regulations that could change based on political and social norms and that could be interpreted in ways that could negatively impact our business.

Canada's Gaming Regulatory Framework and Ontario's Regulated iGaming Market

Canada's federal *Criminal Code* makes it illegal for any entity, other than a provincial government, to provide gaming services to individuals located in Canada. As a result, Canada's provincial governments have created wholly-owned corporations ("crown corporations") and robust regulatory frameworks to provide gaming services in their respective jurisdictions.

On April 4, 2022, the province of Ontario enacted legislation to expand the provision of iGaming services within Ontario in order to permit private gaming operators, contracted by iGO, to offer iGaming products directly to Ontarians. This was accomplished through (i) requiring iGaming operators to secure and maintain a registration with the AGCO, the regulatory authority overseeing all gaming conducted in Ontario; and (ii) the establishment of a new crown corporation, being iGO, a government entity which, in accordance with the *Criminal Code*, conducts and manages the vast majority of the iGaming sites legally available in Ontario today.

iGO subcontracts the operation of all of its online gaming sites to companies that are registered as iGaming operators by the AGCO, such as NorthStar Ontario. In doing so, Ontario's regulatory regime subjects all registered iGaming operators to strict compliance under various frameworks, including, but not limited to, the terms and conditions of the Operating Agreement with iGO, iGO's various operational policies ("iGO Policies") and the *Registrar's Standards for Internet Gaming* (the "Standards"). The respective frameworks established by each of the ACGO and iGO prescribe guidelines and place restrictions on a registered iGaming operator's provision of iGaming offerings in the province, including in respect to marketing and advertising, technology standards and responsible gambling. As such, registered iGaming operators in Ontario, such as NorthStar Ontario, are subject to high standards of operation to ensure the integrity, stability and fairness of their offerings and the market in general.

Registration

On April 12, 2022, the Company's wholly-owned subsidiary, NorthStar Ontario completed its registration as an iGaming operator with the AGCO and listed Northstarbets.*ca* as the gaming site associated with such registration. NorthStar Ontario's registration number with the AGCO is OPIG1226485 and its registration is publicly listed on the AGCO's website.

On May 9, 2022, NorthStar Ontario entered into its Operating Agreement with iGO, for an initial term of five years, and made the *Northstarbets.ca* iGaming offerings available to eligible individuals physically located in Ontario.

Since such date, NorthStar Ontario has continued to operate *Northstarbets*.ca, as a regulated operator contracted by iGO, and in accordance with the terms and conditions of its Operating Agreement with iGO. Under this arrangement, iGO receives a percentage of NorthStar Ontario's Gross Gaming Revenues, as defined in the Operating Agreement, which it then remits to the province of Ontario.

NorthStar Ontario's compliance with the terms and conditions of the Operating Agreement is a pre-requisite for its provision of regulated iGaming offerings in Ontario. While the Company is of the view that the Operating Agreement could technically be considered a material contract under applicable securities laws, the Operating Agreement is, in fact, more akin to a license entered into in the ordinary course of business, which contains information throughout which is confidential to a provincial government entity. Given this context, and particularly the confidential government information contained in the Operating Agreement, this agreement has not been filed on SEDAR+.

Northstarbets.ca offers eligible players in Ontario access to regulated sports betting markets and a robust and curated casino offering, including popular slot offerings, digital table games, and live dealer games. In addition to compliance with the terms and conditions of the Operating Agreement, as well as iGO Policies, *Northstarbets.ca* is offered in accordance with the AGCO's regulations, including the Standards, and, among other things, does not accept players who are physically located in jurisdictions outside of the province of Ontario.

Neither the Company nor its subsidiaries owns or operates any other gaming sites or provides any form of gaming services within Canada or anywhere else in the world (including, for greater certainty, any emerging market). Accordingly, as a result of the maintenance and good standing of NorthStar Ontario's registration as an iGaming operator with the AGCO and its ongoing compliance with the terms and conditions of the Operating Agreement, the Company and its subsidiaries hold all necessary licenses, permits and regulatory approvals required in order to legally carry on the Company's business as currently conducted in the jurisdiction (*i.e.* Ontario) in which the Company operates.

Compliance

The Company and its subsidiaries operate in accordance with a commitment to character, integrity and high ethical values. We have developed numerous policies and procedures in order to meet applicable legal and regulatory requirements, including those set out in the Standards, the Operating Agreement and the iGO Policies. The Standards can be found on the AGCO's website at: www.agco.ca/en/lottery-and-gaming/guides/registrars-standards-internet-gaming. Our robust internal compliance program is designed to identify relevant regulatory requirements and promote compliance with applicable laws and regulations. It is also informed by legal advice from external counsel with respect to the operations of the Company and its subsidiaries. Among other things, compliance processes and tools are utilized to track any incidents of non-compliance identified internally or by external parties and to ensure that all such incidents are addressed in a timely manner. On a quarterly basis, senior executives and key staff members assess the Company's conformity to its compliance framework and attest to its adherence to applicable laws and regulations as well as the effectiveness of internal controls related thereto. On an annual basis, and more often if requested, the Company provides iGO with comprehensive financial reporting with regards to NorthStar Ontario's performance and operations, including auditor reports related thereto.

Under the Standards, iGaming operators are responsible for the gaming regulatory compliance of actions taken by parties with whom they contract for the provision of any aspect of such operator's business related to gaming in Ontario. Accordingly, NorthStar Ontario's contracts with third party service providers and other suppliers are reviewed by the Company's general counsel to ensure compliance with the Standards and that each such contract adheres to all other laws and regulations applicable to the iGaming industry in Ontario. On an annual basis, NorthStar Ontario's key gaming-related suppliers provide their control assessment against the Standards and, if applicable, their remediation plan to address any potential gaps to ensure ongoing compliance.

The Company operates in compliance with applicable gaming laws and regulations, being Ontario's iGaming regulatory scheme, including the Standards, the terms and conditions of the Operating Agreement and the iGO Policies, and is not in receipt of any material non-compliance citations or notices of violation in relation thereto which may have an impact on the Company's business activities or operations or NorthStar Ontario's registration with the AGCO.

Slapshot's Relationship with the Abenaki

On May 8, 2023, the Company acquired all of the shares of Slapshot Media Inc. ("Slapshot"), a Canadian company that provides marketing and managed services to a Quebec First Nation located in the province of Quebec, namely the Abenaki. Pursuant to a services agreement between those two parties (the "Abenaki Services Agreement"), Slapshot assists the Abenaki in the operation of one of their online gaming sites (the "Abenaki Site"). Prior to the acquisition of Slapshot by the Company, the Abenaki operated the Abenaki Site under the brand "Spreads" and the site was accessible via the domain name *Spreads.ca*.

Following the completion of the Company's acquisition of Slapshot, the parties wished to change the brand name of the Abenaki Site to "NorthstarBets" pursuant to a license agreement (the "License Agreement"). In relation to the Abenaki Site, this brand name change was designed by the Abenaki to both take advantage of and expand upon the brand recognition attaching to the "NorthstarBets" brand name across Canada (excluding Ontario as *Northstarbets.com* does not accept players located in Ontario). The brand name change was implemented pursuant to the terms of the License Agreement which, among other things (i) licensed the "NorthStar" brand to the Abenaki for use on the Abenaki Site and (ii) allowed the Abenaki to register the domain name *Northstarbets.com* for use as the new pathway to the Abenaki Site.

The License Agreement is the only direct nexus between the Company and the Abenaki. The Company also has an indirect nexus to the Abenaki as its subsidiary, Slapshot, is a party to the Abenaki Services Agreement.

The Company has determined that the managed services provided by Slapshot to the Abenaki are not subject to any provincial or federal legislation. This determination was informed by the Company's diligence efforts, including advice from external legal counsel, through which the Company satisfied itself that the Abenaki have strong legal arguments to support their legal right to provide gaming services.

The Abenaki Site is owned and operated by the Abenaki. Slapshot continues to assist the Abenaki with its operation of the Abenaki Site pursuant to the Abenaki Services Agreement. The managed services provided by Slapshot to the Abenaki under the Abenaki Services Agreement include:

- general management and administration services, subject to the Abenaki's operation, control and final approval right over each aspect of the Abenaki Site;
- recommending the features and functionality associated with the Abenaki Site;

- marketing and promotion services, pursuant to a marketing plan to be provided to the Abenaki for approval on an annual basis; and

- regular reporting to the Abenaki.

The Mohawks of Kahnawà:ke (the "Kahnawà:ke") have for a number of decades acted as gaming regulators for many of the largest gaming operators in the world. The regulatory authority overseeing all gaming activity conducted through the Abenaki Site is the Kahnawà:ke Gaming Commission or "KGC". The gaming regulations promulgated and enforced by the KGC are, by any substantive measure, equivalent to the gaming regulations found in other jurisdictions including the United Kingdom, Alderney, and Malta.

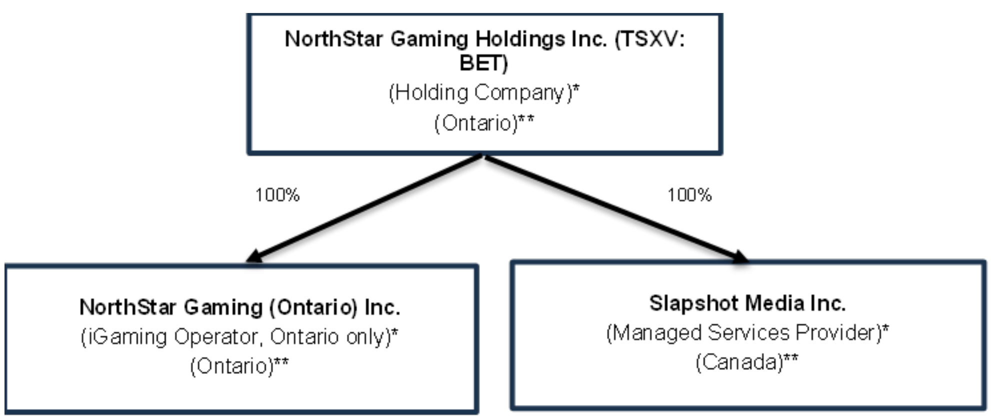
Since the beginning of the Abenaki's operation of online gaming sites, they have been licensed by the KGC to do so. The operation of all of the Abenaki Site is and has always been regulated by the KGC. The Abenaki Services Agreement includes comprehensive representations and warranties concerning the legality of the operation of the Abenaki Site as well as terms that permit Slapshot to terminate the provision of services to the Abenaki in the event that there is ever a legal challenge to the legality of those operations.

Northstarbets.com does not accept players from the province of Ontario and none of the Company, NorthStar Ontario or Slapshot own or operate any gambling operations outside of Ontario.

Other Contractual Relationships

In connection with its operation of *Northstarbets.ca*, NorthStar Ontario has entered into certain agreements with service providers, including: (i) Software License and Services Agreement Inc. with Playtech dated December 30, 2021 (the "Playtech Services Agreement"); and (ii) Framework Agreement with Kambi Group plc dated January 31, 2022 (the "Kambi Framework Agreement"). The Company is of the view that, as a question of fact based on the iGaming industry in which NorthStar Ontario operates, the Playtech Services Agreement was entered into in the ordinary course of business and falls within the applicable exemption from filing requirements under applicable securities laws. Based on the current portion of the Company's revenues derived from services provided under the Kambi Framework Agreement, the Company has determined such agreement is not a material contract under applicable securities laws. *Corporate Structure*

The following chart illustrates the corporate structure of the Company:



*Description of business/operations.
**Governing jurisdiction.

12. Risks and Uncertainties

Risks and uncertainties surrounding our business

The following are certain factors relating to the business and structure of the Company and the industry within which it operates.

These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deem immaterial, may also impair the operations of the Company. If any such additional risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be materially adversely affected.

Risks Related to the Company's Business, Operations, Industry and Market Conditions

The iGaming industry is heavily regulated, evolving and complex

The Company and its subsidiaries, officers, directors, major shareholders, key employees and business partners will generally be subject to the laws and regulations relating to iGaming of the jurisdictions in which the Company or its subsidiaries may conduct business, as well as the general laws and regulations that apply to all e-commerce businesses, such as those related to privacy and personal information, tax and consumer protection. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on the Company's operations and financial results.

Currently, the Company, through its wholly owned subsidiary NorthStar Ontario, only operates and offers iGaming products in Ontario through *Northstarbets.ca*. This offering is made available by NorthStar Ontario, as regulated operator contracted by iGO, pursuant to and in accordance with NorthStar Ontario's registration with the AGCO, the Operating Agreement, the Standards and other regulations and policies of the AGCO and iGO. The Company may look to expand to other jurisdictions in the future which may have different requirements. In particular, some jurisdictions have introduced regulations attempting to restrict or prohibit iGaming, while others have taken a similar position to Ontario that iGaming should be licensed and regulated and have adopted or are in the process of considering legislation to enable that to happen. In Ontario and in other jurisdictions that license and regulate iGaming, the licensing and regulatory regimes can vary considerably in terms of their business-friendliness and at times may be intended to provide incumbent operators with advantages over new licensees. Regulatory regimes imposed upon gaming providers vary by jurisdiction. Typically, however, most regulatory regimes, including in Ontario, include the following elements:

- a requirement for gaming license applicants to make detailed and extensive disclosures as to their legal and beneficial ownership, their source of funds, the probity and integrity of certain persons associated with the applicant, the applicant's management competence and structure and business plans, the applicant's proposed geographical territories of operation and the applicant's ability to operate a gaming business in a socially responsible manner in compliance with regulation;

- interviews and assessments by the relevant gaming authority intended to inform a regulatory determination of the suitability of applicants for gaming licenses;

- ongoing reporting and disclosure obligations, both on a periodic and ad hoc basis in response to material issues affecting the business;

- the testing and certification of software and systems, generally designed to confirm such things as the fairness of the gaming products offered by the business, their genuine randomness and ability to accurately generate settlement instructions and recover from outages;

- the need to account for applicable gaming duties and other taxes and levies, such as contributions to the promotion of responsible gambling; and

- social responsibility obligations.

A gaming license may be revoked, suspended or conditioned at any time. The loss of a gaming license held by the Company or its subsidiaries could cause the Company or its subsidiaries to cease offering some or all of its product offerings. The Company or its subsidiaries may be unable to obtain or maintain all necessary registrations, licenses, permits or approvals, and could incur fines or experience delays related to the licensing process, which could adversely affect its operations. The determination of suitability process may be expensive and time-consuming. The Company's delay or failure to obtain gaming licenses in any jurisdiction may prevent it from distributing its product offerings, increasing its customer base and/or generating revenues. A gaming regulatory body may refuse to issue or renew a gaming license if the Company, or one of its subsidiaries, directors, officers, employees, major shareholders or business partners: (a) are considered to be a detriment to the integrity or lawful conduct or management of gaming; (b) no longer meet a licensing or registration requirement; (c) have breached or are in breach of a condition of licensure or registration or an operational agreement with a regulatory authority; (d) have made a material misrepresentation, omission or misstatement in an application for licensure or registration or in reply to an inquiry by a person conducting an audit, investigation or inspection for a gaming regulatory authority; (e) have been refused a similar gaming license in another jurisdiction; (f) have held a similar gaming license in that province, state or another jurisdiction which has been suspended, revoked or cancelled; or (g) has been convicted of an offence, inside or outside of a particular jurisdiction that calls into question the honesty or integrity of the Company or any of its directors, officers, employees or associates.

Additionally, the Company's product offerings must be approved in regulated jurisdictions in which they are offered and will likely need to undergo third-party testing by a certified lab. Such testing can be costly and time consuming, and this process cannot be assured or guaranteed. Obtaining these approvals is a time-consuming process that can be extremely costly. A developer and provider of iGaming products may pursue corporate regulatory approval with regulators of a particular jurisdiction while it pursues technical regulatory approval for its product offerings by that same jurisdiction.

If the Company decides to enter additional jurisdictions, delays in regulatory approvals or failure to obtain such approvals may also serve as a barrier to entry to the market for the Company's product offerings. If the Company is unable to overcome the barriers to entry, it could materially affect its results of operations and future prospects. There can be no assurance that legally enforceable prohibiting legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to the Company's business to prohibit, legislate or regulate various aspects of the iGaming industry. Compliance with any such legislation may have a material adverse effect on the Company's business, financial condition and results of operations.

In addition to regulations pertaining specifically to iGaming, the Company may become subject to any number of laws and regulations that may be adopted with respect to the internet and electronic commerce generally. New laws and regulations that address issues such as consumer protection, user privacy, pricing, online content regulation, taxation, advertising, intellectual property, information security and the characteristics and quality of online products and services may be enacted. As well, current laws, which predate or are incompatible with the internet and electronic commerce, may be applied and enforced in a manner that restricts the electronic commerce market. The application of such pre-existing laws regulating communications or commerce in the context of the internet and electronic commerce is fluid and uncertain. Moreover, it may take years to determine the extent to which existing laws relating to issues such as intellectual property ownership and infringement, libel and personal privacy are actually applicable to the remote supply of online gambling content and products. The adoption of new laws or regulations relating to the internet, or particular applications or interpretations of existing laws, could decrease the growth in the use of the internet for gaming and gambling to the extent it would indirectly impact such activities, and result in a decrease in the demand for the Company's products and services, increase its cost of doing business or could otherwise have a material adverse effect on the Company's business, prospects, revenues, operating results and financial condition.

In addition to regulations directly governing iGaming, the Company is subject to a variety of laws and regulations domestically and abroad that involve money laundering, the Internet, e-commerce, privacy and protection of data and personal information, rights of publicity, acceptable content, intellectual property, advertising, marketing, distribution, data and information security, electronic contracts and electronic communications, competition, protection of minors, consumer protection, unfair commercial practices, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance and online payment and payment processing services. The Company may introduce new products or services, expand its activities in certain jurisdictions, or take other actions that may subject it to additional laws, regulations or other government scrutiny. For example, the Company handles, collects, stores, retrieves, transmits and uses confidential, personal information relating to its customers and personnel for various business purposes, including marketing and financial purposes. The Company may share this personal or confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of its business, combating fraud or for marketing purposes. These laws, regulations and legislation, along with other applicable laws and regulations, which in some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations, including pre-existing laws regulating communications and commerce in the context of the Internet and e-commerce, are often uncertain, particularly in the new and rapidly evolving industry in which the Company operates, and may be interpreted and applied inconsistently across jurisdictions and inconsistently with its future policies and practices. Legislators and regulators also look beyond iGaming regulations specifically to implement restrictive measures on iGaming. Any such laws could adversely affect the Company's business, results of operations or financial condition.

The Company may be subject to regulatory investigations and legal proceedings

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

The Company's use and disclosure of personally identifiable information is subject to privacy and security regulations, and failure to comply with such regulations could result in significant liability or reputational harm and, in turn, a material adverse effect on its business

There are numerous local and foreign laws, regulations and directives regarding privacy and the collection, storage, transmission, use, processing, disclosure and protection of personally identifiable information ("**PII**"), including personal health information ("**PHI**"), and other personal or customer data, the scope of which is continually evolving and subject to differing interpretations. The Company must comply with such laws, regulations and directives and it may be subject to significant consequences, including reputational harm, penalties and fines, for its failure to comply.

In Canada, these laws and regulations include, among others, the *Personal Information Protection and Electronic Documents Act* (Canada) ("PIPEDA"), which govern the collection, use and disclosure of personal information, including PII and PHI, in the course of its business activities and interactions with its customers. Pursuant to PIPEDA, organizations may collect, use or disclose personal information only for purposes that a reasonable person would consider appropriate in the circumstances. Moreover, PIPEDA requires, among other things, data-breach notification and record keeping procedures.

Given the breadth of PIPEDA and other similar privacy legislation, there can be no assurance that the measures the Company has taken for the purposes of compliance with such regulations will be successful in preventing a breach of PIPEDA or other similar legislations. In addition, government regulatory bodies, privacy advocacy groups, the technology industry and other industries may consider new or different self-regulatory standards that may place additional burdens directly on the Company and/or its customers, thus indirectly affecting the Company. The Company's products are expected to be capable of use by its customers in compliance with such laws and regulations. The functional and operational requirements and costs of compliance with such privacy laws and regulations may adversely impact the Company's business, and failure to enable its products to comply with such laws could lead to significant fines and penalties imposed by regulators, as well as claims by the customers of third parties. Additionally, all of these domestic and international legislative and regulatory initiatives could adversely affect the Company's and/or its customers' ability or desire to collect, use, process and store certain information, which could reduce demand for the Company's products.

the Company relies, in part, on third-party compliance with privacy legislation and could be subject to liability as a result of any breaches by such third parties.

Ontario's regulated iGaming market is immature and volatile, and its future development is uncertain

Ontario's regulated iGaming market is relatively new and unproven, and it is uncertain whether it will achieve and sustain high levels of demand, consumer acceptance and market adoption. The Company's success will depend to a substantial extent on the willingness of its customers to use, and to increase the frequency and extent of their utilization of, the Company's products. Negative publicity concerning the online gambling industry and gambling as a whole could limit market acceptance and customer adoption of the Company's products and services.

Success of the Company's betting products and outcomes is not guaranteed

The betting industry is characterized by elements of chance. Accordingly, the Company employs theoretical win rates to estimate what a certain type of bet, on average, will win or lose in the long run. Net win is impacted by variations in the hold percentage (the ratio of net win to total amount wagered), or actual outcome. The Company uses the hold percentage as an indicator of a bet's performance against its expected outcome. Although each bet generally performs within a defined statistical range of outcomes, actual outcomes may vary for any given period. In addition to the element of chance, win rates (hold percentages) may also (depending on the game involved) be affected by the spread of limits and factors that are beyond the Company's control, such as a customer's skill, experience and behavior, the mix of games played, the financial resources of customers, the volume of bets placed and the amount of time spent gaming. As a result of the variability in these factors, the actual win rates of bets may differ from the theoretical win rates estimated and could result in the winnings of the Company's customers exceeding those anticipated. The variability of win rates (hold rates) also has the potential to negatively impact the Company's financial condition, results of operations, and cash flows. The Company's success also depends in part on its ability to anticipate and satisfy customer preferences in a timely manner. The Company will operate in a dynamic environment characterized by rapidly changing industry and legal standards, and its products will be subject to changing consumer preferences that cannot be predicted with certainty. The Company will need to continually introduce new offerings and identify future product offerings that complement its existing platforms, respond to its customers' needs and improve and enhance its existing platforms to maintain or increase customer engagement and growth of its business. The Company may not be able to compete effectively unless its product selection keeps up with trends in the digital sports entertainment and gaming industries, or trends in new gaming products. The Company will rely on information technology and other systems and platforms, and any failures, errors, defects or disruptions in its systems or platforms could diminish its brand and reputation, subject it to liability, disrupt its business, affect its ability to scale technical infrastructure and adversely affect its operating results and growth prospects. The Company's software applications and systems, and the third-party platforms upon which they are made available could contain undetected errors. The Company's technology infrastructure will be critical to the performance of its platform and offerings and to customer satisfaction. The Company devotes significant resources to network and data security to protect systems and data. However, the Company's systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to its business. The Company cannot ensure that the measures it takes to prevent or hinder cyber-attacks and protect its systems, data and user information and to prevent outages, data or information loss, fraud and to prevent or detect security breaches, including a disaster recovery strategy for server and equipment failure and back-office systems and the use of third parties for certain cybersecurity services, will provide absolute security.

The Company has experienced, and may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. Such disruptions have not had a material impact on the Company; however, future disruptions from unauthorized access to, fraudulent manipulation of, or tampering with the Company's computer systems and technological infrastructure, or those of third parties, could result in a wide range of negative outcomes, each of which could materially adversely affect the Company's business, financial condition, results of operations and prospects. Additionally, the Company's products may contain errors, bugs, flaws or corrupted data, and these defects may only become apparent after their launch. If a particular product offering is unavailable when customers attempt to access it or navigation through the Company platform is slower than they expect, customers may be unable to place their bets and may be less likely to return to the Company's platform as often, if at all. Furthermore, programming errors, defects and data corruption could disrupt operations, adversely affect the experience of the Company's customers, harm the Company's reputation, cause customers to stop utilizing the Company's platform, divert resources and delay market acceptance of the Company offerings, any of which could result in legal liability to the Company or harm its business, financial condition, results of operations and prospects.

Our business is sensitive to reductions in discretionary consumer spending, which may be adversely impacted by downturns in the economy and other factors outside of our control

Our business is particularly sensitive to downturns in the economy and the associated impact on discretionary spending on leisure activities. Decreases in discretionary consumer spending or changes in consumer preferences, including as a result of perceived or actual adverse economic conditions or inflation, changes in interest or unemployment rates, tight credit conditions, increased housing, energy, food and travel costs, global hostilities, trade disputes, including the imposition of new or increased tariffs, political or social unrest, widespread illnesses, or other factors beyond our control, could adversely affect our industry and demand for our products and services, which could materially and adversely affect our business, financial condition, and results of operations.

Limited information for potential investors is available

Because the industry in which the Company's industry is relatively new, there is limited information about comparable companies available for potential investors to review in making a decision about whether to invest in the Common Shares. Shareholders and investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. Unanticipated expenses and problems or technical difficulties may occur and they may result in material delays in the operation of the Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the securities of the Company to the point investors may lose their entire investment. The Company expects to commit significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Company cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that the Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Company's business, financial condition and results of operations.

The Company's success is dependent on certain strategic partnerships and vendor relationships

To grow its business, the Company anticipates that it will continue to depend on relationships with third parties, such as Playtech. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. The Company's competitors may be effective in providing incentives to third parties to favour their products or services over the Company's. In addition, acquisitions of the Company's partners or vendors by its competitors, and certain exclusivity agreements granted to the Company's customers, could result in a decrease in the number of the Company's current and potential customers and users, as its partners and vendors may no longer facilitate the adoption of their applications by potential customers and users. If the Company is unsuccessful in establishing and maintaining its relationships with third parties, or if these third parties are unable or unwilling to provide services to the Company, its ability to compete in the marketplace or to grow its revenue could be impaired, and its results of operations may suffer. Even if the Company is successful, it cannot be assured that these relationships will result in increased customer and user adoption and continued use of its products and services or increased revenue.

The Company may experience information security breaches and disruptions or other performance problems with its information technology systems

The Company's use of technology is critical in its continued operations, and companies are generally increasingly subject to a wide variety of attacks on their networks and systems on an ongoing basis. Despite the Company's efforts to create security barriers to such threats, it is virtually impossible for the Company to entirely mitigate these risks, and the Company is susceptible to operational, financial and information security risks resulting from cyber-attacks and/or technological malfunctions. The security measures the Company has undertaken to minimize cyber-attacks, security breaches and/or technological malfunctions may not function as expected or may not offer sufficient protection. Successful cyber-attacks, security breaches and/or technological malfunctions affecting the Company or its products or services can result in, among other things, litigation, governmental audits or investigations, financial penalties or losses, unauthorized release of customer information or confidential information, loss of confidence in the Company's products and services and significant reputational risk, each of which could adversely affect its business, financial condition and results of operations.

Furthermore, third parties to whom the Company outsources certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack on the Company, or affecting third-party service providers or partners, could harm the Company's business even if the Company does not control the service that is attacked.

If the Company is unable to manage its continued growth successfully, its business and results of operations could suffer

The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. The Company's ability to manage its growth will also depend in large part upon a number of factors, including the ability for it to rapidly:

- expand its internal and operational and financial controls significantly so that it can maintain control over operations;
- attract and retain qualified personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- build a marketing and customer acquisitions team to keep customers and partners informed regarding the technical features issues and key selling points of its products and services;
- develop support capacity for customers as sales increase; and
- build a channel network to create an expanding presence in the evolving marketplace for its products and services.

An inability to achieve any of these objectives could harm its business, financial condition and results of operations.

The Company may need additional financing in order to make further investments or take advantage of unanticipated opportunities

In order to execute its anticipated growth strategy, the Company may require additional equity and/or debt financing to undertake capital expenditures, or undertake business combination transactions or other initiatives. The Company's ability to arrange such financing in the future will depend in part upon prevailing capital market conditions as well as its business success. There can be no assurance that it will be successful in its efforts to arrange additional financing on satisfactory terms, and the inability to raise additional financing could limit its growth and may have a material adverse effect upon its business, operations, results, financial condition or prospects.

If additional funds are raised by the issuance of shares or other forms of convertible securities from treasury, shareholders may suffer additional dilution. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult to obtain additional capital and to pursue business opportunities. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

Any default under our existing debt that is not waived by the applicable lender(s) could materially adversely impact our results of operations and financial results

We are required to comply with the covenants in the April Note, the September Note, the December Note and the Credit Agreement. These covenants may create a risk of default on our debt if we cannot satisfy or continue to satisfy these covenants. If we cannot comply with a debt covenant or anticipate that we will be unable to comply with a debt covenant under any debt instrument we are party to, management may seek a waiver and/or amendment to the applicable debt instrument in respect of any such covenant in order to avoid any breach or default that might otherwise result therefrom. If we default under a debt instrument and the default is not waived by the applicable lender(s), the debt extended pursuant to all of such lender(s) debt instruments could become due and payable prior to its stated due date. If such event were to occur, we cannot give any assurance that (i) our lender(s) will agree to any covenant amendments or waive any covenant breaches or defaults that may occur, and (ii) we could pay this debt if it became due prior to its stated due date. Accordingly, any default by us on existing debt that is not waived by the applicable lender(s) could materially adversely impact our results of operations and financial results.

The Company's success depends on its ability to continue to innovate and enhance its existing products

The iGaming market is characterized by rapid technological change, changing consumer requirements, short product lifecycles and evolving industry standards. To keep pace with such technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance, the Company must enhance and improve existing platforms and services. If the Company is unable to successfully develop new products or enhance and improve existing products with the next generation of technologies, or if it fails to position and/or price its products to meet market demand, the Company's business and operating results will be adversely affected. Further, the introduction of new products could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue. There is no guarantee that the Company will possess the resources, either financial or personnel, for the research, design and development of new applications or services, or that it will be able to utilize these resources successfully.

No assurance can be provided that the Company's products will remain compatible with evolving computer hardware and software platforms and operating environments. In addition, competitive or technological developments and new regulatory requirements may require the Company to make substantial, unanticipated investments in new products and technologies. If the Company is required to expend substantial resources to respond to specific technological or product changes, its operating results could be adversely affected. The continuing ability of the Company to address these risks will depend, to a large extent, on its ability to retain a technically competent research and development staff and to adapt to rapid technological advances in the industry.

The Company may not remain competitive and increased competition could seriously harm its business

The industry in which the Company operates is highly competitive, evolving and characterized by rapid technological change. Current or future competitors may have longer operating histories, larger customer bases, greater brand recognition and more extensive commercial relationships in certain jurisdictions, and greater financial, technical, marketing and other resources than the Company. As a result, the Company's competitors may be able to develop new products, services or enhancements offerings that better meet the needs of customers and may be able to respond more quickly and effectively than the Company can to new or changing opportunities and industry standards. In addition, larger competitors may be able to leverage a larger installed customer base and network to adopt more aggressive pricing policies. Such increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

If the Company fails to attract and retain key personnel, its ability to develop and effectively manage its business could be adversely affected

The Company's success depends on the continued efforts and abilities of its executive officers and other key employees. The Company relies on its leadership team in the areas of managing iGaming assets, digital engagement, engineering, and design. The loss of the services of any of these persons could have a material adverse effect on its business, results of operations and financial condition.

The Company's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified management, finance, technical, sales and marketing personnel. Any such new hire may require a significant transition period prior to making a meaningful contribution to the Company. Competition for qualified employees is particularly intense in the technology industry. In addition, job candidates and existing employees often consider the value of equity awards they receive in connection with their employment. If the perceived value of the Company's equity awards declines, it may harm its ability to recruit and retain highly skilled employees. The Company's failure to attract and retain the necessary qualified personnel could adversely affect its business, results of operations, financial condition and future growth.

Controls and procedures risk

Given the Company's size, it has limited resources within the finance department at head office to adequately segregate duties and to permit or necessitate the comprehensive documentation of all policies and procedures that form the basis of an effective design for Internal Controls Over Financial Reporting ("ICFR"). As a result, the Company is reliant on the knowledge of a limited number of employees and on the performance of mitigating procedures during its financial close process to ensure that the consolidated financial statements are presented fairly in all material respects. Although the individuals comprising the members of the Company's management responsible for financial reporting are considered to have appropriate proficiency and experience to effectively perform their respective duties, the nature and size of the Company's operations are such that the duties are performed by a small number of persons. While management of the Company believes that the flow of information and degree of consultation with the finance personnel is significant, in order to mitigate the risk of material misstatement in the consolidated financial statements, further steps to cross train existing personnel continue to be undertaken where possible.

Potential future international operations may pose certain risks to the Company's business that may be different from risks associated with domestic operation

The Company currently operates exclusively in Ontario. Any decision to expand its business internationally will be subject to risks resulting from differing legal and regulatory requirements, political, social and economic conditions and unforeseeable developments in a variety of jurisdictions. Potential international operations, if any, will be subject to particular risks in addition to those faced by its domestic operations, including:

- the need to localize and adapt its solutions for specific countries;
- requirements of foreign laws and other governmental controls, including compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and including employment, healthcare, tax, privacy and data protection laws and regulations;
- data privacy laws that require customer data be stored and processed in a designated territory;
- new and different sources of competition and laws and business practices favoring local competitors;
- changes to economic sanctions laws and regulations;
- adverse tax consequences;
- fluctuations in currency exchange rates;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles collections issues;
- difficulties in coordinating the activities of its geographically dispersed and culturally diverse operations and
- any disruption in the ability of the Company's personnel to travel to expand international operations and to service international customers.

the Company's overall success in international markets will depend, in part, on its ability to anticipate and effectively manage these risks and there can be no assurance that it will be able to do so without incurring unexpected costs. If the Company is not able to manage the risks related to any international operations, its business, financial condition and results of operations may be materially adversely affected.

The acquisition and integration of a new business could have an adverse effect on the Company's business

If appropriate opportunities present themselves, the Company may acquire businesses, technologies, services or products that it believes are strategically advantageous. The Company currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions. If a strategy of growth through acquisition is pursued, the failure to successfully manage this strategy could have a material adverse effect on the Company's business, results of operations and financial condition. Furthermore, if acquired businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits or growth opportunities.

The Company is dependent on certain third-party technologies licensed on a non-exclusive basis

The Company licenses certain technologies used in its products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could adversely affect our business and existing product offering, and/or delay the Company's ability to roll-out new products while it seeks to implement alternative technology offered by other sources and may require significant unplanned investments. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more of the Company's products or relating to current or future technologies. There is a risk that the Company will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

The Company's use of open source software may pose certain risks to its business

The Company's operations depend, in part, on how it makes use of certain open source software products. These open source software products are developed by third parties over whom the Company has no control. The Company has no assurance that the open source components do not infringe on the intellectual property rights of others. The Company could be exposed to infringement claims and liability in connection with the use of these open source software components, and it may be forced to replace these components with internally developed software or software obtained from another supplier, which may increase its expenses. The Company has conducted no independent investigation to determine whether the sources of the open source software have the rights necessary to permit the Company to use this software free of claims of infringement by third parties. The developers of open source software may be under no obligation to maintain or update that software, and the Company may be forced to maintain or update such software itself or replace such software with internally developed software or software obtained from another supplier, which may increase its expenses. Making such replacements could also delay enhancements to the Company's services. Certain open source software licenses provide that the licensed software may be freely used, modified and distributed to others provided that any modifications made to such software, including the source code to such modification, are also made available under the same terms and conditions. As a result, any modifications the Company makes to such software may be made available to all downstream users of the software, including its competitors. Open source software licenses may require the Company to make source code for the derivative works available to the public. In the event the Company inadvertently uses open source software without the correct license form, or a copyright holder of any open source software were to successfully establish in court that the Company had not complied with the terms of a license for a particular work, the Company could be required to release the source code of that work to the public. The Company could also incur costs associated with litigation or other regulatory penalties as a result.

The Company's success and ability to compete depends on its ability to secure and protect trademarks, and other proprietary rights

The Company relies on a combination of copyright and trade secret laws and contractual provisions to establish and protect its rights in its software and proprietary technology. The Company generally includes non-disclosure provisions in its employment and customer agreements and historically has restricted access to its software products' source code. The Company regards its source code as proprietary information, and attempts to protect the source code versions of its products as trade secrets and as unpublished copyrighted works. Despite the Company's precautions, it may be possible for unauthorized parties to copy or otherwise reverse engineer portions of the Company's products or otherwise obtain and use information that the Company regards as proprietary. In connection with certain contractual commitments, the Company has provided copies of its source code for certain products to third-party escrow agents to be released on certain predefined terms, which in turn heightens the risk of unauthorized third parties copying, misappropriating, misusing or reverse engineering the Company's products. The impact of any unauthorized disclosure of, access to, or replication of the Company's proprietary information and processes could have a material adverse effect on the Company's business, results of operations and financial conditions.

Existing copyright and trade secret laws offer only limited protection, and the laws of certain countries in which the Company's products may be used in the future do not protect its products and intellectual property rights to the same extent as the laws of Canada. Certain provisions of the license and strategic alliance agreements that may be entered into in the future by the

Company, including provisions protecting against unauthorized use, transfer and disclosure, may be unenforceable under the laws of certain jurisdictions, and the Company is required to negotiate limits on these provisions from time to time.

Litigation may be necessary to determine the scope, enforceability and validity of third-party proprietary rights or to establish the Company's proprietary rights. Some competitors have substantially greater resources and may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than the Company could. Regardless of their merit, any such claims could: be time consuming; be expensive to defend; divert management's attention and focus away from the business; subject the Company to significant liabilities; and require the Company to enter into costly royalty or licensing agreements or to modify or stop using the infringing technology, any of which may adversely affect its revenue, financial condition and results of operations. There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate to deter misappropriation of the Company's technology or independent development by others of technologies that are substantially equivalent or superior to its technology.

The requirement of being a public company may strain the Company's resources and divert management's attention

As a reporting issuer, the Company will be subject to the reporting requirements of applicable securities legislation of the jurisdictions in which it is a reporting issuer, the listing requirements of the TSX Venture Exchange and other applicable securities rules and regulations. Compliance with these rules and regulations will increase the Company's legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on its systems and resources. Applicable securities laws will require the Company to, among other things, file certain annual and quarterly reports with respect to its business and results of operations. As a result, management's attention may be diverted from other business concerns, which could harm the Company's business and result of operations. To comply with these requirements, the Company may need to hire more employees in the future or engage outside consultants, which will increase its costs and expenses.

The Company has had a limited history of operations and it may never achieve or sustain profitability

The Company has incurred significant losses in each period since its inception. These losses and accumulated deficit reflect the substantial investments the Company made to develop its technology platform and products. The Company cannot assure investors that it will achieve profitability in the future or that, if it does become profitable, it will be able to sustain or increase profitability. The Company's prior losses, combined with its expected future losses, have had and will continue to have an adverse effect on its shareholder equity and working capital.

The Company and NorthStar Ontario have had negative cash flow from operations

Since inception, the Company and NorthStar Ontario have had negative cash flows from operating activities. Although the Company anticipates it will have positive cash flows from operating activities in future periods, to the extent that it has negative cash flows in any future period, certain of the net proceeds from the private placement may be used to fund such negative cash flows from operating activities, if any.

There is uncertainty with respect to future revenues

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

Financial projections may prove materially inaccurate or incorrect

The Company's financial estimates, projections and other forward-looking information contained in this MD&A were prepared by the Company based on its own internal data and research without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking statements. The Company's user metrics are based on internal company data that are not independently verified, data from third-party analytics providers that measure the performance of its mobile applications and websites, and/or data from third-party platforms where its content is distributed, such as TikTok, Facebook, Instagram, X, and YouTube. While these numbers are based on what the Company believes to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across multiple platforms and across the Company's user base. The Company's measures of user growth and user engagement may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. If advertisers, partners or investors do not perceive our user metrics to be accurate representations of our user base or user engagement, or if they discover material inaccuracies in the Company's user metrics, our reputation may be harmed and advertisers and partners may be less willing to allocate their budgets or resources to our products and services, which could have a material adverse effect on the Company's prospects, business, financial condition or results of operations. Further, as the Company's business develops, it may revise or cease reporting metrics if the Company determines that such metrics are no longer accurate or appropriate measures of performance. Such forward-looking information is based on assumptions of future events that may or may not occur. Investors should inquire of the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including sales and operational results not being maintained in line with historical performance on which such projections may be based or failing to increase along expected trajectories based on past performance, increases in operational expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Company and its subsidiaries might achieve.

Directors and officers may have conflicts of interest

Certain of the directors and/or officers of the Company, are or will be, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise where the other interest of these directors and officers conflict with, or diverge from, the Company's interest. Certain of such conflicts may be required to be disclosed in accordance with procedures and remedies, as applicable, under corporate law, however, such procedures and remedies may not fully protect the Company. In addition, in conflict of interest situations, the directors and officers of the Company may owe the same duty to another company and will need to balance their competing interest. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

Risks Related to investment in the Company and in our Common Shares

The trading price of the Common Shares has been, and will likely continue to be, volatile and you could lose all or part of your investment

The trading price of the Common Shares has been, and will likely continue to be, volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on your investment in the Common Shares, and the Common Shares may trade at prices significantly below the price you paid for them. In such circumstances, the trading price of our securities may not recover and may experience a further decline.

Factors affecting the trading price of the Common Shares may include, among others:

- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in the market's expectations about our operating results;
- success of competitors;
- lack of adjacent competitors;
- our operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning the Company or the iGaming industry in general;
- operating and stock price performance of other companies that investors deem comparable to us;
- our ability to market new and enhanced product offerings and services on a timely basis;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation or regulatory action involving us;

- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- any default under our existing debt that is not waived by the applicable lender(s);
- the volume of shares of the Common Shares available for public sale;
- any major change in the Company's Board or management;
- sales of substantial amounts of the Common Shares by our directors, executive officers or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions, tariffs, inflation, rising interest rates, actual or perceived instability in the global banking sector, fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may materially harm the market price of the Common Shares irrespective of our operating performance. The stock market in general, and securities traded on the TSXV in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the affected companies. The trading prices and valuations of these stocks, and of the Common Shares, may not be predictable. A loss of investor confidence in the market for the stocks of other companies which investors perceive to be similar to us could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of the Common Shares also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

The Company's shareholders may experience significant dilution from future sales of its securities

The Company will need to raise additional capital in the future. The sale of additional equity, including warrants or debt securities, if convertible into equity will result in dilution to the Company's existing shareholders. Also, any debt financing, if available, may require the Company to pledge its assets as collateral or involve restrictive covenants, such as limitations on the Company's ability to incur additional indebtedness, limitations on its ability to acquire or license intellectual property rights and other operating restrictions that could negatively impact the Company's ability to conduct its business. As a result, the Company's net income per share could decrease in future periods and the market price of the Common Shares could decline. The perceived risk of dilution may negatively impact the price of the Common Shares and may cause its shareholders to sell their Common Shares, which would contribute to a decline in the price of the Common Shares. Moreover, the perceived risk of dilution and the resulting downward pressure on the Company's Common Share price could encourage investors to engage in short sales of its Common Shares, which could further contribute to progressive price declines in the Common Shares.

The Company is a holding company with no operations of its own and, as such, it depends on its subsidiaries for cash to fund its operations and expenses, including future dividend payments, if any

The Company is a holding company, and the operations are conducted through wholly owned subsidiaries of the Company. As a holding company, the Company's principal source of cash flow are distributions from its operating subsidiaries. Therefore, the Company's ability to fund and conduct its business, service any debt and pay dividends, if any, in the future will depend on the ability of its direct and indirect subsidiaries to generate sufficient cash flow to make upstream cash distributions to the Company. The Company's subsidiaries are separate legal entities, and although they are directly and indirectly wholly owned and controlled by the Company, such subsidiaries have no obligation to make any funds available to the Company, whether in the form of loans, dividends or otherwise. The ability of the Company's subsidiaries to distribute cash to the Company will also be subject to, among other things, availability of sufficient funds in such subsidiaries and applicable laws and regulatory restrictions. Claims of any creditors of the Company's subsidiaries generally will have priority as to the assets of such subsidiary over the Company's claims and claims of its creditors and shareholders.

The Company may be subject to securities litigation, which is expensive and could divert management attention

The market price of the Common Shares may be volatile, and in the past companies that have experienced volatility in the market price of their shares have been subject to securities class action litigation. The Company may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could adversely impact the Company's business. Any adverse determination in litigation could also subject the Company to significant liabilities.

The Company does not intend to pay any dividends in the foreseeable future

It is not anticipated that the Company will pay any dividends in the foreseeable future. The declaration of dividends will be at the discretion of the Board, even if the Company has sufficient funds, net of its liabilities, to pay such dividends, and the declaration of any dividend will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board. No dividends can be paid on the Common Shares until all dividends have been paid on the Preferred Shares.

As a venture issuer, the Company is not be required to make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company's certifying officers, as a venture issuer, are not required to make representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and ICFR, as defined in NI 52-109. In particular, the certifying officers of the Company will not be required to make any representations that they have:

i) designed, or caused to be designed, DC&P to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) designed, or caused to be designed, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

13. Additional Information

Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.northstargaming.ca. The Common Shares are listed for trading on the TSXV under the symbol "BET" and on the OTCQB under the symbol "NSBBF."

Consolidated Financial Statements
(Expressed in Canadian dollars)

NORTHSTAR GAMING HOLDINGS INC.

And Independent Auditor's Report thereon

Years ended December 31, 2024, and 2023

NOTE TO READER

The annual consolidated financial statements for the years ended December 31, 2023, and January 1, 2023 included as comparatives in these statements replaces and supersedes the previously filed audited annual consolidated financial statements filed on April 29, 2024. The Company has restated the comparative periods for errors identified, as fully described in Note 2 to these restated audited annual consolidated financial statements.

KPMG LLP
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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, 2024, December 31, 2023 and January 1, 2023
- the consolidated statements of loss and comprehensive loss for the years ended December 31, 2024 and December 31, 2023
- the consolidated statements of changes in shareholders' deficit for the years ended December 31, 2024 and December 31, 2023
- the consolidated statements of cash flows for the years ended December 31, 2024 and December 31, 2023
- and notes to the consolidated financial statements, including a summary of material accounting policies information

(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, 2024, December 31, 2023 and January 1, 2023, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2024 and December 31, 2023 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements which explains that certain comparative information presented:

- for the year ended December 31 2023 has been restated.
- as at January 1, 2023 has been derived from the financial statements for the year ended December 31, 2022, which have been restated (not presented herein).

Note 2 explains the reasons for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor’s report.

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 (unsettled) bets. The Entity recognizes the gain or loss on a betting transaction as revenue when a bet is settled.

KPMG

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 was required for 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 of 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, loyalty bonus and points, the 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 generated by the gaming platforms,
- Evaluating the design and testing operating effectiveness of relevant controls at the service provider through the evaluation of a service organization controls report and evaluating the design and testing the operating effectiveness of the complementary user entity controls.

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

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

- 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 auditor's report is Lesley Bridget Luk.

Vaughan, Canada

May 14, 2025

NORTHSTAR GAMING HOLDINGS INC.

Consolidated Statements of Financial Position
As at December 31, 2024, 2023 and 2022

(Expressed in Canadian dollars)

	December 31 2024	December 31 2023 (Restated- Note 2)	January 1 2023 (Restated- Note 2)
Assets			
Current assets			
Cash	$ 2,090,904	$ 3,909,761	$ 1,178,977
Restricted cash related to performance guarantee	513,000	271,000	100,000
Player deposits on hand	1,177,537	850,224	538,959
Amounts held for Abenaki Council of Wolinak	306,619	125,718	-
Amounts due from payment processors	645,874	1,417,290	161
Amounts receivable	1,194,536	726,092	740,358
Subscription receipts held in escrow	-	-	5,075,000
Proceeds from convertible debenture held in escrow	-	-	7,250,000
Prepaid expenses and deposits	1,244,931	1,010,321	1,053,961
Total current assets	7,173,401	8,310,406	15,937,416
Non-current assets			
Equipment (note 11)	33,334	35,930	30,138
Intangible assets (note 12)	2,149,232	2,377,911	473,666
	2,182,566	2,413,841	503,804
Total assets	**$ 9,355,967**	**$ 10,724,247**	**$ 16,441,220**
Liabilities and Shareholders' Deficit			
Current liabilities			
Accounts payable and accrued liabilities	$ 7,546,927	$ 8,047,204	$ 6,401,719
Due to related party (note 18)	6,024,583	1,769,414	1,381,103
Liability for player deposits on hand	1,121,838	838,250	490,630
Open bets liability (note 10)	51,270	10,171	40,126
Liability for player loyalty bonuses	197,986	129,636	19,400
Amounts due to Abenaki Council of Wolinak	306,619	125,718	-
Subscription receipts owed to subscribers	-	-	5,075,000
Convertible debenture	-	-	12,250,000
Contingent consideration payable (note 7)	95,788	98,254	-
Unsecured promissory note (note 18)	9,390,336	-	-
Redeemable preferred shares (note 13)	5,593,390	6,482,486	6,982,917
Total current liabilities	30,328,737	17,501,133	32,640,895
Non-current liabilities			
Convertible debenture (note 8)	3,574,262	3,020,100	-
Conversion feature derivative (note8)	811,461	911,951	-
Total liabilities	34,714,460	21,433,184	32,640,895
Shareholders' deficit			
Share capital (note 14)	$ 33,539,164	$ 26,828,431	$ 5,159,856
Contributed surplus (notes 14 and 15)	9,426,495	11,775,712	420,042
Equity component of redeemable preferred shares (note 13)	812,588	812,588	955,986
Accumulated deficit	(69,136,740)	(50,125,668)	(22,735,559)
Total shareholders' deficit	(25,358,493)	(10,708,937)	(16,199,675)
Total liabilities and shareholders' deficit	**$ 9,355,967**	**$ 10,724,247**	**$ 16,441,220**

Related party balances and transactions (note 18)
Commitments (note 22)
Subsequent events (note 23)

See accompanying notes to the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors on May 14, 2025.

/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, 2024 and 2023

(Expressed in Canadian dollars)

	Year Ended December 31 2024	Year Ended December 31 2023 (Restated - Note 2)
Revenues (note 9)	$ 29,555,852	$ 18,844,594
Cost of revenues		
Operator participant fees	6,138,992	4,038,854
Service provider fees	12,873,556	9,277,945
Gross margin	10,543,304	5,527,795
Expenses		
Marketing	15,455,759	14,093,761
General and administrative (note 20)	10,100,354	11,605,697
Share based compensation expense (note 16)	3,792,902	5,343,240
Public listing costs	-	2,789,316
Amortization and depreciation	353,421	246,291
Total operating expenses	29,702,436	34,078,305
Operating Loss	(19,159,132)	(28,550,510)
Gain on remeasurement of consideration payable (note 7)	2,466	390,228
Gain on derecognition of preferred shares	-	48,800
Gain on remeasurement of deferred share purchase liability (note 16)	131,027	-
Gain on remeasurement of preferred shares (note 13)	1,142,736	-
Gain on remeasurement of conversion feature derivative (note 8)	96,547	1,351,959
Gain on settlement of expenses in shares	129,506	-
Amortization of transaction cost (Note 8)	(6,828)	(1,138)
Foreign exchange loss	(89,104)	(2,923)
Interest income	35,290	87,234
Loss on disposal	(2,310)	-
Interest expense	(422,921)	-
Finance cost	(868,349)	(713,760)
	148,060	1,160,400
Loss before income taxes	(19,011,072)	(27,390,110)
Income taxes	-	-
Net loss and comprehensive loss	**$ (19,011,072)**	**$ (27,390,110)**
Loss per common share (notes 6 and 17):		
Basic and diluted	(0.09)	(0.17)
Weighted average number of common shares outstanding, (note 6 and 17):		
Basic and diluted	200,277,032	160,544,233

See accompanying notes to the consolidated financial statements

NORTHSTAR GAMING HOLDINGS Inc.

Consolidated Statements of Changes in Shareholders' Deficit
Years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

Year ended December 31, 2024	Common Shares Number	Common Shares Value	Non-voting Common Shares Number	Non-voting Common Shares Value	Contributed Surplus	Equity Component of Redeemable Preferred Shares	Accumulated Deficit	Total Shareholders Deficit
Balance January 1, 2024	192,792,015	$ 26,828,431	-	$ -	$ 11,775,713	$ 812,588	$ (50,125,669)	$ (10,708,937)
Shares issued on conversion of Restricted Share Units (notes 14 and 16)	12,135,827	6,674,705	-	-	(6,674,705)	-	-	-
Share-based payment expense (note 16)	-	-	-	-	3,792,902	-	-	3,792,902
Shares issued on conversion of unsecured convertible debenture (note 14)	336,875	18,528	-	-	-	-	-	18,528
Shares issued in exchange for services	500,000	17,500	-	-	-	-	-	17,500
Discounted cash flows related to promissory notes	-	-	-	-	532,586	-	-	532,586
Net loss for the period	-	-	-	-	-	-	(19,011,072)	(19,011,072)
Balance December 31, 2024	205,764,717	$ 33,539,164	-	$ -	$ 9,426,496	$ 812,588	$ (69,136,741)	$ (25,358,493)

Year ended December 31, 2023 (Restated - Note 2)	Common Shares Number	Common Shares Value	Non-voting Common Shares Number	Non-voting Common Shares Value	Contributed Surplus	Equity Component of Redeemable Preferred Shares	Accumulated Deficit	Total Shareholders Deficit
Balance January 1, 2023	105,214,111	$ 5,159,855	8,471,820	$ 1	$ 420,042	$ 955,986	$ (22,735,559)	$ (16,199,675)
Exercise of warrants (note 14 and 15)	4,051,740	402,401	-	-	(55,131)	-	-	347,270
Shares and warrants issued to former Baden Resources Inc. Shareholders (notes 5 and 14)	4,181,430	2,090,715	-	-	370,990	-	-	2,461,705
Additional shares issued to former Badedn Resources Shareholders (notes 5 and 14)	63,008	1	-	-	-	-	-	1
Exchange of non-voting shares of NorthStar Gaming Inc. for voting shares of NorthStar Gaming Holdings Inc. (note 5)	8,471,820	1	(8,471,820)	(1)	-	-	-	-
Shares and warrants issued, net of transaction costs (note 6, 14 and 15)	10,150,000	4,225,546	-	-	124,290	-	-	4,349,836
Shares and warrants issued on conversion of convertible debenture (notes 6, 14 and 15)	24,500,000	8,205,885	-	-	4,044,115	-	-	12,250,000
Shares issued upon acquisition of Slapshot Media Inc. (notes 7 and 14)	3,818,181	1,737,272	-	-	-	-	-	1,737,272
Shares issued on redemption of preferred shares (note 13 and 14)	2,127,273	1,172,942	-	-	-	(143,398)	-	1,029,544
Exercise of warrants (notes 14 and 15) post March 3, 2023	369,000	203,235	-	-	(81,180)	-	-	122,055
Exercise of stock options (note 14 and 16)	12,278	4,600	-	-	(1,842)	-	-	2,758
Shares and warrants issued on private placement, net of transaction costs (notes 8 and 14)	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 16)	-	-	-	-	5,343,241	-	-	5,343,241
Net loss for the period	-	-	-	-	-	-	(27,390,110)	(27,390,110)
Balance December 31, 2023	192,792,015	$ 26,828,431	-	$ -	$ 11,775,713	$ 812,588	$ (50,125,669)	$ (10,708,937)

See accompanying notes to the consolidated financial statements

NORTHSTAR GAMING HOLDINGS INC.

Condensed Consolidated Statements of Cash Flows
Years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

	Twelve months ended December 31 2024	Twelve months ended December 31 2023 (Restated - Note 2)
Cash flows used in operating activites		
Net loss for the period	$ (19,011,072)	$ (27,390,110)
Adjustments for:		
Public listing costs (note 5)	-	2,364,620
Shares for services	98,160	110,655
Change in fair value of open bets (note 10)	41,099	(29,955)
Depreciation and amortization	353,421	246,290
Loss on disposal of fixed assets	2,310	-
Gain on remeasurement of consideration payable (note 6)	(2,466)	(390,228)
Gain on remeasurement of deferred share purchase liability (note 16)	(131,027)	-
Gain on remeasurement of preferred shares (note 13)	(1,142,736)	-
Change in fair value of conversion feature derivative liability (note 7)	(100,490)	(1,351,959)
Gain on settlement of expenses in shares	(129,506)	
Amortization of transaction costs	6,828	-
Gain on derecognition of preferred shares	-	(48,800)
Interest accretion expense (notes 13 and 18)	1,291,270	713,789
Share-based payment expense (note 16)	3,792,902	5,343,240
	(14,931,307)	(20,432,458)
Change in non-cash operating working capital:		
Player deposits on hand	(327,313)	(207,340)
Amounts held for Abenaki Council of Wolinak	(180,901)	(125,718)
Amount due from payment processors	771,416	(1,227,283)
Amounts receivable	(468,444)	160,976
Prepaid expenses and deposits	(234,610)	43,641
Accounts payable and accrued liabilities	(369,251)	1,444,917
Due to related party (note 18)	4,255,169	388,311
Liability for player deposits on hand	283,588	243,695
Amounts due to Abenaki Council of Wolinak	180,901	125,719
Liability for player loyalty bonuses	68,350	110,236
Change in non-cash working capital	3,978,905	957,154
Change in restricted cash	(242,000)	(171,000)
Net cash flows used in operating activities	(11,194,402)	(19,646,304)
Proceeds from financing activities:		
Proceeds from issuance of common shares and warrants (notes 14 and 15)	-	4,349,837
Proceeds from related party for issue of note payable (note 18)	9,500,000	
Proceeds from exercise of warrants and stock options (notes 14 and 15)	-	472,084
Proceeds from private placement financing (note 7)	-	5,126,513
Proceeds from convertible debenture (note 7)	-	12,398,133
Net Proceeds from financing activities	9,500,000	22,346,567
Cash flows used in investing activities:		
Cash and cash equivalents received on the reverse takeover transaction (note 5)	-	106,971
Cash and cash equivalents received on the acquisition of Slapshot Media Inc. (note 6)	-	183,888
Purchase of equipment	(11,540)	(14,970)
Purchase of intangible assets	(112,916)	(245,368)
Net cash flows used in investing activities	(124,456)	30,521
Increase (decrease) in cash	(1,818,857)	2,730,784
Cash, beginning of period	3,909,761	1,178,977
Cash, end of period	$ 2,090,904	$ 3,909,761

See accompanying notes to the consolidated financial statements

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, NorthStar Gaming Inc. Immediately prior to the transaction, Baden changed its name to NorthStar Gaming Holdings Inc.

These consolidated financial statements are a 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 operations 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 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 operates in Canada excluding Ontario under the license issued by the Kahnawake Gaming Commission.

The Company continues to be in its early stage of operations and critical to the development of the Company is marketing, product development, obtaining and maintaining iGaming licenses and technical infrastructure. In support of operations, the Company finalized a credit facility on January 24, 2025, as disclosed in the subsequent events note (note 23).

2. Restatement of the comparative periods as at and for the year ended December 31, 2023 and as at December 31, 2022

The Company has restated the comparative periods for errors identified related to an understatement of merchant fees, player bonus expenses and director fees. These fees and expenses were not included in the previously published financial statements.

- With respect to merchant fees, the Company's payment processor deducted merchant fees from the remittances made to the Company, and the deductions were not accounted for by the Company. These additional fees were identified as part of the year-end reconciliation of the amount due from the payment processor, and the 2023 and 2022 consolidated financial statements have been restated accordingly. The service provider fees (cost of revenue) were understated in the financial statements for the years ended December 31, 2023 and 2022 by $1,075,668 and $456,437 respectively. The impact as at December 31, 2023 was a reduction of Amounts due from payment processor $1,075,668 and the impact as at January 1, 2023 (December 31, 2022) was a reduction of Amounts receivable of $456,437.

- The Company identified that certain player bonuses granted by the Company to players were not previously included in the bonus expense recorded by the Company, which is recorded as a reduction in determining gaming revenue; consequently, revenues were overstated in the financial statements for the years ended December 31, 2023 and 2022 by $568,796 and 198,071 respectively. The impact as at December 31, 2023 was a reduction of Amounts due from payment processor $399,503 a reduction of Amounts receivable of $169,293. The impact as at January 1, 2023 (December 31, 2022) was a reduction of Amounts receivable of $198,071.

- As a result of the adjustments above, amount due from payment processors was overstated by $1,475,171 as at December 31, 2023 and amounts receivable was overstated by $823,801 as at December 31, 2023 and $654,508 as at January 1, 2023.

- The Company identified that certain director fees were not accrued for and therefore, director fee expense and accounts payable and accrued liabilities were understated by $270,000 in the financial statements as at and for the year ended December 31, 2023.

(Expressed in Canadian dollars)

The following tables summarize the impacts of the foregoing error corrections on the Company's consolidated financial statements.

Consolidated Statements of Financial Position As at December 31, 2023	**Previously Reported**	**Adjustment**	**As Restated**
Current Assets			
Amount due from payment processors	2,892,461	(1,475,171)	1,417,290
Amounts receivable	1,549,893	(823,801)	726,092
Total current assets	10,609,378	(2,298,972)	8,310,406
Current liabilities			
Total accounts payable and accrued liabilities	7,777,204	270,000	8,047,204
Total current liabilities	17,231,134	269,999	17,501,133
Accumulated deficit	**(47,556,697)**	**(2,568,971)**	**(50,125,668)**

Consolidated Statements of Financial Position As at January 1, 2023	**Previously Reported**	**Adjustment**	**As Restated**
Current Assets			
Amount due from payment processors	161	-	161
Amounts receivable	1,394,866	- (654,508)	740,358
Total current assets	16,591,924	(654,508)	15,937,416
Current liabilities			
Total accounts payable and accrued liabilities	6,401,719	-	6,401,719
Total current liabilities	32,640,895	-	32,640,895
Accumulated deficit	**(22,081,051)**	**(654,508)**	**(22,735,559)**

(Expressed in Canadian dollars)

Consolidated Statements Net Loss and Comprehensive Loss **For the year ended December 31, 2023**	**Previously reported**	**Adjustment**	**As Restated**
Revenues	$ 19,413,390	$ (568,796)	$ 18,844,594
Operator participant fee	4,038,854	-	4,038,854
Service provider fees	8,202,277	1,075,668	9,277,945
Gross margin	7,172,259	$ (1,644,464)	5,527,795
Total operating expenses	33,808,305	270,000	34,078,305
Operating loss	(26,636,046)	(1,914,464)	(28,550,510)
Other expenses	1,160,400	-	1,160,400
Net loss and comprehensive loss	**$ (25,475,646)**	**$ (1,914,464)**	**$ (27,390,110)**

Consolidated Statements of Cash Flows **As At December 31, 2023**	**Previously reported**	**Adjustment**	**As Restated**
Net loss for the period	$ (25,475,646)	$ (1,914,464)	$ (27,390,110)
Adjustment for non-cash expenses	6,957,652	281,250	7,238,902
Change in non-cash operating working capital	(957,310)	1,627,755	670,445
Net cash flows used in operating activities	**(19,646,304)**	**-**	**(19,646,304)**
Proceeds from financing activities	**22,346,567**	**-**	**22,346,567**
Net cash flows used in investing activities	**30,521**	**-**	**30,521**
Net decrease in cash	**$ 2,730,784**	-	**$ 2,730,784**

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 May 14, 2025.

b. Basis of presentation

These consolidated 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.

These consolidated financial statements have been prepared on the historical cost basis except for the open bets liability and contingent consideration payable which are measured at fair value. Other measurement bases used are described in the applicable notes. All amounts are presented in thousands of Canadian dollars, unless otherwise stated.

c. Principles of consolidation

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

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.

e. Segment Reporting

The Chief Operating Decision Maker (CODM), determined to be the Chief Executive Officer of the Company, is responsible for allocating resources and assessing performance, reviews the business operating units as two separate segments. The managed services revenue and loss for the year ended December 31, 2024 were below 10% of the consolidated revenue and loss.

Accordingly, the Company has concluded that it has one reportable segment and segment disclosures have not been presented.

4. Summary of Material Accounting Policy Information

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.

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 revenue recognition.

i) Gaming revenue:

Gaming revenue represents the 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 (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 the Company receives consideration in exchange for providing 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 the 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.

b. Cost of revenues

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

In connection with the launch of operations 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. The agreement requires the Company to pay operator participant fees to 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 that provide services utilized by the Company 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 trust 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.

g. Amount due from payment processors

Amounts due from payment processors represent funds held by payment processors to ensure the processors have adequate funds to honour future winnings and withdrawals from player wallets.

h. 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
- Furniture and fixtures 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.

i. 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. Intangible assets acquired as part of business combinations are initially recognized at their acquisition-date fair values.

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

j. Liability for player bonuses and loyalty bonuses

Liability for bonuses reflect the unredeemed bonuses granted to the players and are redeemable for complimentary bets or wagers. These bonuses are not withdrawable until bonus conditions are met. Bonuses are recognized as a liability measured at the amount redeemable.

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.

k. Redeemable preferred shares

The Company's redeemable preferred shares are classified as a compound financial instrument with a liability component, because they are redeemable in cash by the holders, and an equity component because the holder has the right to request a redemption in common shares at a fixed price per common.

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

l. Convertible debenture and conversion feature derivative

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 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 carries interest at 8% which was waived by the holder in accordance with the debenture's terms because the debenture was converted on March 3, 2023 (note 7).

m. 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 7).

n. Contingent consideration payable

Contingent consideration payable represents contingent earn-out consideration on the Slapshot acquisition. 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.

o. 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.

p. 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 the Directors and 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 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.

q. 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.

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.

r. 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.

s. 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.

t. 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 on 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 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.

u. 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.

v. Financial instruments

Financial assets

Initial Recognition and Measurement

The Company recognizes a financial asset when it becomes a 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.

- 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 bases. 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 based on 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 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 a 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 residual.

Classification and subsequent measurement

Subsequent to initial recognition, all the Company's financial liabilities are measured at amortized cost using the effective interest rate method except for the open bets liability and the conversion feature derivative which are measured at fair value through profit and loss. Interest, gains and losses relating to financial liabilities 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.

w. Impact of Accounting Standards Effective January 1, 2024

The following amendments have been applied for the first time in these financial statements.

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 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 as on the Company’s consolidated financial statements and no impact on the comparative information.

x. New IFRS standards and amendments issued but not yet adopted

The following new standard s has been issued but is not yet effective and will be applied by the Company on their effective dates.

Future Accounting Policy Changes IFRS 18, Presentation and Disclosure in Financial Statements (“IFRS 18”) In April 2024, the IASB issued IFRS 18, which replaces IAS 1. IFRS 18 is a result of the IASB’s “Primary Financial Statements” project, which aims to improve comparability and transparency of communication in financial statements. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and sub-totals. Disclosure of performance measures defined by management will be required, including the aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and related notes. IFRS 18 is expected to impact all reporting entities, Narrow scope amendments have been made to IAS 7, Statement of Cash Flows (“IAS 7”), IAS 34, Interim Financial Reporting (“IAS 34”) and other minor amendments to other statements. Some requirements previously included within IAS 1 have been moved to IAS 8, which was renamed as IAS 8, Basis of Preparation of Financial Statements. IFRS 18 and the amendments to the other standards will become effective for reporting periods beginning on or after January 1, 2027, with earlier adoption permitted, and will be applied retrospectively. IFRS 18 and the related amendments have not been early adopted by the Company, and the Company is currently assessing potential impacts of IFRS 18 and the amendments to the other standards.

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 in measuring 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

The following judgements have been exercised in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements:

- 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 accounted for in accordance with the requirements 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 9.

- In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

- Accounting for business combinations and the reverse take-over transaction – notes 5 and 6.

- Recognition of software intangible assets – note 12.

- Classification of redeemable preferred shares as either a liability or component of equity – note 13.

- 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:

- 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 2024 – note 10.

- Estimated useful lives of long-lived assets (equipment and intangible assets) – notes 11 and 12.

- 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 – notes 5 and 15.

- 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 6.

- 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 – note 16.

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 Baden, 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 Baden on a one for one basis. Accordingly, common shares of pre-close NorthStar were exchanged for 117,737,671 common shares of Baden.

- In addition, the NorthStar Redeemable Preferred Shares were also exchanged on a one-for-one basis for redeemable preferred shares of Baden 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 Baden on a one-for-one basis post-consolidation and on the same economic terms and conditions.

- Baden 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 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 Baden by NorthStar. Accordingly, the comparative figures presented are those of NorthStar and per share numbers for the year ended December 31, 2023 have been restated on a retroactive basis to reflect NorthStar's pre-transaction share split.

(Expressed in Canadian dollars)

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 600,00 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 included $424,696 of accounting 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 recorded 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), 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.

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, March 3, 2023, 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 specializes 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 was renamed 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 the Company 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 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 the Company's 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 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 controlled Slapshot and for accounting purposes the Company is deemed the acquirer. The acquisition of Slapshot was accounted for in accordance with IFRS 3 as the operations of Slapshot constitute a business. As a result, the business combination was accounted for using the acquisition method of accounting and Slapshot's identifiable net assets acquired are recognized at their fair value. The consideration has been accounted for at fair value and consisted 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.

(Expressed in Canadian dollars)

The Company's deferred payment liability to the former shareholders of Slapshot was carried at fair value. Management used 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:

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)
	$ 2,225,754
Fair value of common shares issued	$ 1,737,272
Deferred payment liability	488,482
Total Purchase Price	$ 2,225,754

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 twelve months ended December 31, 2024, the Company remeasured the contingent consideration payable to the actual liability of $95,788 (2023 - $98,254), which resulted in a loss of $18 (2023 – gain of $390,228).

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 of $100,930 in the year ended December 31, 2024 (2023 - gain of $1,351,959).

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.

(Expressed in Canadian dollars)

	On date of issuance	At December 31, 2023	At December 31, 2024
Stock price	$0.08	$0.04	$0.035
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%	2.92%
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	36 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 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 the year ended 31, 2023.

9. Revenues

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

	Year ended December 31, 2024	Year ended December 31, 2023 Restated - Note 2
Gaming revenue from wagered games (sports-betting and casino transactions)	$ 27,118,829	$ 18,379,347
Other revenue from managed services	2,437,023	465,247
Revenue	$ 29,555,852	$ 18,844,594

(Expressed in Canadian dollars)

10. Fair value of open bets liability

As at December 31, 2024, the open bets liability for unsettled wagers was $51,270 (2023 - $10,171). Open bets liability is a derivative financial instrument and for the year ended December 31, 2024, the fair value remeasurement loss of $2,625 (2023 – fair value remeasurement gain of $1,803) 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 2024 (note 19).

11. Equipment

Cost	Furniture & Fixtures	Computer Equipment	Total
Balance, December 31, 2022	$ -	$ 38,291	$ 38,291
Additions	-	14,970	14,970
Balance, December 31, 2023	-	53,261	53,261
Additions	5,515	6,025	11,540
Disposals	-	(4,949)	(4,949)
Balance, December 31, 2024	$ 5,515	$ 54,337	$ 59,852
Amortization			
Balance, December 31, 2022	$ -	$ 8,153	$ 8,153
Change for the year	-	9,178	9,178
Balance, December 31, 2023	-	17,331	17,331
Change for the year	814	11,012	11,826
Disposals	-	(2,639)	(2,639)
Balance, December 31, 2024	$ 814	$ 25,704	$ 26,518
Net Book Value			
December 31, 2023	$ -	$ 35,930	$ 35,930
December 31, 2024	$ 4,701	$ 28,633	$ 33,334

(Expressed in Canadian dollars)

12. Intangible assets

Cost	Software	Domain Names	Customer Contract	Total
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
Additions	112,916	-	-	112,916
Balance, December 31, 2024	$ 863,569	$ 31,598	$ 1,895,989	$ 2,791,156
Amortization				
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
Change for the year	161,597	6,320	173,678	341,595
Balance, December 31, 2024	$ 339,342	$ 16,853	$ 285,729	$ 641,924
Net Book Value				
December 31, 2023	$ 572,908	$ 21,065	$ 1,783,938	$ 2,377,911
December 31, 2024	$ 524,227	$ 14,745	$ 1,610,260	$ 2,149,232

13. Redeemable preferred shares:

The Company is authorized to issue 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, 2024 (Year ended December 31, 2023 – $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.

(Expressed in Canadian dollars)

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.

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 equity component is not subsequently remeasured.

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, January 1, 2023	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
Balance, January 1, 2024	66,300	$	6,482,486	$	812,588
Fair value adjustment			(1,142,736)		
Interest accretion during the period			253,640		-
Balance, December 31, 2024	66,300	$	5,593,390	$	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 from the date on which the common shares of the Company trades on the TSX Venture Exchange. On September 9. 2024, these preferred shares became redeemable. The Redeemable Preferred Shares are callable on demand by the holders. While these preferred shares are redeemable at the option of the holder, the Business Corporations Act (Ontario) prevents redemption where such redemption would cause an insolvency event for the Company.

(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.

(c) During the year ended December 31, 2024, the Company changed the redemption date of the preference shares from two years from issue date to five years. This change was made to provide more relevant and reliable information to users of the financial statements in accordance with IFRS. This change in measurement has resulted in a gain of $1,142,736 and recognized in the financial statements for the year ended December 31, 2024.

14. Share capital

Authorized share capital

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

Common Shares

During the year ended December 31, 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 debenture liability decreased by $67,375, the carrying amount of the converted debentures. $18,529 was reclassified to share capital, which represents the fair value of the shares at the time of issue. $48,846 was recorded as a gain on settlement of expenses in shares, being the difference between the fair value of the shares and the carrying value.

(c) On January 19, 2024 issued 500,000 common shares in exchange for services valued at $98,160. $17,500 was reclassified to share capital, representing the fair value of the shares and $80,660 was recorded as a gain on settlement of expenses in shares, representing the difference between the fair value of the shares and the services provided.

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 issued 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).

(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.

(k) Issued 304,716 common shares in exchange for services valued at $110,655.

(Expressed in Canadian dollars)

15. Warrants

The following schedule summarizes the warrant transactions for the years ended December 31, 2024 and 2023:

Warrants	Number	Value
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 (d)	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
Balance, January 1, 2024	55,637,458	$ 5,792,470
Issued	-	-
Balance, December 31, 2024	55,637,458	$ 5,792,470

As at December 31, 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

No warrants were issued during the year ended December 31, 2024.

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.

(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 $28,995 (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).

16. Share-based payment arrangements:

At December 31, 2024, 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”).

(Expressed in Canadian dollars)

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.

The following schedule summarizes the stock option transactions for the period ended December 31, 2024:

	Number of options	Weighted average exercise price
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, December 31, 2023	11,581,591	$ 0.40
Outstanding, January 1, 2024	11,581,591	$ 0.40
Granted	5,960,000	0.06
Exercised	-	-
Cancelled or forfeited	(1,472,131)	0.21
Outstanding, December 31, 2024	16,069,460	$ 0.40
Vested and exercisable, end of period	9,166,510	$ 0.43
Unvested	6,902,950	$ 0.08

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. Total of 736,680 options have been forfeited or cancelled. The remaining 5,267,261 options vest one year from the date of grant.

(Expressed in Canadian dollars)

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—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.

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 officers 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 4 years; iv) a risk-free rate of 3.85%; v) dividend yield of nil; and vi) expected volatility of 71%.

At December 31, 2024, 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)
2,787,597	$0.21	2.30
7,321,863	$0.50	3.25
5,960,000	$0.06	4.42

(Expressed in Canadian dollars)

Restricted Share Units (RSU)

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 were exercised on June 7, 2024 and settled by the issuance of 12,135,827 common shares of the Company and an amount of $6,674,705 was reclassified from contributed surplus to share capital.

The expenses related to the vesting of RSUs for year ended December 31, 2024 was $3,248,357 (2023 - $3,426,348).

Deferred Share Units (DSU)

The Company has a Deferred Share Unit ("DSU") plan for directors. Under the DSU plan, participants are granted units that represent a right to receive an equivalent number of common shares or cash payment at the time of their departure from the Company.

DSUs vest immediately upon grant and are settled in cash or shares upon the termination of the participant's service. The number of DSUs granted is based on the market value of the Company's common shares on the grant date.

The DSUs are classified as a liability and are marked to market at each reporting period, with changes in fair value recognized in the consolidated statement of income (loss). The liability is presented as part of current liabilities on the consolidated statement of financial position.

As at year ended December 31, 2024, the number of outstanding DSUs was 8,599,999 (2023 – nil), and the liability recognized in respect to the DSU plan was $301,000 (2023 – nil).

The following table summarizes the DSU activity during the year:

	Number of DSUs
Outstanding, January 1, 2024	-
Granted	8,599,999
Exercised	-
Outstanding, December 31, 2024	8,599,999

(Expressed in Canadian dollars)

17. Loss per share:

	Twelve months ended December 31, 2024	Twelve months ended December 31, 2023 (Note 2 - Restated)
Numerator:		
Loss for the period	$ (19,011,072)	$ (27,390,110)
Denominator: Weighted average number of shares:		
Basic and diluted	200,277,032	160,544,233
Loss per share:		
Basic and diluted	$ (0.09)	$ (0.17)

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

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, 2024 and December 31, 2023, 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 December 31, 2024.

18. Related party balances and transactions:

Playtech

Playtech plc obtained significant influence over the Company as of March 3, 2023.

The Company incurred service provider fees of $10,633,211 from Playtech during the year ended December 31, 2024 (2023 - $5,448,085) for use of Playtech's iGaming platform, which is critical to the ongoing operations of northstarbets.ca and Slapshot, 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.

(Expressed in Canadian dollars)

The Company owed $6,024,583 to Playtech as at December 31, 2024 (2023 - $1,769,414) in respect of trade accounts payable and accrued liabilities which are due on 30-day payment terms and are non-interest bearing.

During the year ended December 31, 2024, the Company entered into three unsecured promissory notes with Playtech for a total of $9,500,000. Each note bears interest at 8% per annum, which is below market rate. On initial recognition each note was recognized at its fair value, estimated as the present value of future cash flows using prevailing market rates at the time of receipt of funds. The discount was recognized as contributed surplus. Interest was expensed during the year ended December 31, 2024, calculated using the effective interest rate used to calculate the discount. Subsequent to the year end the promissory notes and accrued interest were repaid as described in note 23.

The following table outlines the details of the promissory notes:

	Effective Rate	Amount Received	Fair Value Adjustment	Interest Accretion	Total
Note 1 - April 2024	14.67%	$ 3,000,000	$ (174,501)	$ 280,876	$ 3,106,375
Note 2 - September 2024	14.68%	3,000,000	(174,747)	123,004	2,948,257
Note 3 - December 2024	13.97%	3,500,000	(183,337)	19,041	3,335,704
Balance, December 31, 2024		$ 9,500,000	$ (532,585)	$ 422,921	$ 9,390,336

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).

Subsequent to the year end, Playtech, together with certain of its affiliates (the “Playtech Guarantors”) guaranteed a credit facility in the sum of $43,431,00 In consideration of the Playtech Guarantors providing the Playtech Guarantee, NorthStar has issued to Playtech 32,735,295 common share purchase warrants (“Bonus Warrants”), exercisable at a price of $0.055 CAD per share, reflecting an approximately 8.70% premium to the five-day volume-weighted average price of the common shares of the Company on January 24, 2025. The Bonus Warrants will be subject to a trading hold period expiring four months from the date of issue under applicable securities laws. The Bonus Warrants expire on January 24, 2030, and are non-transferable. In accordance with the policies of the TSX Venture Exchange, if at any time the outstanding principal amount under the Credit Facility is reduced or repaid during the first year of the term of the Credit Facility, the expiry date in respect of a pro rata number of the total Bonus Warrants will be accelerated to the later of: (a) one year from the date of issuance of the Bonus Warrants; and (b) 30 days from such reduction or repayment of the Credit Facility (note 23).

(Expressed in Canadian dollars)

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 Development Officer and the Chief Financial Officer. Compensation provided to key management during the year ended December 31, 2024, was $1,697,056 (December 31, 2023 – $1,949,442). Post-employment benefits expense and share based compensation expense were $22,851 and 2,211,531 respectively during the year ended December 31, 2024 (December 31, 2023 – $27,457 and $3,054,866).

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.

19. 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, 2024, and December 31, 2023:

	December 31, 2024		**December 31, 2023**	
Classification	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets:				
Amortized cost:				
Cash	$ 2,090,904	$ 2,090,904	$ 3,909,761	$ 3,909,761
Restricted cash related to performance guarantee	513,000	513,000	271,000	271,000
Player deposits on hand	1,177,537	1,177,537	850,224	850,224
Amounts held for Abenaki Council of Wolinak	306,619	306,619	125,718	125,718
Amount due from payment processor	645,874	645,874	1,417,290	1,417,290
Amounts receivable	1,194,536	1,194,536	726,092	726,092
Prepaid expenses and deposits	1,244,931	1,244,931	1,010,321	1,010,321

(Expressed in Canadian dollars)

	December 31, 2024		December 31, 2023	
Classification	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities:				
Amortized cost:				
Accounts payable and accrued liabilities	$ 7,546,927	$ 7,546,927	$ 8,047,204	$ 8,047,204
Due to related party	6,024,583	6,024,583	1,769,414	1,769,414
Liability for player deposits on hand	1,121,838	1,121,838	838,250	838,250
Liability for player loyalty bonuses	197,986	197,986	129,636	129,636
Amounts due to Abenaki Council of Wolinak	306,619	306,619	125,718	125,718
Convertible debenture	3,574,262	3,574,262	3,020,100	3,020,100
Current portion redeemable preferred shares	5,593,390	5,593,390	6,482,486	6,482,486
Unsecured promissory note	9,390,336	9,390,336	-	-
Deferred payment liability	95,788	95,788	98,254	98,254
Fair value through profit and loss:				
Open bets liability	51,270	51,270	10,171	10,171
Conversion feature derivative	812,588	812,588	911,951	911,951

The carrying values of cash and cash equivalents, restricted cash related to performance guarantee, player deposits on hand, amounts receivable, amounts due from payment processor, accounts payable and accrued liabilities, 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 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.

The fair value of open bets liability and contingent consideration are determined using Level 3 fair value measurements.

(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, restricted cash, player deposits on hand 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 above and raising additional capital. See note 23 – Subsequent events. 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 (note 13).

Subsequent to the year end, the Company entered into a credit agreement (the "Credit Agreement") in respect of a senior secured first lien term loan facility providing for US dollar denominated loans. Minimum quarterly liquidity requirement commencing Q1 2025 to be greater of (1) $ 2,500,000 or (2) an amount equal to $5,000,000 minus consolidated EBITDA for the period; if the consolidated EBITDA is negative, consolidated EBITDA shall be deemed to be $0 (note 23). Based on the Company's forecast for the following twelve months, the Company expects to be in compliance with the covenants applicable to the Credit Agreement. Any substantial change to the Company's liquidity could cause a breach to such covenants.

(c) Capital management:

The Company's capital management objectives are to maintain financial flexibility in order to preserve its capacity to meet financial commitments, to meet its potential obligations resulting from internal growth and acquisitions and to the extent possible, pay dividends. There have been no changes in capital or capital management since the prior year.

(Expressed in Canadian dollars)

The Company defines capital as total equity and redeemable preferred shares, as presented on the statement of financial position. At December 31, 2024, capital under management was a deficit of $19,980,497 (2023 – deficit of $4,282,068) as it was in its early stage of operations.

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.

As per the terms of the Agreement with iGaming Ontario, 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.

20. General and administrative expense classified by nature

	Year ended December 31,	
	2024	2023 Restated - Note 2
Salaries, other short-term benefits, and contractors	$ 5,423,729	$ 5,037,003
Professional and consulting fees	2,261,501	2,708,683
Other administrative expenses	1,653,480	2,650,569
Insurance	761,644	1,209,442
	$ 10,100,354	$ 11,605,697

(Expressed in Canadian dollars)

21. Income Taxes

The components of income tax expense (recovery) are:

	Year ended December 31, 2024	Year ended December 31, 2023
Current tax expense (recovery)	$ -	$ -
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	$ (76,438)	$ (7,058)
Change in previously unrecognized tax losses	$ 76,438	$ 7,058
	$ -	$ -

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:

	Year ended December 31, 2024	Year ended December 31, 2023
Net loss	$ (19,011,072)	$ (27,390,110)
Combined federal and provincial income tax rates	26.5%	26.5%
Computed expected tax recovery	(5,037,934)	(7,258,379)
Increase resulting from:		
Deferred tax assets not recognized	4,239,244	5,466,740
Non-deductible items and other	798,690	1,791,639
As at December 31	$ -	$ -

The statutory income tax rate was 26.5% for 2024 and 26.5% for 2023. The December 31, 2023 figures have been restated based on the restated net loss in Note 2.

(Expressed in Canadian dollars)

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, 2024	Recognized in Net Loss	December 31, 2024
Equipment	$ (7,163)	$ 1,700	$ (5,463)
Intangible assets	(376,229)	74,738	$ (301,491)
Non-capital losses	383,392	(76,438)	306,954
Deferred tax asset (liability)	$ -	$ -	$ -

	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)	$ -	$ -	$ -	$ -

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

	Year ended December 31, 2024	**Year ended December 31, 2023**
Non-capital losses	$ 59,909,253	$ 43,768,789
Other deductible temporary differences	$ 1,100,522	$ 1,243,839
	$ 61,009,775	$ 45,012,628

Non-capital loss carryforwards will expire in 2044 and 2043, if they remain unused.

In assessing deferred tax tassets, 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 assessment.

(Expressed in Canadian dollars)

22. Commitments

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

	Less than One Year	One to Five Years	Greater than Five Years
Contractual commitments under service			
Contracts:			
Related party	$ 2,413,200	$ 9,652,800	$ 20,311,100
Others	$ 1,999,992	$ 1,527,971	$ 3,025,000
	$ 4,413,192	$ 11,180,771	$ 23,336,100

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 $160,762 for the year ended December 31, 2024 (2023 - $94,199).

23. Subsequent events

- On January 24, 2025, the Company entered into a credit agreement (the "Credit Agreement") in respect of a senior secured first lien term loan facility providing for US dollar denominated loans in an aggregate principal amount of up to US$30,000,000 or approximately CAD $43,400,000 (the "Credit Facility") to be made available by Beach Point Capital Management LP ("Beach Point"). The Credit Agreement matures on January 24, 2030 (the "Maturity Date"). The interest rate is calculated based on the applicable SOFR rate plus 9.35%, with a SOFR floor of 4.40%. There is no amortization for the first 30 months following the closing date, after which 2.5% of the principal amount is amortized per annum until the 42nd month (paid quarterly), and, thereafter, 5% per annum until the Maturity Date (paid quarterly).

  The purpose of the Credit Facility is to support NorthStar's continued growth by significantly strengthening the Company's financial position. The Company has drawn down funds of $43,431,000 under the Credit Facility to: (i) repay the aggregate $9,500,0000 principal amount (plus accrued interest) loaned to the Company by Playtech pursuant to unsecured promissory notes dated April 25, 2024, September 13, 2024 and December 16, 2024; (ii) fund an interest reserve account in respect of the Credit Facility in an amount equal to $7,000,000; and (iii) pay transaction costs in connection with the Credit Facility of approximately $ 6,700,000. Future use of the Credit Facility will be to fund working capital and for general corporate purposes. Minimum quarterly liquidity requirement commencing Q1 2025 to be greater of (1) $ 2,500,000 or (2) an amount equal to $5,000,000 minus consolidated EBITDA for the period; if the consolidated EBITDA is negative, consolidated EBITDA shall be deemed to be $0. Additional covenants come into effect from December 2026 onwards.

The Credit Facility is guaranteed by the Company, and by Playtech, together with certain of its affiliates (the "Playtech Guarantors"). In consideration of the Playtech Guarantors providing the Playtech Guarantee, NorthStar has issued to Playtech 32,735,295 common share purchase warrants ("Bonus Warrants"), exercisable at a price of $0.055 CAD per share, reflecting an approximately 8.70% premium to the five-day volume-weighted average price of the common shares of the Company on January 24, 2025. The Bonus Warrants will be subject to a trading hold period expiring four months from the date of issue under applicable securities laws. The Bonus Warrants expire on January 24, 2030, and are non-transferable. In accordance with the policies of the TSX Venture Exchange, if at any time the outstanding principal amount under the Credit Facility is reduced or repaid during the first year of the term of the Credit Facility, the expiry date in respect of a pro rata number of the total Bonus Warrants will be accelerated to the later of: (a) one year from the date of issuance of the Bonus Warrants; and (b) 30 days from such reduction or repayment of the Credit Facility.

- On April 23, 2025, 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 to the Company in Ontario, through to March 31, 2025. 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.