



April 29, 2024

## 2023 and the Exciting Outlook Ahead

### Letter to Shareholders from the Chair & CEO

Fellow Shareholders,

I am pleased to share some highlights from our 2023 annual results for NorthStar Gaming Holdings Inc. (TSXV: BET) (OTCQB: NSBBF) ("NorthStar" or the "Company"), as well as details on how we plan to continue to grow and create value for our investors.

Our team made great progress in 2023. In the first full calendar year of operating our online betting platform, Northstarbets.ca, we delivered significant increases in customers, wagers and revenue. We introduced content and innovation to reinforce our premium brand positioning and secured a solid foothold in a competitive market.

*Please review the Company's management's discussion and analysis ("MD&A") for the three and twelve-months ended December 31, 2023 and the Company's audited consolidated financial statements for the years ended December 31, 2023 and 2022, each as included in this Annual Report, for important information about the Company's activities and financial results in 2023 and for additional context regarding the below.*

#### Year in Review

Year-over-year growth in our financial results was very strong. In 2023, the Company's revenue, including managed services fees, net of bonuses, promotional costs and free bets, was \$19.5 million in 2023, an increase of 240% when compared to 2022. In 2023, Northstarbets.ca had Total Wagers<sup>1</sup> of \$648.8 million, an increase of 251% when compared to 2022. NorthStar's gross margin in 2023 was \$7.1 million, an increase of 495% when compared to 2022.

While these figures compare a full year of operations to an abbreviated prior-year period (Northstarbets.ca launched in May 2022), our record of six successive quarters of growth in customers and revenue demonstrates steady progress. We ended the year with a fourth quarter that was a record-setter for us, with \$6.5 million of revenue, doubling the corresponding amount in Q4 2022.

Importantly, we achieved these results while effectively managing costs, enabling us to begin to realize operating leverage. I will expand on our business model below.

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<sup>1</sup> Total Wagers is a non-IFRS supplementary financial measure as described in the Non-IFRS Financial Measures section below.

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Other 2023 highlights include the following:

- The completion of a reverse takeover transaction and listing of our common shares on the TSX Venture Exchange.
- The addition of key talent in such areas as operations, marketing, product, finance and compliance to support the growth of the business.
- The acquisition of Slapshot Media Inc. (“Slapshot”), which provides managed services outside of Ontario to the Abenaki Council of Wolinak in connection with their ownership and operation of Northstarbets.com.
- The ongoing enhancement of our online casino vertical, which now features more than 600 games covering all major categories and curated from leading vendors worldwide.
- Product innovations such as personalization of customers’ sports betting experience and branded studios showcasing the NorthStar Bets brand in live dealer games.
- The roll-out of refreshed creative for a second-wave marketing campaign in the fourth quarter.
- The strengthening of our strategic partnership with Playtech plc (“Playtech”) – as both a technology provider and a major shareholder – giving us access to some of the world’s premier gambling technology and marketing services.
- Raising more than \$10 million of capital to fund our business.

Overall, we executed very effectively and NorthStar is well positioned for its next stage of growth.

### **Optimization of Our Business Model**

It is important for shareholders to understand the NorthStar business model, which is designed to deliver increasing returns as we scale.

We built the Company from the ground up with systems, processes and technology capable of supporting rapid expansion. As a result, we have the people and infrastructure in place to manage much higher betting volumes with minimal added resources. As we grow revenue, we expect that both direct and other costs will increase at a slower rate, as they scale with the revenue growth.

We are already seeing this effect in our results. For example, gross margin expanded to 36% of revenue in 2023 from 21% the previous year. Operating expenses, outside of public company costs, have been relatively flat since 2022.

At the individual customer level, cost per acquisition of a customer, a key measure in our industry, declined by 31% in 2023, while estimated 12-month player values increased 18%. Our optimized marketing and customer relationship management plans continue to expand our customer base with lower incremental cost.

Assuming we maintain our growth trajectory, the power of our model will become increasingly apparent. At our current revenue run rate we expect operating leverage will begin to expand to make an accelerating contribution to earnings before interest, taxes, depreciation and amortization. We believe we have a number of exciting opportunities to drive that growth.

## Outlook for Continued Growth in 2024

We have multiple initiatives underway to build on the momentum we have established.

NorthStar's success has been built on our positioning as a premium brand with "Made in Canada" roots. In a marketplace that has attracted a number of large international competitors, solid performance on the fundamentals goes a long way for a recent start-up like NorthStar. Our team prides itself on great customer service and operational excellence. We recently launched a VIP Rewards strategy to help secure the loyalty and satisfaction of our most active players.

An important differentiator is our Sports Insights feature. We believe NorthStar is the only iGaming platform in Ontario to offer this depth of content – encompassing original articles, analysis, betting picks and strategies, live odds and statistics – all within the betting app. Sports Insights readers have proven to be more engaged and valuable than average customers, meaning increased readership drives tangible results. In 2024, we are rolling out significant enhancements, which we are calling "Sports Insights 2.0" based on feedback from our users.

The original articles we create for Sports Insights also serve as a centrepiece for our media partnerships. Our Canadian sports-focused content is placed prominently on major websites of prominent outlets such as the Toronto Star, helping to drive traffic and potential customers to Northstarbets.ca.

While our online sportsbook attracts the most attention, our online casino represents a major share of our business. It tends to deliver steadier wagering activity and more consistent margins. We have distinct marketing strategies tailored to each product category, and it is quite common for our customers to become hybrid players who are active in both.

Innovation in our online casino offering is ongoing. We regularly add popular new games to keep the options fresh for our customers and give them access to the most current trends. Branded studios, provided through our Playtech partnership, reinforce our premium positioning by featuring NorthStar Bets branding prominently.

An important objective in 2024 is to grow the managed services business we acquired with the Slapshot Media transaction. Through the services we provide to the Abenaki Council of Wolinak, we have expanded our addressable market across Canada.

On the capital markets side, we are increasing our efforts to tell our story to current and prospective investors. Our stock has begun to trade on the OTCQB in the U.S. with a view to expanding and diversifying our shareholder base. NorthStar has also recently received favourable commentary in reports from dealers Cormark Securities and Paradigm Capital.

## A Compelling Opportunity

I believe this is a unique and very interesting moment for NorthStar. We are a rapidly growing company in a relatively new sector with a lot of runway ahead. In its 2023-24 fiscal year, iGaming Ontario reported that total wagers in the province's regulated internet gaming market<sup>2</sup> increased by 78% when compared to 2022-23.<sup>3</sup>

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<sup>2</sup> The Ontario internet gaming market described does not include the Ontario Lottery and Gaming Corporation's internet gaming offering or pari-mutuel wagering on horseracing.

<sup>3</sup> Per iGaming Ontario's FY 2023-24 Full Year Market Performance Report (<https://igamingontario.ca/en/news/igaming-ontarios-fy-2023-24-full-year-market-performance-report>)

NorthStar has a differentiated, premium offering and a distinct familiarity with the Canadian market. We are small and nimble enough to introduce innovation to our platform, while at the same time having access to world-leading technology and counsel through our committed partners. Our business model is gaining traction and has the potential to deliver strong returns.

As of the date of this letter, we surpassed \$1 billion of Total Wagers<sup>1</sup> at Northstarbets.ca. We look forward to continuing to execute on our strategy for the benefit of our shareholders and other stakeholders.

On behalf of the Board of Directors, I would like to thank our entire team for their tireless efforts to build a thriving business from the ground up. Thanks also to our strategic partners, and of course our shareholders for your continued support.

A handwritten signature in black ink that reads "Michael Moskowitz". The script is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Michael Moskowitz  
Chairman and CEO

## 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 2024, expected performance of the Company’s business, strategic priorities, expansion into new markets and 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](http://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.