

**For the three months ended March 31, 2024**

**May 22, 2024**

*The following Management’s Discussion and Analysis (“MD&A”) dated May 22, 2024 comments on the financial condition and results of operations of NorthStar Gaming Holdings Inc. (“we”, “our” or the “Company”) for the three months ended March 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 unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024 as well as the audited consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These materials are available on the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca) and on the Company’s website at [www.northstargaming.ca](http://www.northstargaming.ca).*

### **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 and the Company’s annual information form for the year ended December 31, 2022 (the “AIF”) which are incorporated by reference into this document. A copy of the Company’s AIF and the Company’s other publicly filed documents can be accessed under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://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.

### **Basis of Presentation**

Our audited annual consolidated financial statements for the year ended December 31, 2023, and unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024, have been prepared in accordance with IFRS Accounting Standards as issued by the IASB, using the accounting policies described therein. Consequently, all comparative financial information presented in this MD&A reflects the consistent application of IFRS. All amounts are presented in Canadian dollars unless otherwise indicated.

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

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 (as defined herein), all of NorthStar Gaming Inc.’s (“NSG”) 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.

Given that prior to the Transaction the Company did not meet the definition of a business under IFRS, the reverse take-over was accounted for as an asset acquisition of the Company by NSG. All comparisons in this MD&A are to NSG’s operations prior to the Transaction.

All references in this MD&A to “Q1 2024” are to the three months ended March 31, 2024 and to “Q1 2023” are to the three months ended March 31, 2023.

## 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 (“CSE”) 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 NSG, a non-reporting issuer, pursuant to a business combination agreement between Baden and NSG. The Transaction was structured as a three-cornered amalgamation and 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.

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](http://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, a subsidiary of the AGCO. NorthStar Ontario operates Northstarbets.ca in accordance with and pursuant to the terms and conditions of the Operating Agreement and as an agent of iGaming Ontario, who is responsible for conducting and managing iGaming when provided through private operators in Ontario. Pursuant to the terms of the Operating Agreement, iGaming Ontario 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 Ontario Business Corporations Act (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 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 19+ players 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 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 Council of Wolinak, which owns and operates the 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. See below under Recent Developments for a further discussion of Slapshot.

## **Recent Developments**

### Financial Highlights

Financial highlights for Q1 2024:

- Total Wagers<sup>(1)</sup> at Northstarbets.ca were \$218.0 million in Q1 2024, an increase of 56% compared to \$140.2 million in Q1 2023.
- Gross Gaming Revenue<sup>(1)</sup> at NorthStarbets.ca was \$7.0 million in Q1 2024, an increase of 59% over \$4.4 million in Q1 2023.
- Revenue, including managed services fees, net of bonuses, promotional costs and free bets was \$5.9 million in Q1 2024, an increase of 62.9% over \$3.6 million in Q1 2023.
- Gross margin was \$2.2 million in Q1 2024, an increase of 90.9% over \$1.2 million in Q1 2024 and represents approximately 37.3% of revenue in Q1 2024 compared to 31.8% of revenue in Q1 2023.

### 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 and half warrants, and convertible debentures (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 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.

In addition, the Company issued three-year, 8% unsecured 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 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, 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. As of March 31, 2024, Playtech Software had contributed approximately \$4.5 million in respect of this agreement since June 26, 2023 (Q1 2024 was approximately \$1.5 million). On April 25, 2024, NorthStar Ontario extended the program with Playtech Software for a further 8 months starting March 1 2024, with contributions not to exceed \$500,000 per month.

The Playtech Software contribution materially increased NorthStar Ontario’s marketing budget in 2024 and accelerated NorthStar Ontario’s player acquisition during the first quarter of 2024 when many North American professional sports leagues resumed regular season play. The contribution is offset against the marketing cost. 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.

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<sup>1</sup> 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” on pages 21 of this MD&A.

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 Council of Wolinak 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 Council of Wolinak 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 Council of Wolinak.

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 of the Company. 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 also 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. As of March 31, 2024, the contingent consideration liability was measured to be \$0.042 million (December 31, 2023 – \$0.02 million) and a loss on remeasurement of \$ 0.022 million for the three months ended March 31, 2024 was recognized.

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, the business combination is accounted for using the acquisition method of accounting and Slapshot’s identifiable net assets acquired are recognized at their fair value. The Slapshot 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:

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

The Transaction

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 Company, 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 Company’s redeemable preferred shares (the “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:

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

- (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 is 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 YE 2023. 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.

Conversion of Convertible Debenture

October 31, 2023 Private Placement and Convertible Debenture

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

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

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

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

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

As part of the October 2023 Offering, the Company has also issued three-year, 8% unsecured convertible debentures (“Convertible Debentures”) in the aggregate principal amount of \$5,167,480. Interest is payable quarterly in cash or, at the Company’s option, in kind and capitalized to the carrying amount of the debenture. The Convertible Debentures allow the holders to convert the original principal amount of the debenture into a fixed number of common shares at \$0.20 per share and to convert any capitalized interest into common shares at the market price of the shares on the last day of the respective interest period. The conversion of capitalized interest is into a variable number of common shares meaning the conversion feature is a derivative liability. On initial recognition, the derivative liability was recognized at its fair value of \$2,263,910 and the host financial liability was recognized as the residual of the proceeds received less the derivative liability at an amount of \$2,903,570. The derivative liability is remeasured at fair value at each reporting date, which resulted in a gain on remeasurement of \$1,351,959 in the year ended December 31, 2023, and subsequently a loss of \$671,997 in the three months ended March 31, 2024.

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 March 31, 2024
Stock price	\$0.08	\$0.04	\$0.08
Exercise prices	\$0.20 for the principal and \$0.035 and \$0.56 for the capitalized interest	\$0.20 for the principal and \$0.035 and \$0.56 for the capitalized interest	\$0.20 for the principal and \$0.035 and \$0.56 for the capitalized interest
Risk free interest rate	4.08%	3.58%	3.58%
Remaining term	36 months for the principal and the remaining term for each capitalized interest period	34 months for the principal and the remaining term for each capitalized interest period	31 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 year ended December 31, 2023. In Q1 2024, \$1,707 was expensed.

## 2. Operating Results

A discussion of our operating results for the three months ended March 31, 2024

### Selected Financial Information

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 Company’s unaudited condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2024. As the reverse take-over was accounted for as an acquisition of the Company by NSG, all comparative periods below reflect NSG’s operations prior to the Transaction.

	<u>Unaudited</u> <u>Three months</u> <u>ended</u>	<u>Unaudited</u> <u>Three months</u> <u>ended</u>	<u>\$ Change</u>
	<u>March 31, 2024</u>	<u>March 31, 2023</u>	<u>Favourable/ (Unfavourable)</u>
<b>Revenue</b>	<b>\$5,940</b>	<b>\$3,646</b>	<b>\$2,294</b>
<b>Cost of revenues</b>			
Operator participant fee	1262	794	(468)
Service providers fees	2,465	1,693	(1,693)
<b>Gross margin</b>	<b>2,213</b>	<b>1,159</b>	<b>1,054</b>
<b>Expenses:</b>			
Marketing	3,688	4,072	384
General and administrative:			
Salaries, short-term benefits and contractors	1,428	1,319	(109)
Professional and consulting fees	476	305	(171)
Other administrative expenses	161	302	141
Insurance	298	229	(69)
Share-based payment expense	1,579	713	(866)
Public listing costs (non-cash)	0	2,364	-
Public listing costs (cash)	0	425	-
Depreciation and amortization	86	29	(57)
Gain on remeasurement of consideration payable	22	0	(22)
Gain on derecognition of preferred shares	0	0	0
MTM gain on derivative financial liability	672	0	(672)
Amortization of deferred transaction costs	2	0	-
Foreign exchange loss	13	0	(13)
Interest income	(20)	0	-
Interest expense	288	105	(183)
Total expenses	8,693	9,863	(1,637)
<b>Net loss</b>	<b>(6,480)</b>	<b>(8,704)</b>	<b>2,224</b>
<b>Net loss per share (Basic and diluted)</b>	<b>(0.04)</b>	<b>(0.07)</b>	<b>0.03</b>

## 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. Post-Transaction, 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 Council of Wolinak.

Revenue in the three months ended March 31, 2024 increased by \$2.3 million to \$5.9 million, compared to \$3.6 million in the three months ended March 31, 2023. Revenue in Q1 2024 included Gaming Revenue of \$5.8 million (net of bonuses, promotional costs and free bets of \$1.2 million) and managed services revenue of \$0.16 million. Revenue in Q1 2023 included Gaming Revenue of \$3.6 million (net of bonuses, promotional costs and free bets of \$0.8 million) and no managed services revenue as Slapshot was acquired in the second quarter of 2023. The increase in revenue is due primarily to increased wagers and active players in Q1 2024 compared to Q1 2023.

Total Wagers<sup>(2)</sup> in respect of Gaming Revenue from Northstarbets.ca were \$218 million in Q1 2024. This compares to Total Wagers<sup>(2)</sup> of \$140 million in respect of Gaming Revenue on Northstarbets.ca in Q1 2023.

## Cost of revenues

Cost of revenues incurred during Q1 2024 primarily relate to service provider costs as well as operator participant fees associated with the operation of Northstarbets.ca. Service provider fees incurred in Q1 2024 also include \$2.5 million of costs associated with the provision of managed services by Slapshot.

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 months ended March 31, 2024, the Company incurred certain fixed service provider fees related to its early stage of operations. However, these fees as a proportion of revenue are lower than in the comparable period in 2023 (41.5% in Q1 2024 compared to 46.4% in Q1 2023) and service provider fees will generally become more variable as revenues continue to grow.

In Q1 2024, gross margin was \$2.2 million or 37.3% of revenues. Gross margin was \$1.2 million or 31.8% of revenue in Q1 2023.

## Expenses

### Marketing

Marketing expenses of \$3.7 million were incurred in Q1 2024 (compared to \$4.1 million in Q1 2023). Marketing expenses in Q1 2024 were lower than Q1 2023 due to optimization of marketing activities in Q1 2024. Marketing costs also reflect the volume of the business as the first quarter traditionally experiences high customer activity and engagement.

### General and administrative

Salaries, short-term benefits, and contractors were \$1.4 million Q1 2024, an increase of \$0.1 million compared to Q1 2023. The increase in Q1 2024 is related to additional resources associated with the growth of Northstarbets.ca and Slapshot Media Inc.

Professional and consulting fees were \$0.5 million in Q1 2024 and relate to legal and other professional fees. These amounts reflect an increase of \$0.2 million compared Q1 2023. These professional fees represent the ongoing fees associated with i) the growth in business activities, and ii) various audit costs associated with requirements of the internet gaming registration with Accomplish with the Operating Agreement with iGO, and public company expenses.

Other administrative expenses were \$0.2 million in Q1 2024 compared to \$0.3 million Q1 2023. The decrease in Q1 2024 compared to Q1 2023 was related to lower general office related expenses in Q1 2024.

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<sup>2</sup> 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” on page 19 of this MD&A.



Insurance costs were \$0.3 million in Q1 2024 compared to \$0.2 million in Q1 2023. The increase relates to the additional insurance coverage required in respect of the Company being publicly listed..

Share-based payment expenses, which are non-cash, were \$1.6 million compared to \$0.7 million in Q1 2023, and reflect expenses associated with stock options and restricted share units, the details of which are further discussed below.

Public listing costs of \$2.8 million in Q1 2023 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.

### **Comprehensive loss**

Comprehensive loss for Q1 2024 was \$6.4 million compared to \$8.7 million in Q1 2023. The decrease in comprehensive loss in Q1 2024 compared to Q1 2023 was the result of higher gross margin, lower marketing cost, and zero public listing costs in Q1 2024, partially offset by higher general and administrative expenses, and non-cash share-based payment expense, mark to market loss on derivative financial liability and interest expense.

Net loss per share for Q1 2024 was \$0.04 compared to loss per share of \$0.07 in Q1 2023. The loss per share in Q1 2024 and Q1 2023 reflects the above noted net loss for the period divided by the weighted average number of Common Shares outstanding at the end of each period.

## **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, enhancement of the content-rich user experience, and improvements to the Company’s world-class online casino.

Subsequent to the quarter end, on April 25, 2024, the Company issued a \$3 million unsecured, interest-bearing promissory note (the “Note”) to Playtech, a significant investor in the Company. The Note bears interest of 8% per annum, payable in arrears at maturity. Unless otherwise accelerated pursuant to its terms, the 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 Note will be used to fund the Company’s continued growth and for general corporate purposes.

Subsequent to the quarter end, 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 \$4 million and was a significant driver of NorthStar Ontario’s growth in 2023. Under the renewal announced today, Playtech Software will provide similar marketing services in Ontario, valued at up to \$4 million, through to October 31, 2024. Playtech Software will be reimbursed and compensated through a share of revenue from the income generated in connection with the marketing initiatives to which it contributes.

## **4. Liquidity and Capital Resources**

A discussion of our cash flow, liquidity and other disclosures

As at March 31, 2024, the Company had total assets of \$9.0 million, negative working capital, excluding the redeemable preferred shares and convertible debenture, of \$4.0 million.

In Q1 2024, the Company used \$3.8 million of cash and cash equivalents in operating activities (\$6.2 million in Q1 2023) and incurred \$(0.04) million in cash and cash equivalents from investing activities (\$0.06 million in Q1 2023). The cash and cash equivalents used in operating activities reflect the \$3.8 million comprehensive loss, net of non-cash expenses plus an increase in net non-cash working capital of \$0.01 million. In Q1 2023, the Company generated \$12 million net proceeds from financing activities.

### **Liquidity risk:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient balances in cash, managing credit risk as outlined below and raising additional capital. The Company is exposed to this risk mainly in respect of accounts payable and accrued liabilities which are all contractually due within three months or less.

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

**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.

As at March 31, 2024, the Company was in its early stage of operations and has experienced losses since inception. The net loss for the three months ended March 31, 2024 was \$6,479,118 and the accumulated deficit as at March 31, 2024 was \$54,035,815. The Company’s unrestricted cash resources as of March 31, 2024 of \$61,644 are not sufficient to fund its planned business operations over the next twelve months. In order to fund the planned business operations, which include marketing, product development, obtaining and maintaining iGaming licenses and technical infrastructure, and before the Company expects to generate positive cash flow, additional financing will be required. The Company intends to continue to pursue opportunities to improve liquidity and profitability over the next twelve months, which includes, without limitation, seeking additional capital through the issuance of debt or equity offerings; renewing the strategic marketing arrangement with Playtech Software; reducing operating costs through targeted cost-saving measures; and seeking arrangements with potential strategic partners.

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

**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 March 31, 2024, the Company had the following minimum commitments:

Contractual Obligations Under Service Contracts	Payments Due by Period		
	Less than One Year	One to Five Years	Greater than Five Years
Related Party	\$2.2 million	\$9.7 million	\$ 19.3 million
Others	\$2.5 million	\$2.1 million	\$ 3.2 million

**Current Share Information**

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. As at March 31, 2024, 192,792,015 Common Shares and 66,300 Preferred Shares were issued and outstanding.

As at March 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
609,000	\$0.50	March 3, 2025
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 March 31, 2024, the Company had the following share-based payment arrangements:

Stock Options

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

Exercise price	Number outstanding	Weighted average remaining contractual life (in years)
\$0.21	3,719,743	4.16
\$0.50	8,058,542	3.92
Total	11,778,285	

The equity compensation plan adopted by the Company in 2022 (the “Equity Compensation Plan”) permits the Company to issue options, restricted share units, performance share units, deferred share units 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 15,656,910 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 Company 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 vest 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 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 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 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.

As at March 31, 2024, and May 22, 2024, 12,072,957 options to purchase Common Shares were outstanding. There were no options issued in Q1 2024.

Restricted Share Units

On April 6, 2023, pursuant to the Equity Compensation Plan, the Company issued 11,778,285 restricted share units to directors, officers, employees and consultants, of which 9,426,154 were issued to directors and officers. These restricted share units were issued at a unit price of \$0.55 and vest on the lifting of the blackout period immediately subsequent to April 6, 2024. As at March 31, 2024 and May 22, 2024, there were 12,135,827 restricted share units outstanding. There were no restricted share units issued in Q1 2024.

## 5. Related Party Transactions

A discussion of transactions with related parties

Playtech

Playtech obtained significant influence over the Company as of March 3, 2023. The Company paid \$1.8 million to Playtech during the three months ended March 31, 2024 (three months ended March 31, 2023 - \$1.0 million) for service provider fees and marketing affiliate fees. Service provider fees reflect fees that the Company pays to Playtech in respect of its iGaming platform and ancillary services including managed services fees. Service provider fees are recorded based on the level of transactions and contractual amounts and are expensed as incurred. Marketing affiliate fees are based on the revenue generated from the marketing services provided by Playtech. In addition, the Company has also received \$1.4 million during the three months to March 31, 2024 (three months to March 31, 2022 – nil) towards marketing costs under the marketing agreement.

The Company owed \$2.0 million to Playtech at March 31, 2024 in respect of trade accounts payable and accrued liabilities which are due on 30 day payment terms and are non-interest bearing (March 31, 2023 - \$0.5 million).

On April, 25 2024, the Company issued a \$3,000,000 unsecured, interest-bearing promissory note (the “April Note”) to Playtech plc, a significant investor in the Company. The April Notes bear 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 date thereof; and (ii) the date on which the Company or any of its subsidiaries completes additional financing transactions with aggregate gross proceeds of at least \$10 million, subject to certain exceptions. Proceeds from the April Note will be used to fund the Company’s continued growth and for general corporate purposes

## 6. Financial Instruments

A summary of our financial instruments

The Company’s financial instruments at March 31, 2024 include cash and cash equivalents, restricted cash related to performance guarantee, player deposits on hand, amounts due from Abenaki Council of Wolinak, amounts due from payment processors, accounts receivable, accounts payable and accrued liabilities, amounts due to related parties, liability for player deposits on hand, amounts due to Abenaki Council of Wolinak, 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 March 2024.

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

## 7. Critical Accounting Policies and Estimates

A description of accounting estimates and judgements that are critical to determining 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 debenture, share capital, share-based payments, warrants and financial instruments to be the critical accounting policies used in the preparation of the Company’s audited consolidated financial statements for the years ended December 31, 2023 and 2022. The accounting policies below reflect the policies used in preparation of these financial statements.

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

- **Redeemable preferred shares**

The Company’s Preferred Shares are classified as a compound financial instrument with a liability component as they are 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 with conversion option**

On October 31, 2023, the Company issued three-year, 8% unsecured convertible debentures of \$5,000,000. 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 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.

- **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 of 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 of 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 stock 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 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 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.

- **Loss per share**

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of Common 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 Common 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.

- **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 iGaming Ontario 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.

#### 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 last eight most recently completed quarters. This unaudited quarterly information has been prepared in accordance with IFRS.

<i>(in '000s of dollars)</i> <i>(unaudited)</i>	FY 2024	FY 2023				FY 2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Financial Summary:</b>								
Revenue	\$5,940	\$6,451	\$4,682	\$4,635	\$3,645	\$3,195	\$2,022	\$527
Comprehensive Loss	(6,385)	(7,474)	(4,537)	(4,760)	(8,704)	(6,409)	(6,092)	(5,614)
Basic loss per share	(\$0.03)	(\$0.04)	(\$0.03)	(\$0.02)	(\$0.07)	(\$0.06)	(\$0.05)	(\$0.05)

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

Net Loss from continuing 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, conversion of subscription receipts and conversion of the convertible debenture on March 3, 2023, the acquisition of Slapshot on May 8, 2023 and non-cash expenses.

The Net Loss for Q2 2023 has been adjusted to reflect updated Restricted Share Unit expense to reflect a change to estimated vesting and forfeiture rate as well as the fair value adjustment to the contingent consideration payable as at March 31, 2023.

## 9. Reconciliation of IFRS Measures to Non-IFRS Measures

Millions (unaudited)	Three months ended	
	March 31, 2024	March 31, 2023
Gross gaming revenue from wagered games (sports- betting and casino transactions)	\$7.0	\$4.4
Bonuses, promotional costs and free bets	(1.2)	(0.8)
Sub-total Gaming revenue	5.8	3.6
Other revenue from managed services	0.1	-
Revenue	\$5.9	\$3.6



## 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. Risks and Uncertainties

### *Risks and uncertainties surrounding our business*

There are a number of risks and uncertainties associated with the Company. For a detailed description of such risk factors, refer to the “Risk Factors” section of the Company’s annual information form for FY2022 dated as of July 14, 2023 (the “AIF”) which is available under the Company’s profile on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)).

The risks presented below are in addition to the risks described in the AIF. These risks and the risks described in the AIF may not be all the risks the Company may face; however, the Company believes that such risks could cause actual results to be different from expected and historical results. New risks may emerge from time to time and management may not be able to predict all such risks or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

Our overall risk management program and business practices seek to minimize any potential adverse effects on our financial performance.

### **Risks Related to the Company’s Business and Industry**

#### ***The requirement of being a public company may strain the Company’s resources and divert management’s attention.***

The Company is subject to the reporting requirements of applicable securities legislation of the jurisdictions in which it is a reporting issuer, the listing requirements of the TSXV and other applicable securities rules and regulations. Compliance with these rules and regulations has increased 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 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 negatively impact 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.

### **Risks Related to the Company’s Securities**

#### ***The price of the Company’s Common Shares may experience volatility and may be subject to fluctuation in the future based on market conditions.***

The market prices for securities of development stage technology companies have historically been highly volatile. The market has from time-to-time experienced significant price and volume fluctuations that are unrelated to the operating performance of any particular company. In addition, because of the nature of the Company’s business, certain factors such as announcements of, and competition from, new products or technological innovations, government regulations, fluctuations in operating results, results of test, general market conditions and developments in patent and proprietary rights can have an adverse impact on the market price of the Company’s Common Shares. Any negative change in the public’s perception of the Company’s prospects could cause the price of its Common Shares to decrease dramatically. Furthermore, any negative change in the public’s perception of the prospects of online gaming companies in general or the market in general could depress the Company’s share price regardless of its results. Volatility or depression in the capital markets, could also affect the Company’s ability to raise additional capital.

***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 its Common Shares could decline. The perceived risk of dilution may negatively impact the price of the Company’s Common Shares and may cause its shareholders to sell their Common Shares, which would contribute to a decline in the price of the Company’s 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 Company’s 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 Company’s 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 Company’s 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 its board of directors. No dividends can be paid on the Company’s Common Shares until all dividends have been paid on the Company’s 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 internal control over financial reporting (“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:

- (a) 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
- (b) 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.

## 12. Additional Information

Additional information relating to the Company is available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com) and on the Company’s website at [www.northstargaming.ca](http://www.northstargaming.ca). The Company’s Common Shares are listed for trading on the TSXV under the symbol “BET” and on the OTCQB under the symbol “NSBBF.”