



ROYAL WINS

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ROYAL WINS CORPORATION

RESTATED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020

(Stated in \$CAD)

(Unaudited - Prepared by Management)

SEE NOTICE OF REFILING OF RESTATED INTERIM FINANCIAL STATEMENTS

(Dated August 31, 2022)

**NOTICE OF NO AUDITOR REVIEW OF RESTATED INTERIM
FINANCIAL STATEMENTS**

The accompanying restated unaudited interim condensed consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's external auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

ROYAL WINS CORPORATION

RESTATED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020

(Stated in \$CAD)

(Unaudited - Prepared by Management)

NOTICE OF REILING OF RESTATED INTERIM FINANCIAL STATEMENTS

(Dated August 31, 2022)

The accompanying restated unaudited interim financial statements of the Company have been prepared by, and are the responsibility of, management. The unaudited interim financial statements have not been reviewed by the Company's auditors. These amended financial statements replace and supercede the financial statements previously filed on February 28, 2022.

As part of preparing its quarterly consolidated financial statements for the three and nine month periods ended March 31, 2022, the Company identified errors related to a material corporate income tax obligation due by RWPL to the Australian Tax Office ("ATO") stemming from denial of claims for refundable research and development tax offsets for both the 2016 and 2017 tax years. Upon review and audit by ATO in 2018 and 2019, ATO reassessed RWPL as at June 30, 2019 in the amount of \$2,059,746, comprised of return of refundable tax offsets previously paid out to RWPL and imposition of interest and penalties. Upon management realizing that this corporate income tax obligation had not been recognized in the Company's financial statements, management concluded that the previously issued unaudited interim condensed consolidated financial statements for the three and six months ended December 31, 2021 and 2021 were misstated.

These amended financial statements replace and supercede the previously filed financial statements, and have been changed to reflect the following material adjustments arising subsequent to initial filing:

- (1) the corporate income tax obligation owing to ATO as at December 31, 2021 and June 30, 2021 of \$2,466,828 and \$2,402,895 respectively (see note 2(e));
- (2) the interest expense charged by ATO for the six months ended December 31, 2021 and 2020 of \$87,331 and \$84,763 respectively;
- (3) a provision for impairment has been provided for the six months ended December 31, 2021 and 2020 of \$64,327 and \$Nil respectively against the carrying value of RWPL's plant and equipment and intangible assets;
- (4) the cumulative effect of all the amendments was such that the accumulated deficit as at December 31, 2021 and June 30, 2021 has increased by \$2,547,721 and \$2,406,152 respectively;
- (5) The going concern disclosure in note 2(d)) has been updated to more fully describe the current financial condition of RWPL and its impact on consolidated operations; and
- (6) The subsequent event disclosure in note 15 has been updated to reflect material and other financial transactions from the date of the initial filing to the release date of the restated unaudited interim condensed consolidated financial statements.

ROYAL WINS CORPORATION
RESTATED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021 AND JUNE 30, 2021
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	December 31	June 30
	2021	2021
	<i>(Restated-note 2(e))</i>	<i>(Restated-note 2(e))</i>
ASSETS		
Current:		
Cash (Note 6)	\$ 1,765,966	\$ 494,511
Accounts receivable (Note 7)	39,194	-
Prepaid expenses and deposits	225,689	38,915
Subscription receipts - held in trust (Note 8)	-	3,891,500
	<u>2,030,849</u>	<u>4,424,926</u>
Long term:		
Intangible assets (Note 4)	196,619	-
	<u>\$ 2,227,468</u>	<u>\$ 4,424,926</u>
LIABILITIES		
Current:		
Bank loan payable	\$ 30,000	\$ 30,000
Accounts payable and accrued liabilities (Note 9)	400,960	416,361
Income taxes payable (Note 2(e))	2,466,828	2,402,895
Subscription receipts liability (Note 8)	-	3,891,500
	<u>2,897,788</u>	<u>6,740,756</u>
SHAREHOLDERS' DEFICIT		
Share capital (Note 10)	20,934,646	16,532,312
Share based compensation	1,856,500	2,294,500
Warrants	1,007,341	1,152,186
Accumulated deficit	(24,492,771)	(22,291,240)
Foreign currency translation reserve	23,964	(3,588)
	<u>(670,320)</u>	<u>(2,315,830)</u>
	<u>\$ 2,227,468</u>	<u>\$ 4,424,926</u>

Going concern (Note 2(d))

Subsequent events (Note 15)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

Approved on behalf of the Board:

"Peter Gan" Director

"Dan Fuoco" Director

ROYAL WINS CORPORATION
RESTATED INTERIM CONDENSED
CONSOLIDATED STATEMENTS OF NET LOSS AND
COMPREHENSIVE LOSS
THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	Three months ended December 31 2021 <small>(Restated-note 2(e))</small>	Six months ended December 31 2021 <small>(Restated-note 2(e))</small>	Three months ended December 31 2020 <small>(Restated-note 2(e))</small>	Six months ended December 31 2020 <small>(Restated-note 2(e))</small>
Revenue				
Marketing and consulting fees	\$ -	\$ -	\$ 257,192	\$ 257,192
Kash Karnival	<u>273</u>	<u>2,199</u>	<u>(31)</u>	<u>147,205</u>
	<u>273</u>	<u>2,199</u>	<u>257,161</u>	<u>404,397</u>
Expenses				
Consulting fees	304,698	541,542	211,972	333,196
Employee compensation and benefits, net of government grants	266,000	464,569	116,668	103,879
Advertising and marketing	309,847	455,209	13,980	30,837
Investor relations and regulatory costs	80,851	198,324	-	-
Professional fees	122,003	172,590	6,569	23,206
General and administrative	29,559	91,990	5,195	12,899
Interest	44,498	87,331	43,431	84,763
Computer and IT costs	17,937	62,763	19,466	43,417
Occupancy costs	36,010	54,679	23,176	28,331
Loss (gain) on foreign exchange	(9,926)	10,406	4,587	22,325
Depreciation and amortization	-	-	1,376	24,413
Share based compensation	-	-	220,629	263,270
	<u>1,201,477</u>	<u>2,139,403</u>	<u>667,049</u>	<u>970,536</u>
Loss from operations	(1,201,204)	(2,137,204)	(409,888)	(566,139)
Other expenses				
Impairment charge - plant and equipment and intangible assets	<u>45,075</u>	<u>64,327</u>	<u>-</u>	<u>-</u>
Net loss	(1,246,279)	(2,201,531)	(409,888)	(566,139)
Other comprehensive loss (income)				
Foreign exchange translation gain (loss)	<u>(20,102)</u>	<u>27,552</u>	<u>(62,098)</u>	<u>(106,316)</u>
Net loss and comprehensive loss	\$ (1,266,381)	\$ (2,173,979)	\$ (471,986)	\$ (672,455)
Basic and diluted loss per share (Note 10(e))	\$ (0.010)	\$ (0.019)	\$ (0.007)	\$ (0.010)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

ROYAL WINS CORPORATION
RESTATED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY
PERIOD FROM JULY 1, 2020 TO DECEMBER 31, 2021
(Stated in \$CAD)
(Unaudited - Prepared by Management)

<u>Note</u>	<u>Share capital</u>	<u>Share based</u>	<u>Warrants</u>	<u>Accumulated</u>	<u>Foreign</u>	<u>Total</u>	
	<u>Number</u>	<u>Amount</u>	<u>reserve</u>	<u>deficit</u>	<u>exchange</u>		
					<u>translation</u>		
					<u>reserve</u>		
As at June 30, 2020 (Restated-note 2(e))	68,440,210	\$ 8,282,519	\$ 425,139	\$ -	\$ (10,753,474)	\$ (43,763)	\$ (2,089,579)
Net loss and comprehensive loss	-	-	-	-	(566,139)	(106,316)	(672,455)
Share based compensation	529,575	201,775	61,495	-	-	-	263,270
Private placements	10(b) 1,045,619	124,362	-	-	-	-	124,362
As at December 31, 2020 (Restated-note 2(e))	70,015,404	8,608,656	486,634	-	(11,319,613)	(150,079)	(2,374,402)
Net loss and comprehensive loss	-	-	-	-	(10,971,627)	146,491	(10,825,136)
Adjustments to share register and other	10(b) 1,572,467	(200,825)	(61,495)	-	-	-	(262,320)
Shares issued under Employee Share Ownership Program and Long Term Incentive Plan	10(b) 3,929,540	1,138,850	(425,139)	-	-	-	713,711
Elimination of RWPL shares	10(c) (75,517,411)	(9,546,681)	-	-	-	-	(9,546,681)
Shares issued to RWPL shareholders under RTO	10(c) 75,517,411	9,546,681	-	-	-	-	9,546,681
Shares, options and warrants deemed issued under RTO	10(c) 24,853,762	6,064,318	2,294,500	1,152,186	-	-	9,511,004
Finders' fees paid in shares	10(c) 3,775,872	921,313	-	-	-	-	921,313
As at June 30, 2021 (Restated-note 2(e))	104,147,045	16,532,312	2,294,500	1,152,186	(22,291,240)	(3,588)	(2,315,830)
Net loss and comprehensive loss	-	-	-	-	(2,201,531)	27,552	(2,173,979)
Conversion of subscription receipts	10(d) 11,223,311	2,687,426	-	679,573	-	-	3,366,999
Broker warrants	10(d) -	(95,140)	-	95,140	-	-	-
Financing costs	10(d) -	(274,608)	-	-	-	-	(274,608)
Exercise of options	10(d) 2,000,000	488,000	(438,000)	-	-	-	50,000
Shares issued in acquisition of Royal Wins (USA) LLC	10(d) 298,048	62,590	-	-	-	-	62,590
Shares issued to supplier	10(d) 60,399	11,174	-	-	-	-	11,174
Exercise of share purchase warrants	10(d) 6,033,340	1,522,892	-	(919,558)	-	-	603,334
As at December 31, 2021 (Restated-note 2(e))	123,762,143	\$ 20,934,646	\$ 1,856,500	\$ 1,007,341	\$ (24,492,771)	\$ 23,964	\$ (670,320)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

ROYAL WINS CORPORATION
RESTATED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	2021 <u>(Restated-note 2(e))</u>	2020 <u>(Restated-note 2(e))</u>
Operating activities		
Net loss	\$ (2,173,979)	\$ (672,455)
Add (deduct) items not affecting cash:		
Share based compensation	-	263,270
Depreciation of plant and equipment and right-of-use assets	-	24,413
Impairment charge	62,814	-
Effect of foreign exchange	(25,652)	152,420
	(2,136,817)	(232,352)
Change in non-cash working capital items		
Accounts receivable	(39,194)	(39,731)
Prepaid expenses and deposits	(214,711)	-
Income taxes payable	87,330	84,763
Accounts payable and accrued liabilities	(12,951)	39,026
	(2,316,343)	(148,294)
Investing activities		
Purchase of Antic Games LLC and Winning With Words	(134,029)	-
Purchase of plant and equipment	(62,814)	-
	(196,843)	-
Financing activities		
Pre-RTO advances from legal parent to RWPL	-	269,236
Proceeds from issuance of common shares	-	101,316
Proceeds on exercise of stock options	50,000	-
Proceeds on exercise of share purchase warrants	603,334	-
Proceeds from subscription receipts, net of transaction costs	3,131,307	-
	3,784,641	370,552
Change in cash	1,271,455	222,258
Cash, beginning of period	494,511	335,790
Cash, end of period	\$ 1,765,966	\$ 558,048

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

ROYAL WINS CORPORATION
NOTES TO RESTATED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED DECEMBER 30, 2021 AND 2020
(Stated in \$CAD)
(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS

(a) Nature of operations

Royal Wins Corporation ("Royal Wins" or the "Company") is an innovative digital games studio pioneering pure-skill gaming with real cash prizes available on mobile casual games. Established in 2014, the Company designs, develops, and operates real-cash prize skill games so that all players of legal age can play and win jackpots and prizes based on their skill as opposed to pure chance and odds. Royal Wins' primary innovation and intellectual property centres around solving big data problems surrounding skill gaming mechanics, algorithms pertaining to balancing cash prizes, game difficulty modules, and maintenance of Player Rewards percentages. Royal Wins has released a suite of pure-skill mobile games on Android and iOS mobile/tablet platforms.

After completion of a reverse takeover transaction as detailed in note 5, the Company cleared a Long Form Non-Offering Prospectus filing with the Ontario Securities Commission and was approved for listing on the Canadian Securities Exchange ("CSE") on July 15, 2021 under the ticker symbol "SKLL" (*see note 8(c)*). Royal Wins also trades on the OTCQB in the USA under the symbol "RYWCF". The Company's shares are not currently approved for trading on either exchange as of the date of release of these unaudited interim condensed consolidated financial statements (*see note 15(f)*). The Company's registered office is located at 401 Bay Street, Suite 2704, Toronto, Ontario, Canada. All operations are conducted through its 100% owned Australian subsidiary, Royal Wins Pty Ltd., located at Suite 1.08, 20A Danks Street, Waterloo, New South Wales, Australia.

(b) COVID-19 pandemic

In March 2020, the World Health Organization characterized the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, as a global pandemic. This has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business, resulting in a global economic slowdown. Equity markets all have experienced significant volatility and weakness and the governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The pandemic has left no country unscathed and none more so than Australia. The Company's operational functions reside primarily in Sydney which is one of two cities that has been in lockdown for the longest period of time anywhere in the world. All staff have been working from home since June 2020 which required changes to the Company's normal work practices to address issues such as: security and access to allow for work from home, risk of data loss or data theft, effective communication systems to support schedules, deadlines, design, creative processes and deteriorating mental health of staff. Over this period, management has implemented all necessary processes and protocols to address the issues mentioned above and replicate as effective a work environment as possible.

ROYAL WINS CORPORATION
NOTES TO RESTATED INTERIM CONDENSED
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The Company had always planned for a significant re-tooling of the gaming platform including updates and improvements to platform stability, improvements to popular games, servers, payment channels and ease of download. The timing for this re-tooling was predicated on having sufficient funds to execute this plan, access to which was severely impacted by COVID-19. Changes to the platform meant significant down-time of the platform. As a result of the listing process and related fund raising that closed on July 15, 2021 (*see note 8(c)*), management has been able to secure additional human resources required for the planned renovations to the platform, back-end systems and games.

The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The ultimate duration and magnitude of the impact and the efficacy of government interventions on the economy and the financial effect on the Company is not known at this time. The extent of such impact will depend on future developments, which are highly uncertain and not in the Company's control, including new information which may emerge concerning the spread and severity of COVID-19 and actions taken to address its impact, among others. The repercussions of this health crisis could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"), and accordingly do not include all the information required for full annual financial statements by International Financial Reporting Standards ("IFRS"). They have been prepared using the same accounting policies that were described in note 3 to the Company's annual consolidated financial statements for the year ended June 30, 2021 which were prepared in accordance with IFRS as issued by the IASB.

The restated unaudited interim condensed consolidated financial statements have not been reviewed by the Company's external auditors. They were authorized for issuance by the Board of Directors on August 30, 2022.

(b) Basis of presentation

The unaudited interim condensed consolidated financial statements are prepared on a going concern basis under the historical cost convention. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services received.

ROYAL WINS CORPORATION
NOTES TO RESTATED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED DECEMBER 30, 2021 AND 2020
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2. BASIS OF PRESENTATION, CONTINUED

(c) Functional currency and presentation currency

The financial statements of each company within the consolidated group are measured using their functional currency, which is the currency of the primary economic environment in which an entity operates. As a result of a review of the primary economic environment and the currency that mainly influences the underlying transactions entered into by the Company, the functional currencies of the Company and its subsidiaries are as follows:

Royal Wins Corporation ("RWC") (formerly 10557510 Canada Corp.)	Canadian dollars
Royal Wins Pty Ltd. ("RWPL")	Australian dollars
Royal Wins (USA) LLP (formerly Antics Games LLC)	US dollars

As a result of the RTO described in note 5, RWPL, as the Resulting Issuer, has elected to change its presentation currency from the Australian dollar to the Canadian dollar effective July 1, 2019. The change in presentation currency is a voluntary change which is accounted for retrospectively. For comparative reporting purposes, historical financial information has been translated to Canadian dollars using the exchange rates as at, and for the six months ended, December 31, 2020.

(d) Going concern

These unaudited interim condensed consolidated financial statements include the operations of Royal Wins Corporation ("RWC"), the parent company and Royal Wins Pty Ltd ("RWPL"), its 100% owned Australian subsidiary, and Royal Wins USA Ltd ("RWC USA"), its 100% owned American subsidiary. The unaudited interim condensed consolidated financial statements have been prepared on the following basis:

- the operations of RWC and RWC USA on a going concern basis which assumes that the RWC and RWC USA will realize on their assets and discharge their liabilities in the normal course of business as they come due. Accordingly, the unaudited interim condensed consolidated financial statements do not give effect to adjustments that would be necessary should RWC and RWC USA be unable to continue as a going concern and, therefore be required to realize their assets and liquidate their liabilities and commitments in other than the normal course of business and at amounts different from those in these unaudited interim condensed consolidated financial statements. Such adjustments could be material; and
- the operations of RWPL on a realization basis, not a going concern basis, as a result of the circumstances detailed below.

ROYAL WINS CORPORATION
NOTES TO RESTATED INTERIM CONDENSED
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(Stated in \$CAD)
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2. BASIS OF PRESENTATION, CONTINUED

As a result of the tax restatement with respect to previously unrecorded corporate income tax obligations of RWPL (*see note 2(e)*), the Company had a restated net loss and comprehensive loss for the six months ended December 31, 2021 of \$2,173,979 (2021 (restated) - \$672,455). As at December 31, 2021, the Company had a restated accumulated deficit of \$24,492,771 (June 30, 2021 (restated) - \$22,291,240). Restated working capital as at December 31, 2021 was a deficiency of \$866,939 compared to a restated deficiency of \$2,315,830 as at June 30, 2021. Operations since inception have been funded from the issuance of shares and the exercise of stock options and warrants.

Management has prepared a revised cash flow forecast for RWPL, which indicated that it will not have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of release of these consolidated financial statements. RWC has indicated that it may not be willing or able to provide further financing to fund continuing RWPL operations or servicing of RWPL's working capital deficiency as at December 31, 2021, or the additional liabilities incurred after December 31, 2021 (*see note 15(d,e)*). As of the date of release of these consolidated financial statements, management does not currently have a viable option or plan to reduce, settle, refinance, or extend payment terms on existing RWPL obligations on terms satisfactory with creditors. Accordingly, RWPL management is forced to consider options such as selling RWPL assets, taking RWPL into insolvency, or winding up its operations.

Accordingly, applying the non-going concern basis, RWPL assets have been recorded at their net realizable values and RWPL liabilities are recorded at the contractual settlement amounts. . This uncertainty primarily relates to the value of RWPL's non-current assets, namely all its plant and equipment, leasehold improvements, right-of-use assets and intangible assets. As of the date of release of these consolidated financial statements, an impairment provision of \$64,327 has been recorded against the carrying value of such non-current assets. In addition, all RWPL assets and liabilities have been classified as current since it is expected that the assets will be realized into cash and liabilities will be settled within twelve months after the date of the date of release of these consolidated financial statements.

ROYAL WINS CORPORATION
NOTES TO RESTATED INTERIM CONDENSED
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2. BASIS OF PRESENTATION, CONTINUED

Concurrent with its public listing approval on July 15, 2021, the Company closed on a private placement for net cash proceeds of \$3,092,393. The Company raised a further \$603,334 on the exercise of 6,033,340 share purchase warrants in December 2021. The Company anticipates that it will have sufficient cash on hand to service the liabilities and fund operating costs of RWC and RWC USA for the period ending twelve months from these financial statements. The Company believes that, based on its cash flow forecasts, expected opportunities in the marketplace and the ability to reduce expenditures, if required, RWC and RWC USA could continue as a going concern for the foreseeable future. To achieve that, RWC and RWC USA will need to (i) develop their marketing activities into future revenue generating transactions, and (ii) arrange future financing that will largely depend upon prevailing capital market conditions and the continued support of RWC's shareholder base. The Company has financing commitments under negotiation as of the date of release of these consolidated financial statements to support its reorganized operations. Management intends to shift and prioritize the Company's future operating strategy around the intellectual property acquired as part of the acquisition of RWC USA as it simultaneously manages liquidity within RWPL. Management will need to continue assessing its financing options to raise the funds required to continue its growth plans. However, there can be no assurance that management's fund raising plans will be successful. As a result, these factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(e) Restatement of RWPL corporate income tax liabilities

As part of preparing its quarterly consolidated financial statements for the three and nine month periods ended March 31, 2022, the Company identified errors related to a material corporate income tax obligation due by RWPL to the Australian Tax Office ("ATO") stemming from denial of claims for refundable research and development tax offsets for both the 2016 and 2017 tax years. Upon review and audit by ATO in 2018 and 2019, ATO reassessed RWPL as at June 30, 2019 in the amount of \$2,059,746, comprised of return of refundable tax offsets previously paid out to RWPL and imposition of interest and penalties. Upon management realizing that this corporate income tax obligation had not been recognized in the Company's financial statements, management concluded that the previously issued unaudited interim condensed consolidated financial statements for the three and six months ended December 31, 2021 and 2021 were misstated.

ROYAL WINS CORPORATION
NOTES TO RESTATED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION, CONTINUED

(i) Statement of financial position as at June 30, 2021 and statement of net loss and comprehensive loss for six months ended December 31, 2020

The unaudited interim condensed consolidated financial statements, including the statement of financial position as at June 30, 2021 and statement of net loss and comprehensive loss for the six months ended December 31, 2020, have been restated to reflect the following material changes:

- As a result of interest assessed by ATO, the net loss for the six months ended December 31, 2020 has been increased by \$84,763, such that, as at June 30, 2021, a corporate tax obligation is being recognized in the amount of \$2,402,895;
- There was also an increase in the foreign exchange translation loss of \$111,779; and
- The cumulative effect of the restatement was an increase in the accumulated deficit of \$2,406,152.

ROYAL WINS CORPORATION
NOTES TO RESTATED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED DECEMBER 30, 2021 AND 2020
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. BASIS OF PRESENTATION, CONTINUED

The following tables show restatement of the statement of financial position as at June 30, 2021 and the statement of net loss and comprehensive loss for the six months ended December 31, 2020:

	As previously reported	Income tax adjustment	As restated
ASSETS			
Current:			
Cash	\$ 494,511	\$ -	\$ 494,511
Prepaid expenses and deposits	38,915	-	38,915
Subscription receipts - held in trust	3,891,500	-	3,891,500
Long term:			
Plant and equipment	5,241	(5,241)	-
Intangible assets	23,564	(23,564)	-
	<u>\$ 4,453,731</u>	<u>\$ (28,805)</u>	<u>\$ 4,424,926</u>
LIABILITIES			
Current:			
Bank loan payable	\$ 30,000	\$ -	\$ 30,000
Accounts payable and accruals	416,376	(15)	416,361
Income taxes payable	-	2,402,895	2,402,895
Subscription receipts liability	3,891,500	-	3,891,500
	<u>4,337,876</u>	<u>2,402,880</u>	<u>6,740,756</u>
SHAREHOLDERS' DEFICIT			
Share capital	16,532,312	-	16,532,312
Reserve for share based compensation	2,294,500	-	2,294,500
Warrants	1,152,186	-	1,152,186
Accumulated deficit	(19,885,088)	(2,406,152)	(22,291,240)
Foreign currency translation reserve	21,945	(25,533)	(3,588)
	<u>115,855</u>	<u>(2,431,685)</u>	<u>(2,315,830)</u>
	<u>\$ 4,453,731</u>	<u>\$ (28,805)</u>	<u>\$ 4,424,926</u>
Income Statement			
	As previously reported	Income tax adjustment	As restated
Revenue	\$ 404,397	\$ -	\$ 404,397
Expenses (as previously reported)	885,770	3	885,773
Interest	-	84,763	84,763
	<u>885,770</u>	<u>84,766</u>	<u>970,536</u>
Loss from operations	(481,373)	(84,766)	(566,139)
Impairment charge	-	-	-
Net loss	(481,373)	(84,766)	(566,139)
FX translation loss (gain)	(5,463)	111,779	106,316
Net loss and comprehensive loss	<u>\$ (475,910)</u>	<u>\$ (196,545)</u>	<u>\$ (672,455)</u>

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2. BASIS OF PRESENTATION, CONTINUED

(ii) As at, and for the six months ended, December 31, 2021

The unaudited interim condensed consolidated financial statements as at, and for the six months ended, December 31, 2021 have been restated to reflect the following material changes:

- As a result of interest assessed by ATO, the net loss for the year ended December 31, 2021 has been increased by \$87,331, such that, as at December 31, 2021, a corporate tax obligation is being recognized in the amount of \$2,466,828;
- An adjustment was made to impair the non-current assets of RWPL, consisting of their plant and equipment and intangible assets, in the amount of \$45,075 due to the financial report being prepared on a non-going concern basis (*see note 2(d)*);
- There was also an increase in the foreign exchange translation gain of \$26,707 with a corresponding increase in the foreign currency translation reserve; and
- The cumulative effect of the restatement was an increase in the accumulated deficit of \$2,547,721.

The following table shows restatement information as at, and for the six months ended, December 31, 2021:

	As previously reported	Income tax adjustment	Impairment charge	As restated
ASSETS				
Current:				
Cash	\$ 1,765,966	\$ -	\$ -	\$ 1,765,966
Accounts receivable	39,194	-	-	39,194
Prepaid expenses and deposits	225,689	-	-	225,689
Long term:				
Plant and equipment	69,137	-	(69,137)	-
Intangible assets	217,949	-	(21,330)	196,619
	<u>\$ 2,317,935</u>	<u>\$ -</u>	<u>\$ (90,467)</u>	<u>\$ 2,227,468</u>
LIABILITIES				
Current:				
Bank loan payable	\$ 30,000	\$ -	\$ -	\$ 30,000
Accounts payable and accruals	400,959	1	-	400,960
Income taxes payable	-	2,466,828	-	2,466,828
	<u>430,959</u>	<u>2,466,829</u>	<u>-</u>	<u>2,897,788</u>
SHAREHOLDERS' DEFICIT				
Share capital	20,934,646	-	-	20,934,646
Share based compensation	1,856,500	-	-	1,856,500
Warrants	1,007,341	-	-	1,007,341
Accumulated deficit	(21,945,050)	(2,454,502)	(93,219)	(24,492,771)
Foreign currency translation reserve	33,539	(12,327)	2,752	23,964
	<u>1,886,976</u>	<u>(2,466,829)</u>	<u>(90,467)</u>	<u>(670,320)</u>
	<u>\$ 2,317,935</u>	<u>\$ -</u>	<u>\$ (90,467)</u>	<u>\$ 2,227,468</u>

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2. BASIS OF PRESENTATION, CONTINUED

	As previously reported	Income tax adjustment	Impairment charge	As restated
Revenue	\$ 2,199	\$ -	\$ -	\$ 2,199
Expenses (as previously reported)	2,062,161	(10,089)	-	2,052,072
Interest	-	87,331	-	87,331
	<u>2,062,161</u>	<u>77,242</u>	<u>-</u>	<u>2,139,403</u>
Loss from operations	(2,059,962)	(77,242)	-	(2,137,204)
Impairment charge	-	-	64,327	64,327
Net loss	(2,059,962)	(77,242)	(64,327)	(2,201,531)
FX translation loss (gain)	(11,594)	25,833	874	(27,552)
Net loss and comprehensive loss	<u>\$ (2,048,368)</u>	<u>\$ (103,075)</u>	<u>\$ (65,201)</u>	<u>\$ (2,173,979)</u>

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3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As at the date of authorization of these unaudited interim condensed consolidated financial statements, the IASB has issued the following new or revised standards as detailed below. The Company has not yet assessed the impact of any of the amendments on the unaudited interim condensed consolidated financial statements.

(a) IAS 16 "Property, Plant and Equipment"

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and requires certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022.

(b) IAS 37 "Provisions"

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January 1, 2022.

(c) IAS 1, "Presentation of Financial Statements", and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors"

This standard has been amended to clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. This amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January 1, 2023.

(d) IAS 12 "Income Taxes"

This standard has been amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

(e) IFRS 9 "Financial Instruments"

This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2022.

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3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, continued

(f) IAS 8 "Definition of Accounting Estimates"

On February 12, 2021, the IASB issued Definition of Accounting Estimates. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023.

(g) IAS 1 "Accounting Policies"

On February 12, 2021, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and an update to IFRS Practice Statement 2 "Making Materiality Judgements" to help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include a requirement for companies to disclose their material accounting policies rather than their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023.

4. ACQUISITIONS

On September 7, 2021, the Company closed on two acquisitions as follows:

- (a)** 100% of the units of Royal Wins (USA) LLP (formerly Antics Gaming LLC) ("RW USA") of Las Vegas, Nevada. The agreed upon purchase price was \$158,756 (USD \$125,786), using the foreign exchange rate in effect on the closing date. The purchase price was settled through cash consideration of \$96,077 (USD \$75,786) and 298,048 shares at an agreed-upon value of \$0.21 per share, or \$62,590 (USD \$50,000), and
- (a)** a 100% interest in the computer game known as "Winning With Words", including the electronic mobile version and all associated intellectual property rights and goodwill. The agreed upon purchase price was \$37,863 (USD \$30,000), using the foreign exchange rate in effect on the closing date, and was paid in full by cash.

There was no working capital or other identifiable assets acquired or liabilities assumed on the respective acquisitions. Therefore, based on management's estimate of the fair values at the date of acquisition, the preliminary allocation of the respective purchase prices has been made entirely to intangible assets.

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5. REVERSE TAKEOVER TRANSACTION ("RTO")

- (a) On February 24, 2021, RWC (the "Issuer"), the legal parent, and RWPL entered into a Takeover Implementation Deed (the "Agreement") under which the Issuer made an offer to acquire all of the issued and outstanding ordinary shares of RWPL on the basis of one-half of one issuer share for each outstanding ordinary share of RWPL. The offer closed on April 1, 2021 at which point the Issuer issued 71,042,650 shares in consideration for the tendered shares, comprising 94.1% of the ordinary shares of RWPL.
- (b) The Issuer subsequently undertook a second step in accordance with the Corporations Act 2001 (Australia) to compulsorily acquire the remaining ordinary shares of RWPL. This step was completed on June 25, 2021 through the issuance of a further 4,474,761 shares. As a consequence, the Issuer owns 100% of RWPL, but the transaction effectively resulted in a reverse takeover of the Issuer by RWPL, the Resulting Issuer.
- (c) As a result of the RTO transaction, there were a total of 104,147,045 common shares issued and outstanding as of April 1, 2021, as follows:
- (i) Former shareholders of RWPL exchanging their former 151,034,822 RWPL shares (on a 1 for 2 basis) for 75,517,411 Resulting Issuer shares, of which 71,042,650 were issued on April 1, 2021 and 4,474,761 on June 25, 2021. This represented approximately 72.5% of the total common shares of the Resulting Issuer.
 - (ii) Original shareholders of the Issuer exchanging their 24,853,762 former Issuer shares for 24,853,762 shares of the Resulting Issuer, representing approximately 23.9% of the total common shares of the Resulting Issuer.
 - (iii) A finders' fee paid through issuance of 3,775,872 shares of the Resulting Issuer, representing approximately 3.6% of the total common shares of the Resulting Issuer.
- (d) For accounting purposes, the reverse takeover transaction was recorded in the Company's records as at April 1, 2021, as follows:
- (i) Although the transaction resulted in RWPL legally becoming a wholly-owned subsidiary of RWC, the transaction constituted a reverse takeover of RWC and has been accounted for as a reverse takeover transaction in accordance with guidance provided in IFRS 2 Share Based Payments. As RWC did not qualify as a business according to the definition in IFRS 3, this reverse takeover transaction did not constitute a business combination. It has been treated as an issuance of shares by RWPL for the net monetary assets of RWC.
 - (ii) The transaction therefore was accounted for as a capital transaction, with RWPL being identified as the accounting acquirer and the equity consideration measured at fair value. The resulting consolidated statement of financial position was presented as a continuance of RWPL operations and comparative figures presented in the consolidated financial statements prior to the reverse acquisition are those of RWPL. The results of operations, cash flows and the assets and liabilities of RWC were included in these consolidated financial statements since April 1, 2021, the acquisition date.

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5. REVERSE TAKEOVER TRANSACTION ("RTO"), CONTINUED

(iii) The effective consideration paid by RWPL to acquire RWC was measured on (1) the basis of the fair value of the equity instruments issued, considering the price per share ascribed from the most recent private placement of RWC (*see note 8(a)*) just prior to completion of the RTO, and (2) pre-RTO advances by RWC to RWPL. In addition, as warrants and stock options granted by RWC prior to the transaction remained exercisable after the completion of the reverse acquisition, their fair value at the acquisition date was also included as part of the consideration transferred. In accordance with IFRS 2, any excess of the fair value of the equity instruments issued by RWPL over the value of the net monetary assets of RWC was expensed as listing costs during the year ended June 30, 2021, as outlined below:

Fair value of consideration issued:

<u>Deemed issuances to former shareholders of the Issuer</u>	
24,853,762 shares at \$0.244 per share	\$ 6,064,318
8,088,763 warrants at average rate of \$0.142 per warrant	1,152,186
11,500,000 options at average rate of \$0.199 per option	<u>2,294,500</u>
Total equity instruments assumed	9,511,004
Less: pre-RTO advances to RWPL	<u>(685,000)</u>
	\$ 8,826,004

Net monetary assets acquired

<u>Assets acquired</u>	
Cash	\$ 707,234
Prepaid assets	38,915
Subscription receipts - held in trust	<u>3,891,500</u>
	4,637,649
<u>Liabilities assumed</u>	
Bank loan payable	30,000
Accounts payable and accrued liabilities	43,256
Subscription receipts liability	<u>3,891,500</u>
	<u>3,964,756</u>
	672,893

Listing expenses

Excess applied to transaction costs	8,153,111
Finders' fee paid in shares	<u>921,313</u>
Listing expenses	<u>\$ 9,074,424</u>

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6. CASH

	December 31	June 30
	2021	2021
Operating accounts - Australian office	\$ 454,706	\$ 110,852
Operating account - Canadian office	-	115,632
Swiss Franc savings account	131,174	268,027
Lawyer's trust account	576,872	-
Escrow account	603,214	-
	\$ 1,765,966	\$ 494,511

The balance in the Company lawyer's trust account is made up of the remainder of the undisbursed proceeds received after the closing of the subscription receipts process (*see note 8(c)*). The balance in the escrow account represents proceeds from the exercise of share purchase warrants in December 2021. The funds in each of these accounts are unrestricted and available for use.

7. ACCOUNTS RECEIVABLE

	December 31	June 30
	2021	2021
Recoverable sales tax ITC's	\$ 123,708	\$ 49,676
Allowance for doubtful accounts	(84,514)	(49,676)
	\$ 39,194	\$ -

Accounts receivable includes recoverable Canadian sales tax input tax credits. The amount representing transactions up to September 30, 2021 has been provided for pending resolution of an audit by Canadian tax authorities.

8. SUBSCRIPTION RECEIPTS

(a) Initial offering - March, 2021

On March 5, 2021, a private placement of units of RWC closed with the issuance of 12,971,665 units at a price of \$0.30 each for gross proceeds of \$3,891,500. Each unit consisted of one common share of RWC and one-half of one common share purchase warrant.

Each full warrant is exercisable to acquire one additional share of RWC at an exercise price of \$0.40 for a period of 24 months following the closing dates of the offering, provided that, if the 20-day volume-weighted average price of the common shares on the Company's primary stock exchange is greater than \$0.60 per common share, the Company can deliver a notice and accelerate the expiry date of the warrants to the date that is 30 days after the date on which such notice of acceleration is provided. (The equity components of each unit remained unaffected by the reverse takeover transaction (*see note 5*) as each RWC common share was exchanged for a share of the Resulting Issuer and each full warrant remained exercisable on the same terms and conditions).

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8. SUBSCRIPTION RECEIPTS, CONTINUED

The offering was completed as Subscription Receipts, the proceeds of which were held in escrow in a trust account of the transfer agent pending (i) completion of the acquisition of not less than 90% of the issued and outstanding ordinary shares of RWPL, and (ii) receipt of approvals to list for trading on the CSE, subject to an outside release date of the escrowed funds of May 31, 2021. Cash commissions of 7% and broker warrants equal to 7% of the total units subscribed for are payable on successful meeting of the conditions above. Each broker warrant will allow the broker to purchase one common share of the Company at \$0.40 for a period of 24 months from the date of the closing.

(b) CSE listing status - May 31, 2021

As of May 31, 2021, the Company had not received approval of its listing on the CSE. As a result, management sought agreement from subscribers of Subscription Receipts to extend the retention of the proceeds of said Subscription Receipts in escrow beyond the original outside release date of May 31, 2021. Failure to retain such agreement from any holder would require refund of the subscription amount to such holder.

Of the original \$3,891,500 subscribed for, certain investors who had subscribed for 1,748,334 units requested refund of their subscriptions in the amount of \$524,500. Holders of the remaining \$3,367,000 agreed to extend the outside release date from May 31, 2021 to July 15, 2021. All of the requested refunds were repaid in July 2021, such that the balance held in escrow as at June 30, 2021 was still \$3,891,500.

(c) CSE listing approval - July 15, 2021

On July 15, 2021, the Company was approved for listing on the CSE under the symbol "SKLL", and trading commenced on July 20, 2021. Accordingly, Royal Wins had satisfied escrow release conditions pertaining to the remaining 11,223,331 Subscription Receipts, resulting in (i) the remaining balance of \$3,367,000 held in trust was released to the Company on July 15, 2021, and (ii) the issuance of 11,223,331 shares.

Each subscription receipt was automatically converted without any further action by the holders into one common share of Royal Wins and one-half of one common share purchase warrant. Each full warrant will entitle the holder to acquire one common share of the Company at a price of \$0.40 for a period of 24 months from the date of the closing of the private placement. Finder's fees totalling \$235,690 and 785,633 broker warrants have been paid in relation to the placement of these securities.

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9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2021	June 30 2021
Trade accounts payable	\$ 202,189	\$ 163,695
Accrued liabilities	80,553	68,750
Payroll liabilities	70,308	73,875
Australian HST payable	47,910	110,041
	<u>\$ 400,960</u>	<u>\$ 416,361</u>

10. SHARE CAPITAL

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the unaudited interim condensed consolidated statements of changes in shareholders' equity for the period from June 30, 2020 to December 31, 2021. Descriptions of the changes in shareholders' equity are as follows:

(a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of first preferred shares issuable in series by the directors. The common shares are without nominal or par value and may carry rights, privileges, priorities, limitations, conditions and restrictions according to the class their issued at including receiving dividends and voting rights.

The first preferred shares shall be entitled to preference over the common shares of the Company and over any other shares of the Company ranking junior to the first preferred shares with respect to payment of dividends and return of capital and in the distribution of assets in the event of liquidation, dissolution or wind-up of the Company.

All amounts for common share transactions up to March 31, 2021 have been retroactively restated to give effect to the RTO that resulted in the exchange of 2 RWPL shares for 1 Resulting Issuer share (*see note 5*).

(b) Share issuances up to March 31, 2021

During the nine month period up to March 31, 2021, the period preceding the RTO, RWPL completed the following share capital transactions:

- (i)** Numerous private placements that resulted in the issuance of 1,045,619 shares at an average price per share of \$0.04 for gross proceeds of \$124,362.
- (ii)** Issuance of 3,400,000 shares to the CEO in accordance with the terms of his long term incentive plan valued at \$936,318, an average of \$0.28 per share.
- (iii)** Issuance of 529,540 shares to employees under the terms of the Employee Stock Ownership Plan valued at \$202,532, an average of \$0.38 per share.

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10. SHARE CAPITAL, CONTINUED

(c) Reverse takeover transaction of RWC (the "Issuer") by RWPL ("the Resulting Issuer"):

As a result of the reverse takeover transaction described in note , the following share capital transactions transpired:

- (i)** Former shareholders of RWPL exchanged their former 151,034,822 RWPL shares (on a 2 for 1 basis) for 75,517,411 Resulting Issuer shares,
- (ii)** Original shareholders of the Issuer exchanged their 24,853,762 former Issuer shares for 24,853,762 shares of the Resulting Issuer, valued at \$6,064,318, an average of \$0.244 per share (determined from the price per share ascribed from the most recent private placement of RWC just prior to completion of the RTO), and
- (iii)** A finders' fee was paid through issuance of 3,775,872 shares of the Resulting Issuer valued at \$921,313, an average of \$0.244 per share.

(d) Share issuances during the six months ended December 31, 2021

- (i)** On July 5, 2021, 2,000,000 options were exercised for cash consideration of \$50,000. The value of \$438,000 previously attributed to these options from the RTO was transferred from the share based compensation reserve to share capital on this exercise.
- (ii)** On July 15, 2021, 11,223,311 common shares were issued on conversion of the subscription receipts (*see note 8(c)*).
- (iii)** On September 7, 2021, 298,048 common shares were issued valued at \$62,590 were issued as part of the consideration to complete the acquisition of RW USA (*see note 4(a)*).
- (iv)** On September 29, 2021, 60,399 shares valued at \$11,174 were issued to a supplier as a deposit for services to be rendered.
- (v)** On December 10, 2021, 6,033,340 common shares were issued for cash proceeds of \$603,334 on the exercise of 6,033,340 share purchase warrants. The value of \$919,558 previously attributed to these share purchase warrants from the RTO was transferred from the warrants reserve to share capital on this exercise.

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10. SHARE CAPITAL, CONTINUED

(e) Share purchase warrants

- (i) In conjunction with the conversion of the subscription receipts on July 15, 2021 (*see note 10(d)(ii)*), the Company issued 5,611,665 share purchase warrants and 785,633 broker compensation warrants. Each type of warrant entitles the holder to purchase one common share of the Company at a price of \$0.40 per share until expiry on March 5, 2023. The fair value of these warrants was calculated using the Black-Scholes option pricing model. Under the assumptions of: (1) risk free interest rate of 0.44%, (2) expected volatility of 100%, (3) expected life of 1.63 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was \$0.12.
- (ii) In addition to the 6,033,340 share purchase warrants exercised on December 10, 2021 (*see note 10(d)(v)*), 799,966 share purchase warrants expired unexercised in December 2021.

(f) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three and six months ended December 31, 2021 were 119,105,978 and 117,306,460 respectively (three and six months ended December 31, 2020 - 69,906,035 and 69,595,046 respectively).

The potentially dilutive equity instruments outstanding as at December 31, 2021 were (i) 9,500,000 stock options (June 30, 2021 - 11,500,000), and (ii) 7,652,727 warrants (June 30, 2021 - 8,088,763).

11. RELATED PARTY TRANSACTIONS

During the six months ended December 31, 2021 and 2020, the Company had the following related party transactions, including (i) compensation of key management personnel and directors, and (ii) transactions with entities related to or controlled by current and/or former officers and directors:

	<u>2021</u>	<u>2020</u>
Consulting fees	\$ 362,979	\$ 179,603
Rent and other administrative expenses	113,179	28,331
Regulatory fees	31,975	-
Director fees	48,587	-
Share based compensation	-	61,481
Share issue costs	53,615	-

Accounts payable and accrued liabilities as at December 31, 2021 includes \$125,439 (June 30, 2021 - \$10,562) and prepaid expenses includes \$Nil (June 30, 2021 - \$38,915) with respect to related parties for the transactions disclosed above.

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12. GOVERNMENT GRANTS

The Company has participated in grants offered by the Government of Australia to help offset the negative impact of the COVID-19 pandemic. During the six months ended December 31, 2021, the Company received funding of \$109,915 (2020 - \$30,361) under various Australian government payroll support programs, the proceeds of which have been netted against the employee compensation and benefits caption in the statement of net loss and comprehensive loss.

13. FINANCIAL INSTRUMENTS AND RISK FACTORS

(a) Fair value of financial instruments

The fair values of cash, accounts receivable, subscription receipts - held in trust, bank loan payable, accounts payable and accrued liabilities, income taxes payable and subscription receipts liability approximate their fair values due to the short-term or demand nature of these balances. The Company's financial instruments are exposed to certain financial risks, as summarized below.

(b) Credit risk

Credit risk arises from deposits with banks and refundable Canadian sales tax ITC's. The maximum exposure to credit risk as at December 31, 2021 is \$1,805,160 of cash and accounts receivable in the consolidated statement of financial position.

The Company's credit risk is attributable to its accounts receivable, which is comprised mostly of refundable Canadian sales tax input tax credits. Management has recorded an impairment provision of \$148,841 (*see note 7*) pending resolution of an audit by Canadian tax authorities.

Cash consists of bank deposits invested with Canadian and Australian chartered banks, from which management believes the risk of loss to be remote. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2021, the Company had a working capital deficiency of \$866,939 (June 30, 2021 - \$2,315,830). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

The Company received the proceeds of the subscription receipts in July, 2021 in the amount of \$3,367,000 (*see note 8(b)*). Management will need to continue assessing its financing options to raise future funds, but there can be no assurance that management's fund raising plans will be successful (*see note 2(e)*). In the meantime, the Company is managing its current working capital position through headcount reductions, deferral of compensation of its principals, and active management of its disbursement processes.

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13. FINANCIAL INSTRUMENTS AND RISK FACTORS, continued

(d) Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) foreign currency risk, (ii) interest rate risk, and (iii) other price risk.

- (i) Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from Australian dollar denominated cash and other payables. A 1% change in the foreign exchange rates would not result in any significant impact to the financial statements.
- (ii) Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at June 30, 2021 as there are no material long-term borrowings outstanding.
- (iii) Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at June 30, 2021.

14. SEGMENTED INFORMATION

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer of the Company. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment. The Company's operations comprise a single operating segment engaged in skill game wagering and betting on mobile casual games.

15. SUBSEQUENT EVENTS

(a) Share capital issuance

In February 2022, the Company issued 200,000 shares in settlement of debt with an arm's length supplier.

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(b) DTC eligibility

On January 28, 2022, the Company's common shares became eligible for electronic clearing and settlement through DTC in the United States. Currently, Royal Wins trades on the OTCQB under the symbol "RYWCF".

DTC is a subsidiary of The Depository Trust & Clearing Corporation. DTC manages the electronic clearing and settlement of publicly traded companies in the United States. Securities that are eligible to be electronically cleared and settled through DTC are considered "DTC eligible". This electronic method of clearing securities accelerates the settlement process for investors and brokers, enabling a security to be traded over a much wider selection of brokerage firms.

(c) Stock option grant

On February 2, 2022, the Company granted 10,312,000 options to officers, directors, employees and consultants. Each option entitles the holder to purchase one common share of the Company at a price of \$0.30 per share expiring in 5 years, vesting in even increments as to 1/3 on issuance and 1/3 on each of the next two anniversary dates.

(d) Australian office lease

In October 2021, the Company entered into a premises lease for its new Australian offices. The lease is for a five-year term commencing December 1, 2021 at an annual base rent of approximately \$340,000 (AUD \$366,000) plus share of operating costs, and has an option for a three year extension at then-market rates. Due to delays in modifying the space, the lease commencement date was delayed by two months until February 1, 2022.

On June 10, 2022, RWPL received a Breach of Lease notice from its landlord for failure to make its required monthly lease premises. RWPL vacated the premises on June 21, 2022 upon which the landlord took vacant possession and exercised on its bank guarantee of AUD \$86,000. As of the date of release of these restated unaudited interim condensed consolidated financial statements, the landlord has yet to communicate any intent to exercise upon any further available legal actions.

(e) Australian office renovation contract

In March 2022, the Company entered into a contract for renovations to its new office premises in Sydney in the amount of AUD \$659,000. On June 17, 2022, RWPL was served with a Creditor's Statutory Demand for Payment of Debt "(statutory demand)" under Section 459 of the Corporations Act 2001 (Australia) in the amount of AUD \$701,418. A failure to respond to a statutory demand may result in RWPL being placed in liquidation and control of the company passing to the liquidator of RWPL. As of the date of release of these restated unaudited interim condensed consolidated financial statements, RWPL has not responded to the statutory demand, and no action has been taken by any party with respect to liquidating RWPL.

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(f) Public company: listing and trading

On June 3, 2022, the Company announced that it had been unable to complete its interim filings for the three and nine month periods ended March 31, 2022 by the May 30, 2022 filing deadline. The delay in filing was a result of the Company becoming aware of a previously unrecognized material outstanding tax payment in the days prior to the filing deadline. The previous tax obligation is due to the Australian Tax Office by RWPL and stems from the 2016 and 2017 tax years (*see note 2(d,e)*).

The Company's shares are currently not trading on either exchange under respective cease trade orders until such time as the Company completes the above filings and any other required restatements of prior filings.