



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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying 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
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 2021	June 30 2021
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
	2,030,849	4,424,926
Long term:		
Plant and equipment	69,137	5,241
Intangible assets (Note 4)	217,949	23,564
	\$ 2,317,935	\$ 4,453,731
LIABILITIES		
Current:		
Bank loan payable	\$ 30,000	\$ 30,000
Accounts payable and accrued liabilities (Note 9)	400,959	416,376
Subscription receipts liability (Note 8)	-	3,891,500
	430,959	4,337,876
SHAREHOLDERS' EQUITY		
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	(21,945,050)	(19,885,088)
Foreign currency translation reserve	33,539	21,945
	1,886,976	115,855
	\$ 2,317,935	\$ 4,453,731

Going concern (Note 2(d))

Subsequent events (Note 14)

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
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	Six months ended December 31 2021 <small>(Restated-note 2(c))</small>	Three months ended December 31 2020 <small>(Restated-note 2(c))</small>	Six months ended December 31 2020 <small>(Restated-note 2(c))</small>
Revenue				
Marketing and consulting fees	\$ -	\$ -	\$ 257,161	\$ 257,192
Kash Karnival	273	2,199	-	147,205
	<u>273</u>	<u>2,199</u>	<u>257,161</u>	<u>404,397</u>
Expenses				
Consulting fees	304,698	541,542	211,972	333,193
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	29,562	91,990	5,193	12,899
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)	18,202	4,587	22,325
Depreciation and amortization	1,142	2,293	1,376	24,413
Share based compensation	-	-	220,629	263,270
	<u>1,158,124</u>	<u>2,062,161</u>	<u>623,616</u>	<u>885,770</u>
Net loss	(1,157,851)	(2,059,962)	(366,455)	(481,373)
Other comprehensive loss (income)				
Foreign exchange translation loss (gain)	<u>8,459</u>	<u>(11,594)</u>	<u>(10,446)</u>	<u>(5,463)</u>
Net loss and comprehensive loss	<u>\$ (1,166,310)</u>	<u>\$ (2,048,368)</u>	<u>\$ (356,009)</u>	<u>\$ (475,910)</u>
Basic and diluted loss per share (Note 10(e))	<u>\$ (0.010)</u>	<u>\$ (0.018)</u>	<u>\$ (0.005)</u>	<u>\$ (0.007)</u>

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

ROYAL WINS CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
PERIOD FROM JUNE 1, 20120 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>compensation</u> <u>reserve</u>		<u>deficit</u>	<u>exchange</u> <u>translation</u> <u>reserve</u>	
As at June 30, 2020 (Restated-note 2(c))		68,440,210	\$ 8,282,519	\$ 425,139	\$ -	\$ (8,545,370)	\$ 8,477	\$ 170,765
Net loss and comprehensive loss		-	-	-	-	(481,373)	5,463	(475,910)
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(c))		70,015,404	8,608,656	486,634	-	(9,026,743)	13,940	82,487
Net loss and comprehensive loss		-	-	-	-	(10,858,345)	8,005	(10,850,340)
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 in connection with RTO	10(c)	75,517,411	9,546,681	-	-	-	-	9,546,681
Shares, options and warrants deemed issued in connection with 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		104,147,045	16,532,312	2,294,500	1,152,186	(19,885,088)	21,945	115,855
Net loss and comprehensive loss		-	-	-	-	(2,059,962)	11,594	(2,048,368)
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)	-	(274,606)	-	-	-	-	(274,606)
Exercise of options	10(d)	2,000,000	488,000	(438,000)	-	-	-	50,000
Shares issued in connection with Royal Wins (USA) LLC acquisition	10(d)	298,048	62,590	-	-	-	-	62,590
Shares issued to a 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		123,762,143	\$ 20,934,648	\$ 1,856,500	\$ 1,007,341	\$ (21,945,050)	\$ 33,539	\$ 1,886,978

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

	2021	2020 (Restated-note 2(c))
	<u> </u>	<u> </u>
Operating activities		
Net loss	\$ (2,059,962)	\$ (481,373)
Add (deduct) items not affecting cash:		
Share based compensation	-	263,270
Depreciation of plant and equipment and right-of-use assets	2,293	24,413
Effect of foreign exchange	9,708	23,040
	<u>(2,047,961)</u>	<u>(170,650)</u>
Change in non-cash working capital items		
Accounts receivable	(39,194)	(39,731)
Prepaid expenses and deposits	(214,711)	-
Accounts payable and accrued liabilities	(12,964)	308,277
	<u>(2,314,830)</u>	<u>97,896</u>
Investing activities		
Purchase of Antic Games LLC and Winning With Words	(134,029)	-
Purchase of plant and equipment	(64,327)	-
	<u>(198,356)</u>	<u>-</u>
Financing activities		
Proceeds from issuance of common shares	-	124,362
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	-
	<u>3,784,641</u>	<u>124,362</u>
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 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 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED DECEMBER 30, 2021 AND 2020

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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 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 February 24, 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 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

(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 have been prepared on a going concern basis which assumes that the Company will realize on its assets and discharge its 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 the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its 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.

As at December 31, 2021, the Company had an accumulated deficit of \$21,945,050 (June 30, 2021 - \$19,885,088). Working capital as at December 31, 2021 was \$1,599,890 compared to \$87,050 as at June 30, 2021. Net loss and comprehensive loss for the six months ended December 31, 2021 was \$2,048,368 (2020 - \$475,910). Operations since inception have been funded from the issuance of shares and the exercise of stock options.

ROYAL WINS CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED DECEMBER 30, 2021 AND 2020

(Stated in \$CAD)

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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 proceeds, net of financing costs, 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 its liabilities and fund operating costs for the immediate future, but there is uncertainty as to how long these funds will last. The Company believes that, based on its revenue forecasts, expected opportunities in the marketplace and the ability to reduce expenditures, if required, it could continue as a going concern for the foreseeable future. To achieve that, the Company will need to (i) develop its marketing activities into further revenue generating transactions, and (ii) arrange future financing that will largely depend upon prevailing capital market conditions and the continued support of its shareholder base, including further exercises of existing options and share purchase warrants. 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.

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 which are not yet effective:

(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. The Company has not yet assessed the impact of the amendments on the unaudited interim condensed consolidated financial statements.

(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. The Company has not yet assessed the impact of the amendments on the unaudited interim condensed consolidated financial statements.

ROYAL WINS CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED DECEMBER 30, 2021 AND 2020

(Stated in \$CAD)

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3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, continued

(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. The Company has not yet assessed the impact of the amendment on the unaudited interim condensed consolidated financial statements.

(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. The Company has not yet assessed the impact of the amendment on the unaudited interim condensed consolidated financial statements.

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.

ROYAL WINS CORPORATION
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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>
	<u>672,893</u>

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>

ROYAL WINS CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED DECEMBER 30, 2021 AND 2020

(Stated in \$CAD)

(Unaudited - Prepared by Management)

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	-
	<u>\$ 1,765,966</u>	<u>\$ 494,511</u>

The balance in the Company lawyer's trust account is made of 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)
	<u>\$ 39,194</u>	<u>\$ -</u>

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	\$ 202,188	\$ 163,695
Accrued liabilities	80,553	68,765
Payroll liabilities	70,308	73,875
Australian HST payable	47,910	110,041
	\$ 400,959	\$ 416,376

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.

(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.

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10. SHARE CAPITAL, CONTINUED

(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. 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.

14. SUBSEQUENT EVENTS

(a) Stock option grant

In February 2022, the Board of Directors approved the grant of 10,312,000 incentive stock options to employees, officers, directors, advisors, and consultants of the Company pursuant to its 2021 Incentive Stock Option Plan. Each option has an exercise price of \$0.30 for a period of five years from the date of grant with a range of vesting periods.

(b) Share capital issuance

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

(c) 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.