



**ROYAL WINS**  
CSE : SKLL

**ROYAL WINS CORPORATION**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020**

# ROYAL WINS CORPORATION

## MANAGEMENT DISCUSSION AND ANALYSIS

### THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020

*The following management discussion and analysis ("MD&A") of Royal Wins Corporation ("Royal Wins" or "the Company") provides a review of corporate developments, results of operations and financial position for the three and six months ended December 31, 2021 ("Q2 2022 and YTD 2022 respectively) compared with the corresponding period ended December 31, 2020 ("Q2 2021 and YTD 2021 respectively). This discussion is prepared as of February 28, 2022 and should be read in conjunction with (i) the unaudited interim condensed consolidated financial statements for the three and six months ended December 31, 2021 and 2020, and (ii) both the audited consolidated financial statements and accompanying MD&A for the fiscal years ended June 30, 2021 and 2020. Additional information relating to the Company is available on Royal Win's SEDAR profile at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.royalwins.com](http://www.royalwins.com). The results reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars.*

*For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares, (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision, or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.*

## FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Detailed information on risks and uncertainties is provided in the "Uncertainties and Principal Risk Factors" section of the annual MD&A for the year ended June 30, 2021.

## COMPANY OVERVIEW

Royal Wins Corporation ("Royal Wins", "RWC", 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 to disrupt and dominate the online gaming space, so that all players of legal age can play and win life-changing 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 platform.

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After completion of a reverse takeover transaction ("RTO") on April 1, 2021 (*see discussion in "Reverse Takeover" section below*), 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 discussion under "CSE Listing" section below*). 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. ("RWPL"), located at Suite 1.08, 20A Danks Street, Waterloo, New South Wales, Australia.

RWPL has developed proprietary algorithms to adjust and match the difficulty level of pure skill-based games in response to human-player input. The more skillful a player is at a particular game, the greater the difficulty of that game, and vice versa. This technology enables RWPL to run pure skill-based games that award the top monetary prizes to the most skilled players. Each game has a set of attributes that are defined by their effect on a game. Some attributes will make the game easier, and some will make the game more difficult. As players play a game, the difficulty of the game attributes are adjusted so that only the top 5% of players will reach the jackpot levels of that game. Unlike traditional gambling where the house will eventually take all a player's money, the top 5% of players will reach jackpot levels. This means that even when playing against the algorithm, players are effectively playing against each other. Royal Wins is currently applying and monetizing these algorithms to its existing operating wagering portal, Kash Carnival. Royal Wins has designed and developed an inventory of 34 pure skill games and games of chance through the RWPL studios. The Company rotates its games inventory so that between 14 and 17 pure skill games will be on the Kash Carnival portal at any one time.

#### The Business of Royal Wins

Royal Wins is a leading developer and publisher of real money pure skill mobile games. It designs, develops and operates pure skill mobile games that are entertaining, engaging and social, offering players a chance to win real money and real item (non-cash) prizes based entirely upon their skill. Royal Wins' vision is to disrupt and dominate the online wagering industry for a new generation of player through the development and expansion of pure skill gaming products. This is the next growth market in the online gaming industry, making the experience more relevant and enticing to the millennial generation.

Kash Carnival (single player games) operates on both the Android and iOS mobile platforms. In addition, the Company intends to launch Kash Royale (tournaments which will include player-vs-player and multi-player games). Within the Kash Carnival ecosystem, players are able to play games to win real money in Kash Kingdom or play to win non-cash prizes in Arcade Corner. Both Kash Kingdom and Arcade Corner also offer free to play games as a means of practice and entertainment.

Royal Wins' products are regulated under the ambit of the Kahnawake Gaming Commission iGaming License that permits all games to be distributed across numerous regulated and unregulated markets worldwide. Current target markets focus for expansion, subject to obtaining any further geo-specific applicable licensing, include the U.S., Canada, Vietnam and Philippines. The Company expects to open up to other jurisdictions over the next 12 months as marketing budgets increase and the Company secures additional licenses within certain regulated markets.

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#### Revenue Model

Royal Wins derives its revenue primarily from drops on wagers from single player pure skill games and from entry fees for tournaments (for example player-vs-player games and multi-player games). Players either win real cash prizes or redeem points for real items via the arcade gaming platform within the Kash Karnival. Royal Wins is also investigating expansion into eSports tournament wagering and development of a framework and platform for a centralized app store for real money pure skill games, subject to ensuring full regulatory compliance.

Royal Wins' revenue model moving forward is based on its core product offerings and predicated on four mechanisms; drops on wagers, tournament fees, in-app purchases and, to a lesser degree, advertising revenue. Historically, a significant portion of RWPL's revenues were from drops on wagers. During the last two fiscal years, RWPL supplemented its primary revenue with contract design/development and consulting work for third-party clients. This revenue stream is not being actively pursued going forward but Royal Wins will consider future opportunities that present themselves. Following the 2021 re-launch of the Kash Kingdom platform, Royal Wins expects revenues to return to its primary model of drops on wagers in its real-money online gaming offerings and, increasingly, in-app purchases followed by the addition of tournament fee revenue.

Skill based gaming is a form of electronic gaming, in which the cash prize is based at least partly upon the skill of the player. In Royal Wins' case the cash prize is based completely on the skill of the player. This contrasts with conventional slot games, in which the software is configured to ensure that no possible skill or technique used by the player influences the game outcome, only chance. A particular difficulty faced by game designers and operators is that player winnings can be very volatile. Many highly skilled players on a strongly skill-based game may result in very high winnings, potentially exceeding 100% of wagers and clearly undesirable to the operator. Conversely, if a game is predominantly played by relatively low skilled players, the winnings may be very low. The latter is also not desirable, as players may become discouraged and discontinue playing the game. These issues are not faced by a purely chance driven game, as the game mathematics are known and fixed, and over time will return statistically at the planned level. In a skill-based game, the designer can only estimate the difficulty, so that the same certainty of overall outcomes for the operator cannot be guaranteed with mathematics alone.

Royal Wins has substantially overcome this conundrum by developing skill balancing algorithms in which winnings volatility can be managed on a continuous basis. In broad form, Royal Wins has developed a system in which a sample of game outcomes over time is assessed for the winnings achieved. If it is too high or too low, game parameters are changed for a period to compensate for the low or high rate of winnings. This process accordingly allows for winnings to be managed while a skill-based game is in operation.

Accordingly, Royal Wins' technology provides a method of automatically managing winnings within the following:

- ◆ multi-player electronic gambling games,
- ◆ games, including at least a component of skill and a random component, wherein players make wagers and play the game,
- ◆ games having one or more game play parameters which can be adjusted, wherein the average winnings of the game over a plurality of players is determined, and in response to a desired average rate of winnings, game play parameters are adjusted to increase or decrease the expected winnings.

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Implementation of technology allows for rate of winnings to be averaged over many players, and in response, the game parameters to be adjusted, so that a desired rate of winnings can be approached. This provides a more predictable financial outcome for an operator of skill-based games, particularly those with a large skill component.

### CURRENT HIGHLIGHTS

- ◆ In February 2022, 10,312,000 stock options were granted, exercisable at \$0.30, expiring in 5 years;
- ◆ In January 2022, the Company's common shares became eligible for electronic clearing and settlement through the Depository Trust & Clearing Corporation ("DTC") in the United States. The Company began trading on the American OTCQB Venture Marketplace ("OTCQB") under the symbol "RYWCF" in November 2021;
- ◆ In December 2021, 6,033,340 common shares were issued for cash proceeds of \$603,334 on the exercise of 6,033,340 share purchase warrants;
- ◆ On November 16, 2021, the Company announced the re-launch of the Kash Karnival on Google Play in the United States;
- ◆ In October 2021, the Company entered into a new five year lease for its Australian offices starting in the spring of 2022 at an annual base rent of approximately \$340,000;
- ◆ On September 7, 2021, the Company closed on the acquisitions of 100% of Royal Wins (USA) LLC (formerly Antics Gaming LLC) and a 100% interest in the computer game "Winning With Words", including the electronic mobile version;
- ◆ On July 15, 2021, the Company was approved for listing on the Canadian Securities Exchange ("CSE") under the symbol "SKLL", and trading commenced on July 20, 2021; and
- ◆ Concurrent with the CSE listing approval, 11,223,331 shares were issued on July 15, 2021 on the Company having satisfied escrow release conditions pertaining to the Subscription Receipts.

### RECENT EVENTS

#### Acquisition of Royal Wins (USA) LLC (formerly Antics Gaming LLC) and Winning With Words

On September 7, 2021, the Company closed on the acquisitions of:

- (i) 100% of the units of Royal Wins (USA) LLC (formerly Antics Gaming LLC) ("RW USA") of Las Vegas, Nevada. The agreed upon purchase price was \$158,756 (USD \$125,786), 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
- (ii) a 100% interest in the computer game known as "Winning With Words", including all associated intellectual property rights and goodwill. The agreed upon purchase price was \$37,863 (USD \$30,000), and was paid in full by cash. The vendor also retains a 5% royalty on all net income generated from the game.

The acquisitions are a significant building block in the Royal Wins' global development strategy, marking its first direct foray into the United States. The addition of RW USA, a Nevada limited liability company established in 2019, and its Winning With Words game further establishes the Company's ongoing working relationship with Samsung, Apple and Skillz Inc. The RW USA studio is an innovative software development gaming company which holds the sole license to develop and operate Winning With Words a skill-based word game, currently offered on the Skillz platform.

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**CSE Listing**

On July 15, 2021, the Company filed a Final Long Form Non-Offering Prospectus with the Ontario Securities Commission and received approval to list its common shares on the CSE under the trading symbol "SKLL". The Company's shares commenced trading on July 20, 2021.

**Subscription Receipts**

On March 5, 2021, a private placement of units of RWC, the legal parent, 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. 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 approval to list for trading on the CSE, subject to an outside release date of the escrowed funds of 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 the 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. Of the original \$3,891,500 subscribed for, certain investors 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.

On July 15, 2021, the Company received approval to list its common shares on the CSE. Accordingly, Royal Wins had satisfied escrow release conditions pertaining to the remaining 11,223,331 Subscription Receipts, resulting in the issuance of 11,223,331 common shares. The conversion of the subscription receipts resulted in release from escrow of the remaining \$3,367,000. The Company will use the proceeds for corporate general and administrative costs, product development, marketing, and customer acquisition for its hyper casual gaming platform, the Kash Karnival.

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 were paid in relation to the placement of these securities.

**Reverse Takeover**

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. 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.

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Although the transaction resulted in RWPL legally becoming a wholly-owned subsidiary of RWC, the transaction constituted a reverse takeover of RWC and was 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 was treated as an issuance of shares by RWPL for the net monetary assets of RWC.

### 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 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 Company had always planned for a significant re-tooling of the 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 (*see further discussion in "Results of Operations" section below*). Changes to the platform meant significant downtime of the platform. As a result of the listing process and related fund raising that closed on July 15, 2021 (*see discussion under "CSE Listing" and "Subscription Receipts" sections above*), 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.

### 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 (December 31, 2020 - \$19,885,088). Working capital as at December 31, 2021 was \$1,599,890 compared to \$87,050 as at December 31, 2020. For the six month ended December 31, 2021, net loss and comprehensive loss was \$1,166,310 (2020 - \$2,048,368). Operations since inception have been funded from the issuance of shares and the exercise of stock options.

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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. While the Company anticipates that it will have sufficient cash on hand to service its liabilities and fund operating costs for the immediate future, there is uncertainty as to how long these funds will last and as such further new investment will be required in order to achieve the Company's operational objectives. 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.

### CHANGE IN PRESENTATION CURRENCY

As a result of the RTO described above, the Company 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. Comparative financial information has been translated to Canadian dollars using the exchange rates as at, and for the six month period ending, December 31, 2020.

### QUARTERLY PERFORMANCE

The following table highlights certain key quarterly financial highlights. Commentary on the selected highlights is included under "Results of Operations" and "Liquidity and Capital Resources".

	<b>Dec-2021</b>	<b>Sep-2021</b>	<b>Jun-2021</b>	<b>Mar-2021</b>	<b>Dec-2020</b>	<b>Sep-2020</b>	<b>Jun-2020</b>	<b>Mar-2020</b>
	<b>2022 Q2</b>	<b>2022 Q1</b>	<b>2021 Q4</b>	<b>2021 Q3</b>	<b>2021 Q2</b>	<b>2021 Q1</b>	<b>2020 Q4</b>	<b>2020 Q3</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance sheet</b>								
Cash	1,765,966	2,261,237	494,511	534,264	558,048	436,549	335,790	19,752
Working capital	1,599,890	2,207,027	87,050	254,082	49,645	192,931	115,290	(571,407)
Shareholders' equity (deficit)	1,886,976	2,449,956	115,855	(391,727)	91,072	234,770	170,767	(511,399)
<b>Income statement</b>								
Revenue	273	1,926	4,982	3,665	257,161	147,236	219,720	-
Operating expenses	1,166,908	874,758	835,483	460,671	397,024	178,738	819,718	22,480
Share based compensation	-	-	(2,828)	433,586	220,629	42,643	52,778	18,147
Listing costs	-	-	9,074,424	-	-	-	-	-
Net loss and comprehensive loss	(1,166,310)	(882,058)	(9,919,751)	(939,065)	(356,009)	(119,901)	(606,538)	(88,737)

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**RESULTS OF OPERATIONS**

**Historical operations**

Upon full certification and acquisition of the Company's iGaming license from KGC in May 2019, the Company subsequently applied for the Kash Karnival app to be re-published on the Apple App Store and Android platforms. Prior to re-publishing on the Apple and Android platforms, the Company worked to ensure that all its games, the platform, and servers were fully compliant with the gaming license conditions as well as to the rules and regulations of native app stores, advertising and marketing platforms, search platforms and other entities before the Kash Karnival app was made available again on Apple and Android sites.

No budget was assigned to sales and marketing functions for all of F2019 and F2020. Sales and marketing are necessary to generate revenue from the platform.

The Company had always planned for a significant re-tooling of the platform, including updates and improvements to platform stability, improvements to popular (and potentially 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. Low cost, piecemeal attempts were made through most of F2020, but management was reluctant to have the platform off-line for extended periods. Player engagement and spend through the app was increasing due, in large part, to the "stay at home" environment created by the Covid-19 pandemic.

After entering into the reverse takeover transaction, RWC was in a position to advance funds to RWPL by F2021 Q2 and, with an improved visibility of available funds, management was able to secure additional human resources required for the planned renovations to the platform, back-end systems and games.

As of the date hereof, most of the planned updates and changes to the platform have been completed and the Company has re-launched the platform in tandem with the completion of the CSE listing. With the funding from the closing of the Subscription Receipts process on July 15, 2021, management now has access to funds for multi-channel media marketing campaigns necessary to heavily promote the platform and games across targeted jurisdictions.

**Six months ended December 31, 2021 compared to December 31, 2020**

The Company had a net loss of \$2,048,368 for YTD 2022 compared to \$475,910 for YTD 2021.

Revenue from Kash Karnival totalled \$2,199 in YTD 2022 compared to \$147,205 in YTD 2021. No revenue was recorded for the period from F2021 Q2 to F2021 Q4 once the decision was made to re-tool the platform (*see further discussion above under "Historical Operations"*). Minimal revenue has been recorded in YTD 2022 as effort had been directed at ensuring that all games, platform, and servers were fully compliant with the gaming license conditions as well as to the rules and regulations of native app stores, advertising and marketing platforms, search platforms and other platforms.

The lack of revenue in YTD 2022 reflects the change of marketing focus from previously engaged markets to more advanced economies, beginning with the United States. Revenue realized from Kash Karnival is early stage and, based on the growth of demonstrated interest in the Company's games, through app installs, player retention and increasing player engagement, management believes the Company is now on the right track to establishing a renewed revenue stream from paying players.

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Operating expenses in YTD 2022 of \$2,041,666 increased by \$1,465,994 compared to YTD 2021 expenses of \$575,672. The Company has undergone major development changes over the last 2 years, including disruptions due to COVID-19 (*see discussion under "Historical Operations" section above*). The major components of operating expenses (defined as total expenses less non-cash items such as share based compensation and depreciation and amortization) are as follows:

- Consulting fees in YTD 2022 of \$541,542 were significantly higher compared to \$333,193 in YTD 2021, an increase of \$208,349, due to the increase in staff numbers including game designers, digital artists, game testers and game coders resulting from efforts to re-launch the platform in YTD 2022;
- Employee compensation and benefits were \$464,569 in YTD 2022 compared to \$103,879 in YTD 2021, an increase of \$360,690, for the same staffing reasons as noted above under consulting fees. This amount is net of grants offered by the Government of Australia to help offset the negative impact of the COVID-19 pandemic. During YTD 2022, the Company received funding of \$109,915 (YTD 2021 - \$30,361) under various Australian government payroll support programs;
- Advertising and marketing expenses in YTD 2022 were \$455,209 compared to \$30,837 in YTD 2021, an increase of \$424,372, attributable to promotional efforts involved in the re-launch of the gaming platform;
- Investor relations and regulatory costs totaled \$198,324 in YTD 2022 were compared to \$Nil in YTD 2021, due to (i) significant costs incurred after the CSE listing to promote market awareness of the stock by the investment community, and (ii) costs incurred to obtain a listing on the OTC exchange in the United States;
- General and administrative expenses in YTD 2022 were \$91,990 compared to \$12,899 in YTD 2021, increasing due to (i) a bad debt provision of \$34,838 on recoverable Canadian sales tax input tax credits pending resolution of an audit by Canadian tax authorities, and (ii) external communication costs of \$34,500 (YTD 2021 - \$Nil); and
- Professional fees increased by \$149,384 from \$23,206 in YTD 2021 to \$172,590 in YTD 2022, mostly related to (i) increased audit costs and legal and accounting services related to the reverse takeover process and the subsequent listing on the CSE, and (ii) engagement of a 3rd party for business development and marketing services.

Share based compensation totalled \$Nil in YTD 2022 compared to \$263,270 in YTD 2021. The decrease in expense relates to prior vesting of shares granted to the CEO in accordance with his Long Term Incentive Plan (in effect prior to the RTO).

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**LIQUIDITY AND CAPITAL RESOURCES**

Working capital as at December 31, 2021 was \$1,599,890, an increase of \$1,512,840 when compared to the \$87,050 as at June 30, 2021. Cash increased by \$1,271,455 to \$1,765,966 as at December 31, 2021 from \$494,511 as at June 30, 2021. The major components of the increase in working capital were the net of the following major transaction flows:

- (1) net proceeds from the release from escrow of the subscription receipt funds, net of financing costs, of \$3,131,307 in July, 2021;
- (2) proceeds totalling \$603,334 from the exercise of warrants in December 2021, less;
- (3) cash component of the acquisitions of RW USA and the Winning With Words app of \$134,029;
- (4) purchase of plant and equipment totalling \$64,327; and
- (5) operating expenses of \$2,041,666.

During the course of reduced commercial operations, (i) trade and other receivables as at December 31, 2021 increased to \$39,194 compared to \$Nil as at June 30, 2021 due to recoverable HST ITC's, and (ii) accounts payable and accrued liabilities as at December 31, 2021 of \$400,959 decreased nominally by \$15,417 compared to the balance of \$416,376 as at June 30, 2021.

Prepaid expenses and deposits as at December 31, 2021 increased by \$186,774 to \$225,689 from \$38,915 as at June 30, 2021, mostly as a result of funding of a bank guarantee of \$79,534 required to secure the Company's new Australian office lease that commences in the spring of 2022 and prepaid financial advisory services of \$50,000.

**CAPITALIZATION**

The Company has common shares and other equity instruments outstanding at each reporting date as follows:

	December 31, 2021	June 30, 2021	Change in reporting period
Common shares	123,762,143	104,147,045	19,615,098
Stock options	9,500,000	11,500,000	(2,000,000)
Warrants	7,652,727	8,088,763	(436,036)
	<u>140,914,870</u>	<u>123,735,808</u>	<u>17,179,062</u>
Total equity instruments			

The details of the major changes in each equity category over YTD 2022 are as follows:

**Common shares**

During YTD 2022, the Company completed the following major share capital transactions:

- Upon the CSE listing, subscription receipts were converted to 11,223,311 common shares
- 2,000,000 common shares were issued on exercise of stock options
- 298,048 common shares were issued in conjunction with the acquisition of RW USA
- 6,033,340 common shares were issued on exercise of common share purchase warrants

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Share purchase warrants

- The conversion of the subscription receipts in July 2021 also resulted in the issuance of 5,611,665 share purchase warrants, exercisable at \$0.40 for a period of 24 months from the date of the closing of the initial private placement. A further 785,633 broker warrants were also issued on equivalent terms.
- In addition to the 6,033,340 share purchase warrants exercised in December 2021, 799,966 share purchase warrants also expired unexercised in December 2021.

RELATED PARTY TRANSACTIONS AND BALANCES

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:

	YTD 2022	YTD 2021
	\$	\$
Consulting fees	362,979	179,603
Rent and 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.

SUBSEQUENT EVENTS

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

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**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

**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.

**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.

**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.

**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.

**CAPITAL RISK MANAGEMENT**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The Company includes equity, comprised of common shares, share based compensation, warrants, accumulated deficit and foreign currency translation reserve, in its definition of capital. The Company manages its capital structure and adjusts it in light of economic conditions. Upon approval from its Board of Directors, it will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the prior fiscal year.

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**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.