



ROYAL WINS

CSE : SKLL

ROYAL WINS CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2021 AND 2020

ROYAL WINS CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

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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 years ended June 30, 2021 and 2020 ("F2021 and "F2020" respectively). This discussion is prepared as of October 28, 2021 and should be read in conjunction with the consolidated financial statements and the accompanying notes for the 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 and the Company's website at 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.

COMPANY OVERVIEW

Royal Wins Corporation ("Royal Wins", "RWC", or the "Company") is a digital games studio pioneering skill game wagering and betting on mobile casual games. Established in 2013, the Company designs, develops and operates pure skill games for both cash and non-cash prizes targeting millennial markets via their primary skill gaming app, the Kash Karnival.. The Company aims to disrupt and dominate the online gaming space such that all players of legal age can play and win prizes based on their skill instead of only on chance and odds. The Company's primary innovation and intellectual property centres around solving big data problems around skill gaming mechanics, algorithms pertaining to balancing cash prizes, game difficulty modules, and maintenance of Return-to- Player (RTP) percentages.

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). 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.

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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 multiplayer 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.

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 Carnival. 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.

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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:

- ◆ multiplayer 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.

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.

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CURRENT HIGHLIGHTS

- ◆ On September 7, 2021, the Company closed on the acquisitions of 100% 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
- ◆ 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
- ◆ On July 5, 2021, 2,000,000 options were exercised for proceeds of \$50,000

RECENT EVENTS

Acquisition of Antics Games LLC and Winning With Words

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

- 100% of the units of Antics Gaming LLC ("Antics") 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
- 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 Antics, 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 Antics 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.

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 consists 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.

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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, Kash Carnival.

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.

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.

The transaction therefore has been 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 has been 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 have been included in these consolidated financial statements since April 1, 2021, the acquisition date.

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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 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 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 consolidated financial statements. Such adjustments could be material.

As at June 30, 2021, the Company had an accumulated deficit of \$19,885,088 (June 30, 2020 - \$8,545,370). Working capital as at June 30, 2021 was \$87,050 compared to \$115,288 as at June 30, 2020. For the year ended June 30, 2021, net loss and comprehensive loss was \$11,326,250 (2020 - \$1,054,617). 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 net cash proceeds of \$3,367,000. 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. 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. For comparative reporting purposes, historical financial information has been translated to Canadian dollars using the exchange rate as at July 1, 2019.

SELECT FINANCIAL INFORMATION

	Years ended June 30		
	2021	2020	2019
	\$	\$	\$
Cash	494,511	335,790	86,542
Working capital	87,050	115,288	(136,554)
Shareholders' equity (deficit)	115,855	170,765	(81,485)
Revenue	413,045	219,720	261,298
Operating expenses	1,871,918	1,198,712	1,458,796
Net loss and comprehensive loss	(11,326,250)	(1,054,617)	(2,347,323)

(Operating expenses defined as total expenses less non-cash items including depreciation and amortization, share based compensation and loss on foreign exchange)

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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".

	Jun-2021 2021 Q4	Mar-2021 2021 Q3	Dec-2020 2021 Q2	Sep-2020 2021 Q1	Jun-2020 2020 Q4	Mar-2020 2020 Q3	Dec-2019 2020 Q2	Sep-2019 2020 Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Balance sheet								
Cash	494,511	534,264	558,048	436,549	335,790	19,752	45,866	22,230
Working capital	87,048	254,082	49,645	192,931	115,290	(571,407)	(495,563)	(367,255)
Shareholders' equity (deficit)	129,413	(391,727)	91,072	234,770	170,767	(511,399)	(440,824)	(313,602)
Income statement								
Revenue	4,982	3,665	257,162	147,236	219,720	-	-	-
Operating expenses	835,483	460,671	397,025	178,739	819,718	22,480	119,315	237,199
Share based compensation	(2,828)	433,586	220,629	42,641	52,778	18,147	-	-
Listing costs	9,074,424	-	-	-	-	-	-	-
Net loss and comprehensive loss	(9,919,751)	(939,065)	(356,010)	(111,424)	(606,538)	(88,737)	(127,222)	(232,117)

RESULTS OF OPERATIONS

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 our 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.

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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.

Year ended June 30, 2021 compared to June 30, 2020

The Company had a net loss of \$11,326,250 for F2021 compared to \$1,054,617 for F2020.

Revenues for F2021 at \$413,045 when compared to \$219,720 in F2020. The revenue mix was as follows:

- Marketing and consulting fees totalled \$258,491 in F2021 compared to \$201,712 in F2020. During the last two fiscal years, the Company supplemented its primary revenue with marketing 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; and
- Revenue from Kash Karnival totalled \$154,554 in F2021 compared to \$18,008 in F2020. 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 “Operations”). Minimal revenue was recorded in F2020 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.

Operating expenses in F2021 of \$1,871,918 increased by \$673,206 compared to F2020 of \$1,198,712. The Company has undergone major development changes over the last 2 years, including disruptions due to COVID-19 (*see discussion under “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 F2021 of \$681,283 were significantly higher compared to \$373,521 in F2020, an increase of \$307,762, 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 F2021;
- Employee compensation and benefits were \$472,011 in F2021 compared to \$255,534 in F2020, an increase of \$216,477, 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 the year ended June 30, 2021, the Company received funding of \$42,145 (2020 - \$55,372) under various Australian government payroll support programs;
- Professional fees increased by \$194,795 from \$20,163 in F2020 to \$214,958 in F2021, mostly related to costs of legal and accounting services related to the reverse takeover process and the subsequent listing on the CSE;
- Advertising and marketing expenses in F2021 were \$179,794 compared to \$430,128 in F2020, a decrease of \$250,334, attributable mostly to a one-time large marketing fee paid in F2020 (that did not repeat in F2021); and
- General and administrative expenses in F2021 were \$113,715 compared to \$30,946 in F2020, increasing due to the general level of increase in operational activity.

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Share based compensation totalled \$694,028 in F2021 compared to \$70,927 in F2020. The increase in expense relates to (i) vesting of shares granted to the CEO in accordance with his Long Term Incentive Plan, and (ii) shares issued under the Employee Share Plan (*see details in "Capitalization" section below*).

LIQUIDITY AND CAPITAL RESOURCES

Working capital as at June 30, 2021 was \$87,050, essentially flat when compared to the \$115,288 as at June 30, 2020. Cash increased by \$158,721 to \$494,511 as at June 30, 2021 from \$335,790 as at June 30, 2020. The major components of the increase in cash were the net of the following major transaction flows:

- (1) proceeds from the issuance of common shares of \$125,132,
- (2) pre-RTO advances from the legal parent of \$685,000,
- (3) cash acquired from legal parent in RTO process of \$707,234, less
- (4) cash impact of loss from operations of \$1,514,791

During the course of reduced commercial operations, (i) trade and other receivables as at June 30, 2021 were \$Nil compared to \$8,444 as at June 30, 2020, and (ii) trade and other payables as at June 30, 2021 of \$416,376 increased by \$187,430 compared to the balance of \$228,946 as at June 30, 2020. The increase is almost entirely attributable to accruals for professional fees with respect to the CSE listing process and Canadian head office costs.

As at June 30, 2020, the consolidated statement of financial position reflects proceeds from a pre-RTO financing of \$3,891,500, which has been presented as subscription receipts - held in trust offset by a subscription receipts liability (*see discussion in "Subscription receipts" section above*). Of the original \$3,891,500 subscribed for, certain investors requested refund of their subscriptions in the amount of \$524,500. On July 15, 2021, the Company received approval to list its common shares on the CSE, resulting in the release from escrow of the remaining \$3,367,000.

CAPITALIZATION

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

	June 30, 2021	June 30, 2020	Change in reporting period
Common shares	104,147,045	68,440,210	35,706,835
Stock options	11,500,000	-	11,500,000
Warrants	8,088,763	-	8,088,763
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Total equity instruments	123,735,808	68,440,210	55,295,598
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The details of the major changes in each equity category over F2021 are as follows:

Common shares

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

- Numerous private placements that resulted in the issuance of 3,147,661 shares at an average price per share of \$0.04 for gross proceeds of \$125,312.
- 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.
- 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.

As a result of the reverse takeover transaction described above, further share capital transactions occurred as follows:

- 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
- 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.

Stock options

- The Company had no stock options issued or outstanding prior to the RTO transaction. As a result of the RTO, a total of 11,500,000 stock options granted prior to the RTO transaction by RWC remain exercisable after the completion of the reverse acquisition.

Warrants

- The Company had no warrants issued or outstanding prior to the RTO transaction. As a result of the RTO, a total of 8,088,763 warrants granted prior to the RTO transaction by RWC remain exercisable after the completion of the reverse acquisition.

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RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended June 30, 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:

	F2021	F2020
	\$	\$
Consulting fees	663,008	348,709
Administrative expenses	70,437	71,295
Marketing fees	-	405,301
Share based compensation	491,265	70,928

Accounts payable and accrued liabilities as at June 30, 2021 includes \$10,562 (June 30, 2020 - \$109) and prepaid expenses includes \$38,915 (2020 - \$Nil) with respect to related parties for the transactions disclosed above.

SUBSEQUENT EVENTS

- On July 5, 2021, 2,000,000 options were exercised for proceeds of \$50,000.
- On July 15, 2021, the Company was approved for listing on the CSE under the symbol "SKLL", and trading commenced on July 20, 2021.
- 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.
- On September 7, 2021, the Company closed on the acquisitions of Antics Games LLC and Winning With Words (*see discussion above in "Recent Events" section*).
- On August 9, 2021, the Company agreed to issue 60,399 shares valued at \$11,174 to a third-party development contractor as partial consideration for services rendered. The shares were issued on September 29, 2021.
- In October 2021, the Company entered into a new premises lease for its 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.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

IFRS 16 "Leases"

This standard has been amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This amendment is effective for annual periods beginning on or after June 1, 2020. At this time, the Company has not received rent concessions related to COVID-19 and therefore, this amendment is not expected to have a significant impact on the consolidated statements.

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

These standards have been amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

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 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 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 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 consolidated financial statements.

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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.

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.

RISKS AND UNCERTAINTIES

General

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company currently deemed immaterial, may also impair the operations of the Company. If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The following is a description of certain risks and uncertainties that may affect the business of the Company.

Business interruption risks

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to the COVID-19 pandemic. An outbreak of infectious disease, a pandemic or a similar public health threat, such as the recent outbreak of COVID-19, or a fear of any of the foregoing, could adversely impact the Company. It is unknown whether and how the Company may be affected if such an epidemic persists for an extended period of time. The Company may incur expenses or delays relating to such events outside of its control, which could have a material adverse impact on its business, operating results and financial condition.

Business operations

An investment in the Company Shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has a limited history of earnings, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The Company is in the development and early commercialization stage. Operations are not yet sufficiently established such that the Company can mitigate the risks associated with planned activities.

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Risks related to the business of the Company

If Royal Wins fails to retain existing customers or add new customers, or if its customers decrease their level of engagement with its product offerings, Royal Wins' revenue, financial results, and business may be significantly harmed.

The size of Royal Wins active customer base and the level of engagement of such customers are critical to its success. The financial performance of Royal Wins has been and will continue to be significantly determined by its success in adding, retaining, engaging and monetizing active customers of its product offerings, in particular high-value, net-depositing customers. If people do not perceive Royal Wins' product offerings as enjoyable, reliable, relevant and trustworthy it may be unable to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. A number of other online gaming and interactive entertainment companies that achieved early popularity have since seen their active customer bases or levels of engagement decline. Royal Wins' strategy is to increase engagement, retention and monetization of customers, particularly those it deems of higher value, but there is no guarantee that Royal Wins will not experience an erosion of its active customer base or engagement or monetization levels among such customers in the future. Royal Wins' customer engagement patterns have changed over time, and customer engagement can be difficult to measure, particularly as customers continue to engage increasingly via mobile devices and as Royal Wins introduces new and different product offerings. Any number of factors could potentially negatively affect customer retention, growth and engagement, including if:

- Customers increasingly engage with the products or services of Royal Wins' competitors;
- Royal Wins fails to introduce, or delays the introduction of, new products or services (whether developed internally, licensed or otherwise obtained or developed in conjunction with third parties) that users find engaging or that work with a variety of operating systems or networks, or if it introduces new products or services, including using technologies with which it has little or no prior development or operating experience, or changes to its existing products or services, that are not favorably received by customers;
- Customers have difficulty installing, updating or otherwise accessing Royal Wins' product offerings on desktops or mobile devices as a result of actions by it or third parties that it relies on to distribute and deliver its product offerings, or Royal Wins fails to price its product offerings competitively or provide adequate customer service;
- New legislation is introduced in competitive jurisdictions, particularly in the USA, authorizing gaming, online wagering or sports-betting which were not previously permitted in those jurisdictions, and which may pose significant new competition in the industry to Royal Wins and its business.
- There are decreases in customer sentiment about the quality of Royal Wins' product offerings or concerns related to privacy, safety, security or other factors, or technical or other problems prevent Royal Wins from delivering its product offerings in a rapid and reliable manner or otherwise affect the customer experience, such as security breaches or failure to prevent or limit spam or similar content;
- New industry standards are adopted or customers adopt new technologies where Royal Wins' product offerings may be displaced in favor of other products or services, may not be featured or otherwise available, or may otherwise be rendered obsolete and unmarketable;
- There are adverse changes in Royal Wins' product offerings that are mandated by legislation, regulatory authorities or litigation, including settlements, or Royal Wins does not obtain applicable regulatory or other approvals or renewals of such approvals to offer, directly or indirectly, its product offerings in new or existing jurisdictions;

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- Royal Wins adopts policies or procedures related to areas such as customer data and information that are perceived negatively by its customers or the general public;
- Royal Wins elects to focus its customer growth and engagement efforts more on longer-term initiatives, or if initiatives designed to attract and retain customers and engagement are unsuccessful or discontinued, whether as a result of actions by Royal Wins, third parties or otherwise;
- Royal Wins or other companies in the industries in which it operates are the subject of adverse media reports or other negative publicity; or
- Royal Wins fails to effectively anticipate or respond to customers' continuously changing and dynamic needs, demands and preferences, such as new poker variants or casino games, or innovative types of betting or betting related to new or popular sporting events, as well as emerging technological trends, or its competitors more effectively anticipate or respond to the same.

Customer base

If Royal Wins is unable to maintain or increase its customer base or engagement, or effectively monetize its customer base's use of its product offerings, its revenue and financial results may be adversely affected. Any decrease in customer retention, growth or engagement could render Royal Wins' products less attractive to customers. If Royal Wins' active customer growth rate slows, it becomes increasingly dependent on its ability to maintain or increase levels of customer engagement and monetization in order to drive revenue growth, particularly with respect to high-value customers.

The online gaming and interactive entertainment industries are intensely competitive and Royal Wins' potential inability to compete successfully could have a significant adverse impact.

Competition

There is intense competition among online gaming and interactive entertainment providers, and the online gaming and interactive entertainment industries are characterized by dynamic customer demand and technological advances. A number of established, well-financed companies producing online gaming and/or interactive entertainment products and services compete with Royal Wins' product offerings. Such competitors may spend more money and time on developing and testing products and services, undertake more extensive marketing campaigns, adopt more aggressive pricing or promotional policies or otherwise develop more commercially successful products or services than Royal Wins, which could negatively impact its business. Furthermore, new competitors, whether licensed or not, may enter Royal Wins' key product and/or geographic markets. There has also been considerable consolidation among Royal Wins' competitors in the gaming industry. Such consolidation and future consolidation could result in the formation of larger competitors with increased financial resources and altered cost structures, which may enable them to offer more competitive products, gain a larger market share, expand product offerings and broaden their geographic scope of operations.

As a result of the foregoing, among other factors, Royal Wins must continually introduce and successfully market new and innovative technologies, product offerings and product enhancements to remain competitive and effectively stimulate customer demand, acceptance and engagement. The process of developing new product offerings and systems is inherently complex and uncertain, and new product offerings may not be well received by customers, even if well-reviewed and of high quality.

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In an effort to remain competitive, Royal Wins has established a business strategy, which it continuously reviews and updates as appropriate based on developments in, among other things, the industries in which it operates, technology and cybersecurity and Royal Wins' business and operations. This strategy is based on estimates, projections and assumptions of Royal Wins and certain third parties. The validity of its and their assumptions, including, among others, those regarding the size and availability of current and future potential markets, economic conditions, customer preferences, timeliness of product development, pricing, growth rates and availability of capital, could affect Royal Wins' strategy and strategic decisions. There can be no assurances that Royal Wins' strategy is appropriate or that it will succeed in implementing its strategy, and, even if successful, there is no guarantee that the revenue and cash flow generated as a result of its strategy will be greater than the revenue and cash flow that Royal Wins would have generated if it had pursued a different strategy.

Changing economic conditions

Royal Wins' business is vulnerable to changing economic conditions and to other factors that adversely affect the industries in which it operates. Royal Wins believes that demand for entertainment and leisure activities, including gaming, can be highly sensitive to changes in consumers' disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond its control. Unfavorable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and increasing fuel or transportation costs or the perception by customers of weak or weakening economic conditions, may reduce customers' disposable income or result in fewer individuals engaging in entertainment and leisure activities, such as online gaming.

As a result, Royal Wins cannot ensure that demand for its product offerings will remain constant. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities, such as gaming. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could adversely affect the demand for Royal Wins' product offerings, reducing its cash flows and revenues. If Royal Wins experiences a significant unexpected decrease in demand for its product offerings, its business may be harmed.

Foreign exchange

Royal Wins is subject to foreign exchange and currency risks that could adversely affect its operations, and its ability to mitigate its foreign exchange risk through hedging transactions may be limited.

Royal Wins is exposed to foreign exchange risk with respect to customer purchasing power and the translation of foreign- currency-denominated balance sheet accounts into U.S. dollar-denominated balance sheet accounts. The primary depositing currencies on Royal Wins' product offerings are currently currencies other than the U.S. dollar, consequently, past and potential future weakness in certain global currencies against the U.S. dollar decreases the purchasing power of the Royal Wins' International segment customer base, which could cause those customers to be unwilling to deposit and spend the same or similar amounts that they may otherwise deposit or spend. In addition, Royal Wins reports its financial statements in Canadian dollars and significant changes in foreign exchange rates can have an adverse impact on its overall results.

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Payment processors

Royal Wins currently depends on the ongoing support of payment processors, the quality and cost of which may be variable in certain jurisdictions. Royal Wins currently relies on payment and multi-currency processing providers to facilitate the movement of funds between Royal Wins and its customer base. Anything that could interfere with or otherwise harm its relationships with payment service providers could have a material adverse effect on its businesses. Any introduction of legislation or regulations restricting financial transactions with online gambling operators or prohibiting the use of credit cards and other banking instruments for online gambling transactions, or any other increase in the stringency of regulation of financial transactions, whether in general or in relation to the online gambling industry in particular, may restrict the ability of Royal Wins to accept payment from its customers or facilitate withdrawals by them.

Certain governments may seek to impede the online gambling industry by introducing legislation or through enforcement measures designed to prevent customers or financial institutions based in their jurisdictions from transferring money to online gambling operations. They may seek to impose embargoes on currency use, wherever transactions are taking place. This may result in the providers of payment systems for a particular market deciding to cease providing their services for such market. This in turn would lead to an increased risk of payments due to Royal Wins being misappropriated, frozen or diverted by banks and credit card companies.

Dependence on key personnel

Failure to attract, retain and motivate key employees may adversely affect Royal Wins' ability to compete and the loss of the services of key personnel could have a material adverse effect on its business.

Royal Wins depends on the services of its executive officers as well as its key technical, operational, marketing and management personnel. The loss of any of these key persons could have a material adverse effect on Royal Wins' business, results of operations and financial condition. Royal Wins' success also highly depends on its continuing ability to identify, hire, train, motivate and retain highly qualified technical, operational, marketing and management personnel. Competition for such personnel can be intense, and Royal Wins cannot provide assurance that it will be able to attract or retain such highly qualified personnel in the future, in particular in light of the potential Combination, which could hinder Royal Wins' ability to attract or retain such highly qualified personnel.

Capital requirements

Royal Wins may require additional capital to support its business growth, and this capital may not be available on acceptable terms, if at all.

Royal Wins may require additional capital to support its business growth or to respond to business opportunities, challenges or unforeseen circumstances. Royal Wins' ability to obtain additional capital, if and when required, will depend on its business plans, investor demand, its operating performance, capital markets conditions, and other factors. If Royal Wins raises additional funds by issuing equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of its currently issued and outstanding equity or debt, and its existing shareholders may experience dilution. If Royal Wins is unable to obtain additional capital when required, or on satisfactory terms, its ability to continue to support its business growth or to respond to business opportunities, challenges or unforeseen circumstances could be adversely affected, and its business may be harmed.

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Natural events

Royal Wins' results of operations could be affected by natural events in the locations in which it operates or where its customers or suppliers operate, as well as by scheduling and live broadcasting of major sporting events, and cancellation, postponement or curtailment of the same.

Royal Wins and its suppliers have operations in, and customers reside in, locations subject to natural occurrences such as severe weather and other geological events, including hurricanes, earthquakes, floods, blizzards, wild fires, pandemics or tsunamis that could disrupt operations and gameplay. Any serious disruption at any of Royal Wins' or its suppliers' facilities or the residences of its customers due to a natural disaster could have a material adverse effect on Royal Wins' revenues and increase its costs and expenses. If there is a natural disaster or other serious disruption at any of Royal Wins' facilities, it could impair its ability to adequately supply its customers, cause a significant disruption to its operations, cause it to incur significant costs to relocate or re-establish these functions and negatively impact its operating results.

Mobile platforms

Royal Wins' customer growth, engagement, and monetization on mobile devices each depend upon effective operation with mobile operating systems, networks, standards and application marketplaces that it does not control.

As it relates to its mobile platforms, Royal Wins is dependent on the interoperability of such platforms with popular mobile operating systems, technologies, networks and standards that it does not control, such as the Android and iOS operating systems, and any changes, bugs, technical or regulatory issues in such systems, Royal Wins' relationships with mobile partners, manufacturers and carriers, or in their terms of service or policies that degrade Royal Wins' product offerings' functionality, reduce or eliminate its ability to distribute its product offerings, give preferential treatment to competitive products, limit its ability to deliver high quality product offerings, or impose fees or other charges related to delivering its product offerings, could adversely affect its product usage and monetization on mobile devices. Royal Wins also may not be successful in developing relationships with key participants in the mobile industry or in developing products or services that operate effectively with these operating systems, networks, devices and standards. If it is difficult or unfavorable for Royal Wins' customers to access and use its product offerings on their mobile devices, or if its customers choose not to access or use its product offerings on their mobile devices or use mobile products that do not offer access to its product offerings, its customer growth and engagement could be harmed, which could adversely affect its business, results of operations and financial condition.

Evolving industries

Royal Wins' mobile offerings are part of new and evolving industries, which presents significant uncertainty and business risks. The online gaming and interactive entertainment industries are relatively new and continue to evolve. Whether these industries grow and whether Royal Wins' online business will ultimately succeed, will be affected by, among other things, developments in social networks, mobile platforms, legal and regulatory developments (such as passing new laws or regulations or extending existing laws or regulations to online gaming and related activities), taxation of gaming activities, data and information privacy and payment processing laws and regulations, and other factors that it is unable to predict and which are beyond its control. Given the dynamic evolution of these industries, it can be difficult to plan strategically, including as it relates to product launches in new or existing jurisdictions which may be delayed or denied, and it is possible that competitors will be more successful than Royal Wins at adapting to change and pursuing business opportunities.

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Additionally, as the online gaming industry advances, including with respect to regulation in new and existing jurisdictions, Royal Wins may become subject to additional compliance-related costs, including as it relates to licensing and taxes. Consequently, Royal Wins cannot provide assurance that its online and interactive offerings will grow at the rates expected, or be successful in the long term. If Royal Wins' product offerings do not obtain popularity or maintain popularity, or if they fail to grow in a manner that meets its expectations, or if it cannot offer its product offerings in particular jurisdictions that may be material to its business, Royal Wins' business, results of operations and financial condition could be harmed.

Corporate social responsibility, responsible gaming, reputation and ethical conduct.

Many factors influence Royal Wins' reputation and the value of its brands, including the perception held by its customers, business partners, investors, other key stakeholders and the communities in which it operates regarding Royal Wins and its business and governance practices, such as its environmental, social responsibility, corporate governance and responsible gaming practices. Royal Wins has and will likely continue to face increased scrutiny related to responsible gaming, environmental, climate change, social and governance activities, and its reputation, and the value of its brands can be materially adversely harmed if it fails to act responsibly in a number of areas, such as environmental, supply chain management, climate change, diversity and inclusion, workplace conduct and labor relations, responsible gaming, human rights, philanthropy and support for local communities. Any harm to Royal Wins' reputation could impact employee engagement and retention, the willingness of customers and Royal Wins' partners to do business with it, and current and potential investors to invest in it, which could have a materially adverse effect on its business, results of operations and cash flows.

Acquisitions

Royal Wins may make acquisitions if opportunities arise in the future. Investigating, completing, implementing and integrating acquisitions involve risks that could negatively affect Royal Wins' business, results of operations, cash flows or liquidity.

As part of its business strategy, Royal Wins has made and may make acquisitions if opportunities arise in the future to add specialized employees and new or complementary businesses, products, brands or technologies. In some cases, the costs of such acquisitions may be substantial, including as a result of professional fees and due diligence efforts. There is no assurance that the time and resources expended on pursuing a particular acquisition will result in a completed transaction, or that any completed transaction will ultimately be successful.

Risks related to regulation

The online gaming industry is heavily regulated and Royal Wins' failure to obtain or maintain applicable licensure or approvals, or otherwise comply with applicable requirements, could be disruptive to its business and could adversely affect its operations.

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Royal Wins and its officers, directors, major shareholders, key employees and business partners are generally subject to the laws and regulations relating to online gaming of the jurisdictions in which Royal Wins conducts business, as well as the general laws and regulations that apply to all e-commerce businesses, such as those related to privacy and personal information, tax and consumer protection. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on Royal Wins' operations and financial results. In particular, some jurisdictions have introduced regulations attempting to restrict or prohibit online gaming, while others have taken the position that online gaming should be licensed and regulated and have adopted or are in the process of considering legislation to enable that to happen. Even where a jurisdiction purports to license and regulate online gaming, the licensing and regulatory regimes can vary considerably in terms of their business-friendliness and at times may be intended to provide incumbent operators with advantages over new licensees. As such, some "liberalized" regulatory regimes are considerably more commercially attractive than others.

Management is of the view that the business of Royal Wins is not illegal under Canadian criminal law and does not require any particular licence to operate. If Royal Wins is incorrect that the Criminal Code does not apply to games of pure skill or in its assessment that its games are games of pure skill, Royal Wins could be subject to criminal charges or to other regulatory action that could result in the inability to carry on its business and this would result in the loss of an investor's entire investment.

Social responsibility concerns and public opinion can significantly influence the regulation of online gaming and impact responsible gaming requirements, each of which could impact Royal Wins' business and could adversely affect its operations.

Public opinion can significantly influence the regulation of online gaming. A negative shift in the perception of online gaming by the public or by politicians, lobbyists or others could affect future legislation or regulation in different jurisdictions. Among other things, such a shift could cause jurisdictions to abandon proposals to legalize online gaming, thereby limiting the number of new jurisdictions into which Royal Wins could expand. Negative public perception could also lead to new restrictions on or to the prohibition of online gaming in jurisdictions in which Royal Wins currently operates.

In addition, concerns with safer betting and gaming could lead to negative publicity, resulting in increased political and regulatory attention, which may result in restrictions on Royal Wins' operations. If Royal Wins had to restrict its marketing or product offerings or incur increased compliance costs, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

Royal Wins may not be able to capitalize on the expansion of online gaming or other trends and changes in the online gaming industry, including due to laws and regulations governing this industry.

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Royal Wins directly and indirectly participates in the constantly evolving online gaming industry through its online (including mobile) and social products. Royal Wins as a holder of Kahnawake Gaming Commission's License which allows it to legally operate in over 140 countries intends to take advantage of the liberalization of online gaming especially real money wagering in pure skill games, both within North America, Europe and elsewhere internationally; however, expansion of online gaming involves significant risks and uncertainties, including legal, business and financial risks. The success of online gaming and Royal Wins' product offerings may be affected by future developments in social networks, mobile platforms, regulatory developments, payment processing laws, data and information privacy laws and other factors that Royal Wins is unable to predict and are beyond its control. Consequently, Royal Wins' future operating results relating to its online gaming products are difficult to predict, and it cannot provide assurance that its product offerings will grow at expected rates or be successful in the long term.

Systems security and integrity

Compromises of Royal Wins' systems, manipulation of its products or services, or unauthorized access to its confidential information or data, or its customers' personal information or data, could materially harm its reputation and business.

Royal Wins assesses, monitors and, as necessary, desirable or appropriate, continuously upgrades, the security of its systems as well as the collection, processing, storage and transmission of customer information on an ongoing basis. Cyber-attacks may be carried out by third parties or insiders using techniques that range from highly sophisticated efforts to circumvent network security or overwhelm websites to more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access. These third parties often seek unauthorized access to Royal Wins' confidential information or data or its customers' or employees' personal information or data, or to maliciously overwhelm Royal Wins' services, which could result in prolonged outages during which customers would be unable to use its products or services. Any failure to prevent or mitigate security breaches and improper access to or disclosure of Royal Wins' data or user information could result in the loss, corruption or misuse, including fraudulent manipulation of or "ransom" demands with respect to, such data or information, which could harm Royal Wins' business and reputation and diminish its competitive position.

Technology

Royal Wins' business is dependent on its ability to maintain and scale its technical infrastructure, and any significant disruption in its service, including service interruptions of Internet and other technology service providers, could damage its reputation, result in a potential loss of customers and engagement, and adversely affect its financial results.

Royal Wins' reputation and ability to attract, retain and serve its customers depends in part upon the reliable performance and availability of its product offerings and its underlying technical infrastructure. Royal Wins devotes significant resources to network and data security, including through the use of cryptographic controls and other security measures intended to protect its systems and data. However, Royal Wins' systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to its business. If Royal Wins' product offerings are unavailable when customers attempt to access them, or if they do not load as quickly as expected, customers may not use them as often in the future, or at all.

If Royal Wins fails to adapt and respond effectively to rapidly changing technology, evolving industry standards and changing customer needs or requirements, its technology, such as its platforms and offerings, may become less competitive or obsolete.

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Royal Wins' future success depends on its ability to adapt and enhance its suite of technology and software, such as its platforms, as well as its product offerings. To attract new customers and increase revenue from existing customers, Royal Wins needs to continue to enhance and improve its platforms, product offerings, features and enhancements to meet customer needs at competitive prices. Such efforts will require adding new functionality and responding to technological advancements or disruptive technologies, such as artificial intelligence, which will increase Royal Wins' R&D costs. If Royal Wins is unable to develop technology and products that address customers' needs, or enhance and improve its platforms and product offerings in a timely manner, that could have a material adverse effect on its business, revenues, operating results and financial condition. Royal Wins' ability to continue to operate and grow is also subject to the risk of future disruptive technologies. If new and/or disruptive technologies emerge that are able to deliver online betting and gaming and/or entertainment products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely affect Royal Wins' ability to compete.

Intellectual property

The Company's ability to compete effectively will depend, in part, on its ability to maintain the proprietary nature of its brand, its algorithms and certain of its processes. The Company has adopted procedures to protect its intellectual property and licensed intellectual property and maintain secrecy of its confidential business information and trade secrets. However, there can be no assurance that such procedures will afford complete protection of such intellectual property, confidential business information and trade secrets. There can be no assurance that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology. To protect the Company's intellectual property, it may become involved in litigation, which could result in substantial expenses, divert the attention of its management, cause significant delays and materially disrupt the conduct of its business. The Company may also inadvertently infringe others intellectual property and be subject to litigation in respect of same.

Intellectual property litigation

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business.

Data security and hacking

Increasingly, organizations are subject to a wide variety of attacks on their networks. In addition to traditional computer "hackers," malicious code (such as viruses and worms), employee theft or misuse, denial of service attacks, ransomware, malware and sophisticated government and government-supported actors now engage in incidents and attacks (including advanced persistent threat intrusions), and add to the risks to our internal networks and the information they store, manage and process. It is virtually impossible for the Company to entirely mitigate these risks (especially as it relates to unlicensed or outdated versions of our product or agent). Any such security incident or breach could compromise our networks, creating system disruptions or slowdowns and exploiting security vulnerabilities of our products, and the information stored on our networks could be accessed, publicly disclosed, lost, or stolen, which could subject us to liability and cause us financial harm. These breaches, or any perceived breach, may also result in damage to our reputation, negative publicity (through research reports or otherwise), loss of partners, end-customers and sales, increased costs to remedy any problem, and costly litigation and may result in the Company's business, operating results and financial condition being materially adversely affected.

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Risk of safeguarding against security & privacy breaches

A security or privacy breach could:

- Expose the Company to additional liability and to potentially costly litigation;
- Increase expenses relating to the resolution of these breaches;
- Deter potential customers from using our services; and
- Decrease market acceptance of electronic commerce transactions.

The Company is at risk of exposure to a security or privacy breach of its system which could lead to potentially costly litigation, deter potential customers from using its services, or bring about additional liability of the Company. The Company cannot confirm that the use of applications designed for data security and integrity will address changing technologies or the security and privacy concerns of existing and potential customers. Although the Company requires that agreements with service providers who have access to sensitive data include confidentiality obligations that restrict these parties from using or disclosing any data except as necessary to perform their services under the applicable agreements, there can be no assurance that these contractual measures will prevent the unauthorized disclosure of information.

Conflicts of interest

Certain directors and officers of the Company are or may become associated with other companies in the same or related industries which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers.

Dilution

The Company may issue additional securities from time-to-time to raise funding for its business, and such issuances may be dilutive to existing shareholders.

Dividends

The Company has no earnings or history of paying dividends, and does not anticipate paying any dividends in the foreseeable future. In the event that the Company were to pay dividends such dividends would be subject to tax and potentially, statutory withholdings.