

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2021

or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-39170

ELYS GAME TECHNOLOGY, CORP.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

33-0823179

(I.R.S. Employer Identification No.)

130 Adelaide Street, West, Suite 701
Toronto, Ontario, Canada M5H 2K4

1-628-258-514

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ELYS	The Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated Filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 12, 2021, the registrant had 23,297,932 shares of common stock, \$0.0001 par value per share, outstanding.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact could be deemed forward-looking statements. Statements that include words such as “may,” “might,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “pro forma” or the negative of these words or other words or expressions of and similar meaning may identify forward-looking statements. For example, forward-looking statements include any statements of the plans, strategies and objectives of management for future operations, including the execution of integration plans and the anticipated timing of filings; any statements concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; statements of belief and any statement of assumptions underlying any of the foregoing.

These forward-looking statements are found at various places throughout this Quarterly Report on Form 10-Q and the other documents referred to in this Quarterly Report on Form 10-Q and relate to a variety of matters, including, but not limited to, other statements that are not purely statements of historical fact. These forward-looking statements are made on the basis of the current beliefs, expectations and assumptions of management, are not guarantees of performance and are subject to significant risks and uncertainty. These forward-looking statements should not be relied upon as predictions of future events and Elys Game Technology, Corp. cannot assure you that the events or circumstances discussed or reflected in these statements will be achieved or will occur. Furthermore, if such forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by Elys Game Technology, Corp. or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. These forward-looking statements should, therefore, be considered in light of various important factors, including those set forth below, under Part II, “Item 1A. “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q and those identified under Part I, Item 1A in our Annual Report on Form 10-K/A for the year ended December 31, 2020 filed with the Securities and Exchange Commission on April 13, 2021.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to publicly update or release any revisions to these forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events, except as required by law.

In this Quarterly Report on Form 10-Q, unless the context indicates otherwise, references to “Elys Game” “our Company,” “the Company,” “we,” “our,” and “us” refer to Elys Game Technology, Corp. a Delaware corporation, and its wholly owned subsidiaries.

COVID-19 UPDATE

As result of the global outbreak of the COVID-19 virus, on March 8, 2020 the Italian government issued a decree which imposed certain restrictions on public gatherings and travel, and closures of physical venues that included betting shops, arcades and bingo halls across Italy, which measures continue in effect as of the date of this Form 10-Q.

On March 10, 2020 the Italian government imposed further restrictions on travel throughout Italy as well as transborder crossings and have either postponed or cancelled most professional sports events which has had an effect on our overall sports betting handle and revenues and may negatively impact our operating results.

On June 19, 2020 all land-based betting shops, including corner locations such as coffee shops throughout Italy temporarily reopened until November 2020 when the Italian government imposed new lockdowns that currently remain in place. The closing of physical betting shop locations did not affect our online and mobile business operations which has mitigated some of the impact. Due to the reduction in Covid-19 cases in Italy, all betting shops reopened on June 14, 2021. Due to the high percentage of vaccinations administered in Italy, we do not anticipate further severely restrictive lockdowns.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ELYS GAME TECHNOLOGY, CORP. Consolidated Balance Sheets (Unaudited)

	September 30, 2021	December 31, 2020
Current Assets		
Cash and cash equivalents	\$ 9,408,035	\$ 18,945,817
Accounts receivable	126,810	162,141
Gaming accounts receivable	1,291,802	1,455,710
Prepaid expenses	802,153	327,190
Related party receivable	1,438	1,519

Other current assets	495,649	301,289
Total Current Assets	12,125,887	21,193,666
Non-Current Assets		
Restricted cash	1,393,404	1,098,952
Property, plant and equipment	444,608	489,591
Right of use assets	581,944	687,568
Intangible assets	20,324,314	10,257,582
Goodwill	28,687,156	1,663,120
Marketable securities	175,000	467,500
Total Non - Current Assets	51,606,426	14,664,313
Total Assets	\$ 63,732,313	\$ 35,857,979
Current Liabilities		
Bank overdraft	\$ 4,705	\$ 3,902
Line of credit - bank	—	500,000
Accounts payable and accrued liabilities	4,225,564	7,961,146
Gaming accounts payable	3,420,042	3,084,768
Taxes payable	789,407	946,858
Related party payable	51,397	565
Deferred purchase consideration, net of discount of \$ 0 and \$7,761	—	17,673
Deferred purchase consideration, Related Party, net of discount of \$ 0 and \$5,174	—	376,954
Convertible debentures	—	34,547
Operating lease liability	71,574	238,899
Financial lease liability	2,107	10,511
Bank loan payable – current portion	75,680	138,212
Total Current Liabilities	8,640,476	13,314,035
Non-Current Liabilities		
Deferred tax liability	3,371,517	1,222,513
Operating lease liability	492,215	416,861
Financial lease liability	16,346	17,265
Bank loan payable	146,325	66,885
Contingent purchase consideration	25,286,033	—
Other long-term liabilities	357,577	664,067
Total Non – Current Liabilities	29,670,013	2,387,591
Total Liabilities	38,310,489	15,701,626
Stockholders' Equity		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized, none issued	—	—
Common stock, \$0.0001 par value, 80,000,000 shares authorized; 23,297,932 and 20,029,834 shares issued and outstanding as of September 30, 2021 and December 31, 2020	2,330	2,003
Additional paid-in capital	65,640,086	53,064,919
Accumulated other comprehensive (deficit) income	(145,969)	267,948
Accumulated deficit	(40,074,623)	(33,178,517)
Total Stockholders' Equity	25,421,824	20,156,353
Total Liabilities and Stockholders' Equity	\$ 63,732,313	\$ 35,857,979

See notes to the unaudited condensed consolidated financial statements

ELYS GAME TECHNOLOGY, CORP.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 8,030,082	\$ 9,701,796	\$ 33,877,359	\$ 24,682,239
Costs and Expenses				
Selling expenses	6,054,757	7,154,623	26,333,156	17,327,150
General and administrative expenses	5,075,300	3,156,505	13,975,455	8,860,893
Total Costs and Expenses	11,130,057	10,311,128	40,308,611	26,188,043
Loss from Operations	(3,099,975)	(609,332)	(6,431,252)	(1,505,804)
Other (Expenses) Income				
Other income	74,327	37,273	444,689	62,933
Other expense	(384)	(109,623)	(28,522)	(109,623)
Interest expense, net of interest income	(4,705)	(56,093)	(14,748)	(229,166)
Change in fair value of contingent purchase consideration	(569,076)	—	(569,076)	—
Amortization of present value discount	—	(43,604)	(12,833)	(780,678)
Loss on extinguishment of convertible debt	—	—	—	(719,390)
(Loss) gain on marketable securities	(200,000)	(250,000)	(292,500)	472,500
Total Other (Expenses) Income	(699,838)	(422,047)	(472,990)	(1,303,424)
Loss Before Income Taxes	(3,799,813)	(1,031,379)	(6,904,242)	(2,809,228)
Income tax provision	284,636	(181,902)	8,136	(771,999)
Net Loss	(3,515,177)	(1,213,281)	(6,896,106)	(3,581,227)

Other Comprehensive Income (Loss)				
Foreign currency translation adjustment	(154,572)	218,193	(413,917)	124,679
Comprehensive Loss	<u>\$ (3,669,749)</u>	<u>\$ (995,088)</u>	<u>\$ (7,310,023)</u>	<u>\$ (3,456,548)</u>
Loss per common share – basic and diluted	<u>\$ (0.15)</u>	<u>\$ (0.08)</u>	<u>\$ (0.31)</u>	<u>\$ (0.27)</u>
Weighted average number of common shares outstanding – basic and diluted	<u>23,080,193</u>	<u>14,525,372</u>	<u>22,205,785</u>	<u>13,057,608</u>

See notes to the unaudited condensed consolidated financial statements

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ELYS GAME TECHNOLOGY, CORP.
Consolidated Statements of Changes in Stockholders' Equity
Nine months ended September 30, 2021 and September 30, 2020
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount				
<i>Nine months ended September 30, 2020</i>						
Balance, December 31, 2019	11,949,042	\$ 1,194	\$ 32,218,643	\$ (176,717)	\$ (23,241,835)	\$ 8,801,285
Shares issued on conversion of convertible debentures	123,399	12	395,241	—	—	395,253
Common stock issued to settle deferred purchase consideration	204,437	21	842,411	—	—	842,432
Stock based compensation expense	—	—	118,818	—	—	118,818
Foreign currency translation adjustment	—	—	—	(112,030)	—	(112,030)
Net income	—	—	—	—	157,609	157,609
Balance, March 31, 2020	<u>12,276,878</u>	<u>1,227</u>	<u>33,575,113</u>	<u>(288,747)</u>	<u>(23,084,226)</u>	<u>10,203,367</u>
Shares issued on conversion of convertible debentures	103,586	11	333,074	—	—	333,085
Common stock issued to settle deferred purchase consideration	114,538	11	273,736	—	—	273,747
Stock based compensation expense	—	—	79,971	—	—	79,971
Fair value of warrants issued on convertible debt extensions	—	—	719,390	—	—	719,390
Foreign currency translation adjustment	—	—	—	18,516	—	18,516
Net loss	—	—	—	—	(2,525,555)	(2,525,555)
Balance, June 30, 2020	<u>12,495,002</u>	<u>1,249</u>	<u>34,981,284</u>	<u>(270,231)</u>	<u>(25,609,781)</u>	<u>9,102,521</u>
Shares issued on conversion of convertible debentures	3,341	—	10,666	—	—	10,666
Common stock issued to settle deferred purchase consideration	35,130	4	91,261	—	—	91,265
Stock based compensation expense	—	—	45,301	—	—	45,301
Public offering proceeds	4,166,666	417	10,005,832	—	—	10,006,249
Expenses related to public offering	—	—	(1,040,127)	—	—	(1,040,127)
Foreign currency translation adjustment	—	—	—	218,193	—	218,193
Net loss	—	—	—	—	(1,213,281)	(1,213,281)
Balance, September 30, 2020	<u>16,700,139</u>	<u>\$ 1,670</u>	<u>\$ 44,094,217</u>	<u>\$ (52,038)</u>	<u>\$ (26,823,062)</u>	<u>\$ 17,220,787</u>
<i>Nine months ended September 30, 2021</i>						
Balance, December 31, 2020	20,029,834	\$ 2,003	\$ 53,064,919	\$ 267,948	\$ (33,178,517)	\$ 20,156,353
Proceeds from warrants exercised	1,488,809	149	3,909,832	—	—	3,909,981
Common stock issued to settle liabilities	467,990	47	2,676,854	—	—	2,676,901
Restricted stock awards	24,476	2	139,998	—	—	140,000
Stock based compensation expense	—	—	288,968	—	—	288,968
Foreign currency translation adjustment	—	—	—	(344,088)	—	(344,088)
Net loss	—	—	—	—	(609,579)	(609,579)
Balance, March 31, 2021	<u>22,011,109</u>	<u>2,201</u>	<u>60,080,571</u>	<u>(76,140)</u>	<u>(33,788,096)</u>	<u>26,218,536</u>
Proceeds from warrants exercised	5,000	1	12,499	—	—	12,500
Stock based compensation expense	—	—	291,162	—	—	291,162
Foreign currency translation adjustment	—	—	—	84,743	—	84,743
Net loss	—	—	—	—	(2,771,350)	(2,771,350)
Balance, June 30, 2021	<u>22,016,109</u>	<u>2,202</u>	<u>60,384,232</u>	<u>8,603</u>	<u>(36,559,446)</u>	<u>23,835,591</u>
Shares issued in consideration of acquisition	1,265,823	127	4,544,177	—	—	4,544,304
Proceeds from warrants exercised	16,000	1	39,999	—	—	40,000
Stock based compensation expense	—	—	671,678	—	—	671,678
Foreign currency translation adjustment	—	—	—	(154,572)	—	(154,572)
Net loss	—	—	—	—	(3,515,177)	(3,515,177)
Balance, September 30, 2021	<u>23,297,932</u>	<u>\$ 2,330</u>	<u>\$ 65,640,086</u>	<u>\$ (145,969)</u>	<u>\$ (40,074,623)</u>	<u>\$ 25,421,824</u>

See notes to the unaudited condensed consolidated financial statements

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(Unaudited)

	For the nine months ended September 30,	
	2021	2020
Cash Flows from Operating Activities		
Net Loss	\$ (6,896,106)	\$ (3,581,227)
Adjustments to reconcile net loss to net cash Used in Operating Activities		
Depreciation and amortization	885,437	700,994
Change in fair value of contingent purchase consideration	569,076	—
Amortization of present value discount	12,833	780,678
Restricted stock awards	140,000	—
Stock option compensation expense	1,251,808	244,090
Non-cash interest	6,788	199,536
Loss on extinguishment of convertible debt	—	719,390
Unrealized loss (gain) on trading securities	292,500	(472,500)
Movement in deferred taxation	(116,896)	(70,080)
Bad debt expense	—	214,820
Gain on Government relief loan forgiven	(7,992)	—
Changes in Operating Assets and Liabilities (Net of assets acquired and liabilities assumed)		
Prepaid expenses	(458,601)	(107,876)
Accounts payable and accrued liabilities	(1,095,287)	148,579
Accounts receivable	79,467	32,520
Gaming accounts receivable	89,293	205,253
Gaming accounts liabilities	516,302	2,970
Taxes payable	(110,385)	431,741
Due from related parties	(1,968)	(4,842)
Other current assets	(134,648)	136,074
Long term liabilities	(280,230)	7,013
Net Cash Used in Operating Activities	(5,258,609)	(412,867)
Cash Flows from Investing Activities		
Acquisition of subsidiary, net of cash of \$26,161	(5,973,839)	—
Acquisition of property, plant and equipment and intangible assets	(135,835)	(172,674)
Net Cash Used in Investing Activities	(6,109,674)	(172,674)
Cash Flows from Financing Activities		
Proceeds from public offering, less expenses related to public offering of \$1,040,127	—	8,966,122
Proceeds from warrants exercised	3,962,482	—
Proceeds from bank overdraft	1,045	—
Repayment of bank credit line	(500,000)	(1,000,000)
Repayment of bank loan	(100,850)	(30,539)
Redemption of convertible debentures	(27,562)	(3,010,655)
Proceeds from promissory notes, related party	—	301,071
Proceeds from Government relief loan	—	29,822
Repayment of Government relief loan	(25,438)	—
Repayment of deferred purchase consideration – non-related parties	(385,121)	(455,827)
Repayment of deferred purchase consideration – related parties	(25,262)	(92,444)
Repayment of financial leases	(8,108)	(10,222)
Net Cash Provided by (Used in) Financing Activities	2,891,186	4,697,328
Effect of change in exchange rate	(766,233)	302,444
Net (decrease) increase in cash	(9,243,330)	4,414,231
Cash, cash equivalents and restricted cash – beginning of the period	20,044,769	6,732,515
Cash, cash equivalents and restricted cash – end of the period	\$ 10,801,439	\$ 11,146,746
Reconciliation of cash, cash equivalents and restricted cash within the Balance Sheets to the Statement of Cash Flows		
Cash and cash equivalents	\$ 9,408,035	\$ 10,572,496
Restricted cash included in non-current assets	1,393,404	574,250
	\$ 10,801,439	\$ 11,146,746

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ELYS GAME TECHNOLOGY, CORP.
Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended September 30,	
	2021	2020
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	\$ 22,609	\$ 570,492
Income tax	\$ 266,211	\$ 378,616
Supplemental cash flow disclosure for non-cash activities		
Conversion of convertible debt to common stock	\$ —	\$ 739,004
Deferred purchase consideration settled by the issuance of common stock	\$ —	\$ 1,207,444
Common stock issued to settle liabilities	\$ 2,676,901	\$ —
Common shares issued in consideration of acquisition (Refer Note 3 below)	\$ 4,544,304	\$ —

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

1. Nature of Business

Established in the state of Delaware in 1998, Elys Game Technology, Corp. (“Elys” or the “Company”) is an international, vertically integrated commercial-stage company engaged in various aspects of the leisure gaming industry. The Company’s subsidiaries hold gaming licenses to operate in the Italian and Austrian leisure betting markets offering gaming services, including a variety of lottery, casino gaming and sports betting products through two distribution channels: an online channel and a land-based retail channel. Additionally, the Company is a global gaming technology company (known as a “Provider”), which owns and operates a betting software designed with a unique “distributed model” (“shop-client”) software architecture colloquially named Elys Game Board (the “Platform”). The Platform is a fully integrated “omni-channel” framework that combines centralized technology for updating, servicing and operations with multi-channel functionality to accept all forms of customer payment through the two distribution channels described above. The omni-channel software design is fully integrated with a built-in player gaming account management system and sports book.

On July 5, 2021, the Company entered into a Membership Purchase Agreement (the “Purchase Agreement”) to acquire 100% of Bookmakers Company US LLC, a Nevada limited liability company doing business as U.S. Bookmaking (“USB”), from its members (the “Sellers”). On July 15, 2021 the Company consummated the acquisition of USB and in terms of the Purchase Agreement the Company acquired 100% of USB, from its members (the “Sellers”) and USB became a wholly owned subsidiary of the Company.

USB is a provider of sports wagering services such as design and consulting, turn-key sports wagering solutions, and risk management.

Pursuant to the terms of the Purchase Agreement, the consideration paid for all of the equity of USB was \$6 million in cash plus the issuance of 1,265,823 shares of the Company’s common stock having a value of \$6,000,000 based upon a price of \$4.74 per share which was the volume weighted average closing price of the stock for the 90 trading days preceding the closing date.

The Sellers will have an opportunity to receive up to an additional \$38 million plus a potential premium of 10% (or \$3.8 million) based upon achievement of stated adjusted cumulative EBITDA milestones during the next four years, payable 50% in cash and 50% in the Company’s stock at a price equal to volume weighted average price of the company’s common stock for the 90 consecutive trading days preceding January 1 of each subsequent fiscal year for the duration of the earnout period ending December 31, 2025, subject to obtaining shareholder approval, if the aggregate number of shares to be issued pursuant to the Purchase Agreement exceeds 4,401,020 and with a cap of 5,065,000 on the aggregate number of shares to be issued. Any excess not approved by shareholders or exceeding the cap will be paid in cash.

On September 1, 2021, the Company issued a press release announcing the approval of its first license in Washington DC, a Class B Managed Service Provider and Class B Operator licenses to operate a sportsbook within the Grand Central Bar and Grill located in the Adams Morgan area of Washington, D.C. which commenced sports betting in October 2021.

The entities included in these unaudited condensed consolidated financial statements are as follows:

Name	Acquisition or Formation Date	Domicile	Functional Currency
Elys Game Technology, Corp. (“Elys”)	Parent Company	USA	U.S. Dollar
Multigioco Srl (“Multigioco”)	August 15, 2014	Italy	Euro
Ulisse GmbH (“Ulisse”)	July 1, 2016	Austria	Euro
Odissea Betriebsinformatik Beratung GmbH (“Odissea”)	July 1, 2016	Austria	Euro
Virtual Generation Limited (“VG”)	January 31, 2019	Malta	Euro
Newgioco Group Inc. (“NG Canada”)	January 17, 2017	Canada	Canadian Dollar
Elys Technology Group Limited	April 4, 2019	Malta	Euro
Newgioco Colombia SAS	November 22, 2019	Colombia	Colombian Peso
Elys Gameboard Technologies, LLC	May 28, 2020	USA	U.S. Dollar
Bookmakers Company US LLC	July 15, 2021	USA	U.S. Dollar

The Company operates in two lines of business: (i) the operating of web based betting as well as land based leisure betting establishments situated throughout Italy and; (ii) provider of certified betting Platform software services to global leisure betting establishments and operators.

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

1. Nature of Business (continued)

The Company’s operations are carried out through the following four geographically organized groups:

- a) an operational group based in Europe that maintains administrative offices headquartered in Rome, Italy with satellite offices for operations administration in Naples and Teramo, Italy and San Gwann, Malta;
- b) a recently acquired operational group based in the US with offices in Las Vegas, Nevada;
- c) a technology group which is based in Innsbruck, Austria and manages software development, training, and administration; and
- d) a corporate group which is based in North America and operates out of our principal executive suite in Toronto, Canada and satellite executive suites in the USA in San Francisco, California and Delray Beach, Florida, through which we carry-out corporate activities, handle day-to-day reporting and U.S. development planning, and through which various independent contractors and vendors are engaged.

2. Accounting Policies and Estimates

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2021. The balance sheet at December 31, 2020 has been derived from the Company’s audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. For further information, please refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K/A for the fiscal year ended December 31, 2020, as filed with the U.S. Securities and Exchange Commission (“SEC”).

All amounts referred to in the Notes to the unaudited condensed consolidated financial statements are in United States Dollars (\$) unless stated otherwise.

For the purposes of its listing in Canada, the Company is an “SEC Issuer” as defined under National Instrument 52-107 “*Accounting Principles and Audit Standards*” and is relying on the exemptions of Section 3.7 of NI 52-107 and of Section 1.4(8) of the Companion Policy to National Instrument 51-102 “*Continuous Disclosure Obligations*” (“NI 51-102CP”) which permits the Company to prepare its financial statements in accordance with U.S. GAAP.

Principles of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries, all of which are wholly owned. All significant inter-company accounts and transactions have been eliminated in the unaudited condensed consolidated financial statements.

Foreign operations

The Company translated the assets and liabilities of its foreign subsidiaries into U.S. Dollars at the exchange rate in effect at quarter end and the results of operations and cash flows at the average rate throughout the quarter. The translation adjustments are recorded directly as a separate component of stockholders’ equity, while transaction gains (losses) are included in net income (loss).

All revenues were generated in Euro, Colombian Peso and US Dollars during the periods presented.

Gains and losses from foreign currency transactions are recognized in current operations.

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ELYS GAME TECHNOLOGY, CORP. Notes to Unaudited Condensed Consolidated Financial Statements

2. Accounting Policies and Estimates (continued)

Business Combinations

The Company allocates the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill.

Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. These estimates and assumptions include valuing equity securities issued in share-based payment arrangements, determining the fair value of assets acquired, allocation of purchase price, impairment of long-lived assets, the collectability of receivables, leasing arrangements, convertible debentures, contingencies and the value of deferred taxes and related valuation allowances. Certain estimates, including evaluating the collectability of receivables and advances, could be affected by external conditions, including those unique to the Company’s industry and general economic conditions. It is possible that these external factors could have an effect on the Company’s estimates that could cause actual results to differ from the Company’s estimates. The Company re-evaluates all of its accounting estimates at least quarterly based on these conditions and record adjustments when necessary.

Loss Contingencies

The Company may be subject to claims, suits, government investigations, and other proceedings involving competition and antitrust, intellectual property, gaming license, privacy, indirect taxes, labor and employment, commercial disputes, content generated by our users, goods and services offered by advertisers or publishers using the Company’s website platforms, and other matters. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages. The Company records a liability when it believes that it is both probable that a loss has been incurred, and the amount can be reasonably estimated. If the Company determines that a loss is possible, and a range of the loss can be reasonably estimated, it discloses the range of the possible loss in the Notes to the unaudited condensed Consolidated Financial Statements.

The Company evaluates, on a regular basis, developments in its legal matters that could affect the amount of liability that has been previously accrued, and the matters and related ranges of possible losses disclosed and makes adjustments and changes to our disclosures as appropriate. Significant judgment is required to determine both likelihood of there being and the estimated amount of a loss related to such matters. Until the final resolution of such matters, there may be an exposure to loss in excess of the amount recorded, and such amounts could be material. Should any of the Company’s estimates and assumptions change or prove to have been incorrect, it could have a material impact on its business, consolidated financial position, results of operations, or cash flows.

To date, none of these types of litigation matters, most of which are typically covered by insurance, has had a material impact on the Company’s operations or financial condition. The Company has insured and continues to insure against most of these types of claims.

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

2. Accounting Policies and Estimates (continued)

Fair Value Measurements

ASC Topic 820, Fair Value Measurement and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy which requires classification based on observable and unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore using estimates and assumptions developed by us, which reflect those that a market participant would use.

The contingent purchase consideration due on the acquisition of subsidiaries is measured at fair value on an annual basis. The estimate of the fair value of contingent consideration requires subjective assumptions to be made regarding future operating results, discount rates, and probabilities assigned to various potential operating result scenarios. Future revisions to these assumptions could materially change the estimate of the fair value of contingent consideration and therefore, materially affect the Company's future financial results.

The carrying value of the Company's accounts receivables, gaming accounts receivable, lines of credit - bank, accounts payable, gaming accounts payable and bank loans payable approximate fair value because of the short-term maturity of these financial instruments.

Derivative Financial Instruments

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with maturities of three months or less at the time acquired to be cash equivalents. The Company had no cash equivalents as of September 30, 2021 and December 31, 2020, respectively.

The Company primarily places cash balances in the USA with high-credit quality financial institutions located in the United States which are insured by the Federal Deposit Insurance Corporation up to a limit of \$250,000 per institution, in Canada which are insured by the Canadian Deposit Insurance Corporation up to a limit of CDN \$100,000 per institution, in Italy which is insured by the Italian deposit guarantee fund Fondo Interbancario di Tutela dei Depositi (FITD) up to a limit of €100,000 per institution, and in Germany which is a member of the Deposit Protection Fund of the Association of German Banks (Einlagensicherungsfonds des Bundesverbandes deutscher Banken) up to a limit of €100,000 per institution.

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

2. Accounting Policies and Estimates (continued)

Gaming Accounts Receivable

Gaming accounts receivable represent gaming deposits made by customers to their online gaming accounts either directly by credit card, bank wire, e-wallet or other accepted method through one of our websites or indirectly by cash collected at the cashier of a betting shop but not yet credited to the Company's bank accounts and subject to normal trade collection terms without discounts. The Company periodically evaluates the collectability of its gaming accounts receivable and considers the need to record or adjust an allowance for doubtful accounts based upon historical collection experience and specific customer information. Actual amounts could vary from the recorded estimates. The Company does not require collateral to support customer receivables. The Company recorded no bad debt expense for the three months and nine months ended September 30, 2021 and a bad debt expense of \$214,820 for the three and nine months ended September 30, 2020.

Gaming Accounts Payable

Gaming accounts payable represent customer balances, including winnings and deposits, that are held as credits in online gaming accounts and have not as of yet been used or withdrawn by the customers. Customers can request payment of winnings from the Company at any time and the payment to customers can be made through bank wire, credit card, or cash disbursement from one of our locations. Online gaming account credit balances are non-interest bearing.

Long-Lived Assets

The Company evaluates the carrying value of its long-lived assets for impairment by comparing the expected undiscounted future cash flows of the assets to the net book value of the assets when events or circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. If the expected undiscounted future cash flows are

less than the net book value of the assets, the excess of the net book value over the estimated fair value will be charged to earnings.

Fair value is based upon discounted cash flows of the assets at a rate deemed reasonable for the type of asset and prevailing market conditions, appraisals, and, if appropriate, current estimated net sales proceeds from pending offers.

Property, Plant and Equipment

Plant and equipment is stated at acquisition cost less accumulated depreciation and adjustments for impairment losses. Expenditures are capitalized only when they increase the future economic benefits embodied in an item of plant and equipment. All other expenditures are recognized as expenses in the statement of operations as incurred.

Depreciation is charged on a straight-line basis over the estimated remaining useful lives of the individual assets. Amortization commences from the time an asset is put into operation. The range of the estimated useful lives is as follows:

Description	Useful Life (in years)		
Leasehold improvements	Life of the underlying lease		
Computer and office equipment	3	to	5
Furniture and fittings	7	to	10
Computer Software	3	to	5
Vehicles	4	to	5

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ELYS GAME TECHNOLOGY, CORP. Notes to Unaudited Condensed Consolidated Financial Statements

2. Accounting Policies and Estimates (continued)

Intangible Assets

Intangible assets are stated at acquisition cost less accumulated amortization, if applicable, less any adjustments for impairment losses.

Amortization is charged on a straight-line basis over the estimated remaining useful lives of the individual intangibles. Where intangibles are deemed to be impaired the Company recognizes an impairment loss measured as the difference between the estimated fair value of the intangible and its book value.

The range of the estimated useful lives is as follows:

Description	Useful Life (in years)		
Betting Platform Software	15		
Ulisse Bookmaker License	Indefinite		
Multigioco and Rifa ADM Licenses	1.5	-	7
Location contracts	5	-	7
Customer relationships	10	-	18
Trademarks/Tradenames	10	-	14
Websites	5		
Non-compete agreements	4		

The Ulisse Bookmaker License has no expiration date and is therefore not amortized but is tested for impairment on an annual basis in terms of ASC 350 using estimated fair value.

Goodwill

The Company allocates the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill.

Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

The Company annually assesses whether the carrying value of its reporting units exceed their fair values and, if necessary, records an impairment loss equal to any such excess. Each interim reporting period, the Company assesses whether events or circumstances have occurred which indicate that the carrying amount of the reporting units exceeds their fair value. If the carrying amount of the reporting units exceeds their fair value, an asset impairment charge will be recognized in an amount equal to that excess.

As of September 30, 2021, there were no qualitative indications that impairment of intangible assets or goodwill may be appropriate. Although the COVID-19 pandemic has had and is expected to continue to have a significant impact on our land-based business, the impact is expected to be mitigated because web-based turnover generated by the Company has increased.

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ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

2. Accounting Policies and Estimates (continued)

Leases

The Company accounts for leases in terms of ASC 842. In terms of ASC 842, the Company assesses whether any asset based leases entered into for periods longer than twelve months meet the definition of financial leases or operation leases, by evaluating the terms of the lease, including the following: the duration of the lease; the implied interest rate in the lease; the cash flows of the lease; and whether the Company intends to retain ownership of the asset at the end of the lease term. Leases which imply that the Company will retain ownership at the end of the lease term are classified as financial leases, are included in property, plant and equipment with a corresponding financial liability raised at the date of lease inception. Interest incurred on financial leases are expensed using the effective interest rate method. Leases which imply that the Company will not acquire the asset at the end of the lease term are classified as operating leases, the Company's right to use the asset is reflected as a non-current right of use asset with a corresponding operational lease liability raised at the date of lease inception. The right of use asset and the operational lease liability are amortized over the right of use period using the effective interest rate implied in the operating lease agreement.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

ASC Topic 740-10-30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-40 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company has no material uncertain tax positions for any of the reporting periods presented.

In Italy, tax years beginning 2015 forward, are open and subject to examination, while in Austria companies are open and subject to inspection for five years and ten years for inspection of serious infractions. In the United States and Canada, tax years beginning 2015 forward, are subject to examination. The Company is not currently under examination and it has not been notified of a pending examination.

Contingent Purchase Consideration

The Company estimates and records the acquisition date estimated fair value of contingent consideration as part of the purchase price consideration for acquisitions. At each reporting period, the Company estimates changes in the fair value of contingent consideration, and any change in fair value is recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss). An increase in the earn-out expected to be paid will result in a charge to operations in the year that the anticipated fair value of contingent consideration increases, while a decrease in the earn-out expected to be paid will result in a credit to operations in the year that the anticipated fair value of contingent consideration decreases. The estimate of the fair value of contingent consideration requires subjective assumptions to be made regarding future operating results, discount rates, and probabilities assigned to various potential operating result scenarios. Future revisions to these assumptions could materially change the estimate of the fair value of contingent consideration and therefore, materially affect the Company's future financial results. Additional information regarding contingent consideration is provided in Note 3.

Revenue Recognition

The Company recognizes revenue when control of its products and services is transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those products and services. Revenues from sports-betting, casino, cash and skill games, slots, bingo and horse race wagers represent the gross pay-ins (also referred to as turnover) from customers less gaming taxes and payouts to customers. Revenues are recorded when the game is closed which is representative of the point in time at which the Company has satisfied its performance obligation. In addition, the Company receives commissions from the sale of scratch tickets and other lottery games. Commissions are recorded when the ticket for scratch off tickets and lottery tickets are sold.

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

2. Accounting Policies and Estimates (continued)

Revenue Recognition (continued)

Revenues from the Betting Platform include license fees, training, installation, and product support services. Revenue is recognized when transfer of control to the customer has been made and the Company's performance obligation has been fulfilled. License fees are calculated as a percentage of each licensee's level of activity and are contingent upon the licensee's usage. The license fees are recognized on an accrual basis as earned.

Stock-Based Compensation

The Company records its compensation expense associated with stock options and other forms of equity compensation based on their fair value at the date of grant using the Black-Scholes option pricing model. Stock-based compensation includes amortization related to stock option awards based on the estimated grant date fair value. Stock-based compensation expense related to stock options is recognized ratably over the vesting period of the option. In addition, the Company records expense related to Restricted Stock Units ("RSU's") granted based on the fair value of those awards on the grant date. The fair value related to the RSUs is amortized to expense over the vesting term of those awards. Forfeitures of stock options and RSUs are recognized as they occur.

Stock-based compensation expense for a stock-based award with a performance condition is recognized when the achievement of such performance condition is determined to be probable. If the outcome of such performance condition is not determined to be probable or is not met, no compensation expense is recognized and any previously recognized compensation expense is reversed.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner

sources, including foreign currency translation adjustments.

Earnings Per Share

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 260, “Earnings Per Share” provides for calculation of “basic” and “diluted” earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity and include options and warrants granted and convertible debt, adding back any expenditure directly associated with the convertible instruments, if any. When the Company incurs a net loss, the effect of the Company’s outstanding stock options and warrants and convertible debt are not included in the calculation of diluted earnings (loss) per share as the effect would be anti-dilutive.

Related Parties

Parties are considered to be related to the Company if the parties directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions. All transactions are recorded at fair value of the goods or services exchanged.

Recent Accounting Pronouncements

The FASB issued several updates during the period, none of these standards are either applicable to the Company or require adoption at a future date and none are expected to have a material impact on the consolidated financial statements upon adoption.

Reporting by segment

The Company has two operating segments from which it derives revenue. These segments are:

- (i) the operating of web based as well as land-based leisure betting establishments situated throughout Italy, and only web based distribution through our Austrian subsidiary in the Italian market until June 2021;
- (ii) provider of certified betting Platform software services to global leisure betting establishments and operators.

The recent acquisition of Bookmakers Company US LLC is reported under the Company’s certified betting platform software services segment.

ELYS GAME TECHNOLOGY, CORP.

Notes to Unaudited Condensed Consolidated Financial Statements

3. Acquisition of subsidiaries

On July 5, 2021, the Company entered into a Membership Purchase Agreement (the “Purchase Agreement”) to acquire 100% of Bookmakers Company US LLC, a Nevada limited liability company doing business as U.S. Bookmaking (“USB”), from its members (the “Sellers”). On July 15, 2021 the Company consummated the acquisition of USB and in terms of the Purchase Agreement the Company acquired 100% of USB, from its members (the “Sellers”) and USB became a wholly owned subsidiary of the Company.

USB is a provider of sports wagering services such as design and consulting, turn-key sports wagering solutions, and risk management.

Pursuant to the terms of the Purchase Agreement, the consideration paid for all of the equity of USB was \$6 million in cash plus the issuance of 1,265,823 shares of the Company’s common stock with a market value of \$4,544,304 on the date of acquisition.

The Sellers will have an opportunity to receive up to an additional \$38,000,000 (undiscounted) plus a potential undiscounted premium of 10% (or \$3,800,000) based upon achievement of stated adjusted cumulative EBITDA milestones during the next four years, payable 50% in cash and 50% in the Company’s stock at a price equal to volume weighted average price of the company’s common stock for the 90 consecutive trading days preceding January 1 of each subsequent fiscal year for the duration of the earnout period ending December 31, 2025, subject to obtaining shareholder approval, if the aggregate number of shares to be issued pursuant to the Purchase Agreement exceeds 4,401,020 and with a cap of 5,065,000 on the aggregate number of shares to be issued. Any excess not approved by shareholders or exceeding the cap will be paid in cash. The fair value of the contingent purchase consideration of \$24,716,957 was estimated by applying the income approach, which uses significant assumptions (Level 3 assumptions) which are not readily available in the market.

The goodwill of \$27,024,383 arising on consolidation consists largely of the reputation and knowledge of USB in the sports betting market in the US markets which should facilitate the Company’s penetration into the US market. All of the goodwill was assigned to the Betting platform software and services segment.

None of the goodwill is expected to be deducted for income tax purposes.

In terms of the agreement, the preliminary purchase price was allocated to the fair market value of tangible and intangible assets acquired and liabilities assumed as follows:

	<u>Amount</u>
Consideration	
Cash	6,000,000
1,265,823 shares of common stock at fair market value	4,554,304
Contingent purchase consideration	24,716,957
Total purchase consideration	\$ 35,261,261
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash	26,161
Other Current assets	151,284
Property, plant and equipment	788
Other non-current assets	4,000
Tradenames/Trademarks	1,419,000
Customer relationships	7,275,000
Non-compete agreements	2,096,000
	<u>10,972,233</u>

Less: liabilities assumed	
Current liabilities assumed	(264,135)
Non-current liabilities assumed	(205,320)
Imputed Deferred taxation on identifiable intangible acquired	(2,265,900)
	<u>(2,735,355)</u>
Net identifiable assets acquired and liabilities assumed	8,236,878
Goodwill	27,024,383
	<u>\$ 35,261,261</u>

The amount of revenue and earnings include in the Company's consolidated statement of operations and comprehensive income (loss) for the nine months ended September 30, 2021 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2020.

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

	<u>Revenue</u>	<u>Earnings</u>
Actual from July 15, 2021 to September 30, 2021	\$ 121,552	\$ (395,566)
2021 Supplemental pro forma from January 1, 2021 to September 30, 2021	\$ 34,288,462	\$ (7,154,851)
2020 Supplemental pro forma from January 1, 2020 to September 30, 2020	\$ 24,992,504	\$ (4,810,317)

The 2021 Supplemental pro forma information was adjusted to exclude \$120,479 of non-recurring acquisition costs, in addition, the 2021 and 2020 supplemental pro forma information was adjusted to account for amortization of intangibles on acquisition of \$579,619 and \$802,550, respectively.

4. Restricted Cash

Restricted cash consists of the following:

Cash held in a segregated bank account at Intesa Sanpaolo Bank S.p.A. ("Intesa Sanpaolo Bank") as collateral against the Company's operating line of credit with Intesa Sanpaolo Bank.

The Company maintains a \$1,000,000 deposit at Metropolitan Commercial bank held as security against a \$1,000,000 line of credit. The line of credit was repaid during the nine months ended September 30, 2021. See Note 10.

5. Property, plant and equipment

	<u>September 30, 2021</u>			<u>December 31, 2020</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Leasehold improvements	\$ 63,436	\$ (33,484)	\$ 29,952	\$ 39,707
Computer and office equipment	1,016,822	(776,040)	240,782	247,572
Fixtures and fittings	289,679	(243,407)	46,272	54,465
Vehicles	101,148	(52,126)	49,022	63,382
Computer software	227,216	(148,636)	78,580	84,465
	<u>\$ 1,698,301</u>	<u>\$ (1,253,693)</u>	<u>\$ 444,608</u>	<u>\$ 489,591</u>

The aggregate depreciation charge to operations was \$162,594 and \$173,983 for the nine months ended September 30, 2021 and 2020, respectively. The depreciation policies followed by the Company are described in Note 2.

6. Leases

Right of use assets are included in the consolidated balance sheet are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Non-current assets		
Right of use assets - operating leases, net of amortization	\$ 581,944	\$ 687,568
Right of use assets - finance leases, net of depreciation – included in property, plant and equipment	\$ 17,867	\$ 27,119

Lease costs consists of the following:

	<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Finance lease cost:		
Amortization of financial lease assets	\$ 8,071	\$ 9,509
Interest expense on lease liabilities	642	903
Operating lease cost	201,308	186,308

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

6. Leases (continued)

Other lease information:

	Nine Months Ended September 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ (642)	\$ (903)
Operating cash flows from operating leases	(201,308)	(186,308)
Financing cash flows from finance leases	(8,108)	(9,319)
Weighted average remaining lease term – finance leases	2.43 years	2.90 years
Weighted average remaining lease term – operating leases	1.95 years	3.07 years
Weighted average discount rate – finance leases	3.73%	3.60%
Weighted average discount rate – operating leases	3.23%	3.42%

Maturity of Leases*Finance lease liability*

The amount of future minimum lease payments under finance leases are as follows:

	Amount
Remainder of 2021	\$ 2,272
2022	8,957
2023	7,177
2024	833
Total undiscounted minimum future lease payments	19,239
Imputed interest	(786)
Total finance lease liability	\$ 18,453

Disclosed as:

Current portion	\$ 2,107
Non-Current portion	16,346
	\$ 18,453

Operating lease liability

The amount of future minimum lease payments under operating leases are as follows:

	Amount
Remainder of 2021	\$ 76,162
2022	269,988
2023	209,319
2024	29,637
Total undiscounted minimum future lease payments	585,106
Imputed interest	(21,317)
Total operating lease liability	\$ 563,789

Disclosed as:

Current portion	\$ 71,574
Non-Current portion	492,215
	\$ 563,789

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

7. Intangible Assets

Intangible assets consist of the following:

	September 30,			December 31, 2020
	Cost	Accumulated amortization	Net book value	Net book value
Betting platform software	\$ 5,689,965	\$ (1,301,150)	\$ 4,388,815	\$ 4,673,314
Licenses	5,797,954	(955,554)	4,842,400	4,917,733
Location contracts	1,000,000	(1,000,000)	—	88,455
Customer relationships	8,145,927	(491,237)	7,654,690	509,237
Trademarks	1,537,972	(86,396)	1,451,576	68,843
Non-compete agreements	2,096,000	(109,167)	1,986,833	—

Websites	40,000	(40,000)	—	—
	<u>\$ 24,307,818</u>	<u>\$ (3,983,504)</u>	<u>\$ 20,324,314</u>	<u>\$ 10,257,582</u>

The Company evaluates intangible assets for impairment on an annual basis during the last month of each year and at an interim date if indications of impairment exist. Intangible asset impairment is determined by comparing the fair value of the asset to its carrying amount with an impairment being recognized only when the fair value is less than carrying value and the impairment is deemed to be permanent in nature.

The Company recorded \$722,843 and \$527,011 in amortization expense for finite-lived assets for the nine months ended September 30, 2021 and 2020, respectively.

Licenses obtained by the Company in the acquisitions of Multigioco and Rifa include a Gioco a Distanza (“GAD”) online license as well as a Bersani and Monti land-based licenses issued by the Italian gaming regulator to Multigioco and Rifa, respectively, as well as an Austrian Bookmaker License through the acquisition of Ulisse.

The estimated amortization expense over the next five year period is as follows:

	<u>Amount</u>
Remainder of 2021	\$ 390,124
2022	1,520,415
2023	1,519,836
2024	1,518,174
2025	1,278,007
2026	994,173
Total estimated amortization expense	<u>\$ 7,220,729</u>

8. Goodwill

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Opening balance	\$ 1,663,120	\$ 1,663,385
Acquisition of Bookmakers company US LLC	27,024,383	—
Foreign exchange movements	(347)	(265)
Closing balance	<u>\$ 28,687,156</u>	<u>\$ 1,663,120</u>

Goodwill represents the excess purchase price paid over the fair value of assets acquired, including any other identifiable intangible assets.

The Company evaluates goodwill for impairment on an annual basis during the last month of each year and at an interim date if indications of impairment exist. Goodwill impairment is determined by comparing the fair value of the asset to its carrying amount with an impairment being recognized only when the fair value is less than carrying value.

ELYS GAME TECHNOLOGY, CORP. Notes to Unaudited Condensed Consolidated Financial Statements

9. Marketable Securities

Investments in marketable securities consists of 2,500,000 shares of Zoompass Holdings (“Zoompass”) and is accounted for at fair value, with changes recognized in earnings.

The shares of Zoompass were last quoted on the OTC market at \$0.07 per share on September 30, 2021, resulting in an unrealized loss recorded to earnings related to these securities of \$292,500 for the nine months ended September 30, 2021.

10. Line of Credit - Bank

The Company maintains a \$1,000,000 secured revolving line of credit from Metropolitan Commercial Bank in New York, of which \$0 was drawn as of September 30, 2021, which bears a fixed rate of interest of 3.00% on the outstanding balance with an interest only monthly minimum payment, and no maturity date as long as the security deposit of \$1,000,000 remains in place, see Note 4.

11. Convertible Debentures

The accounting treatment relating to the convertible debentures issued was in accordance with the guidance in ASC 480 and ASC 815.

As of September 30, 2021 and December 31, 2020, the Company has outstanding, Canadian Dollar denominated convertible debentures in the aggregate principal amount of CDN \$0 and CDN \$35,000 (approximately \$27,442), respectively.

Convertible debentures of \$10,000 and CDN \$65,000 (approximately \$48,416) that had matured on May 31, 2020 were extended to August 29, 2020, of which CDN \$5,000 was acquired by a related party prior to extension, and a further \$600,000 and CDN \$242,000 (approximately \$180,257) that had matured, had the maturity date extended to September 28, 2020, of which \$500,000 and CDN \$207,000 were acquired by a related party, prior to extension. All of the convertible debentures with extended maturity dates, with the exception of one convertible debenture of CDN \$35,000, were repaid during 2020. The remaining convertible debenture of CDN \$35,000 was repaid in the first quarter of 2021.

During the year ended December 31, 2020, investors in Canadian Dollar convertible debentures converted the aggregate principal amount of CDN \$17,600, including interest thereon of CDN \$45,029 and investors in U.S. Dollar convertible debentures converted the aggregate principal amount of \$400,000, including interest thereon of \$70,492 into 230,134 shares of common stock.

The Aggregate convertible debentures outstanding consists of the following:

<u>September 30, 2021</u>	<u>December 31, 2020</u>
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Principal Outstanding		
Opening balance	\$ 27,442	\$ 3,464,737
Repaid	(27,562)	(2,778,349)
Conversion to equity	—	(634,431)
Foreign exchange movements	120	(24,515)
	—	27,442
Accrued Interest		
Opening balance	7,105	524,227
Interest expense	4,696	207,595
Repaid	(11,833)	(619,992)
Conversion to equity	—	(103,958)
Foreign exchange movements	32	(767)
	—	7,105
Debenture Discount		
Opening balance	—	(627,627)
Amortization	—	627,627
	—	—
Convertible Debentures, net	\$ —	\$ 34,547

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

12. Deferred Purchase Consideration

During the nine month current period, the Company paid the remaining balance of €20,800 (approximately \$25,262) to non-related parties in terms of the Virtual Generation promissory note.

The movement on deferred purchase consideration to non-related parties consists of the following:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Principal Outstanding		
Promissory note due to non-related parties	\$ 25,434	\$ 1,802,384
Settled by the issuance of common shares	—	(724,467)
Repayment in cash	(25,262)	(1,105,455)
Foreign exchange movements	(172)	52,972
	—	25,434
Present value discount on future payments		
Present value discount	(7,761)	(120,104)
Amortization	7,700	114,333
Foreign exchange movements	61	(1,990)
	—	(7,761)
Deferred purchase consideration, net	\$ —	\$ 17,673

13. Bank Loan Payable

In September 2016, the Company obtained a loan of €500,000 (approximately USD \$580,000) from Intesa Sanpaolo Bank in Italy, which loan is secured by the Company's assets. The loan originally has an underlying interest rate of 4.5 points above Euro Inter Bank Offered Rate, was subject to quarterly review and was to be amortized over 77 months ending June 30, 2021 with monthly repayments of €9,760. Subsequently, in terms of a directive by the Italian Government, in order to provide financial relief due to the Covid-19 pandemic, MultiGioco was able to suspend repayments of the loan for a period of six months and extend the maturity date of the loan to March 31, 2022, the interest rate remained the same at 4.5% above the Euro Inter Bank Offered Rate and monthly repayments were revised to €9,971.

The Company made payments under the loan in the aggregate principal amount of €84,294 (approximately USD \$100,850) for the nine months ended September 30, 2021.

14. Contingent purchase consideration

In terms of the acquisition of USB disclosed in Note 3 above, the Sellers will have an opportunity to receive up to an additional \$38,000,000 plus a potential premium of 10% (or \$3,800,000) based upon achievement of stated adjusted cumulative EBITDA milestones during the next four years, payable 50% in cash and 50% in the Company's stock at a price equal to volume weighted average price of the company's common stock for the 90 consecutive trading days preceding January 1 of each subsequent fiscal year for the duration of the earnout period ending December 31, 2025, subject to obtaining shareholder approval, if the aggregate number of shares to be issued pursuant to the Purchase Agreement exceeds 4,401,020 and with a cap of 5,065,000 on the aggregate number of shares to be issued. Any excess not approved by shareholders or exceeding the cap will be paid in cash.

The Company had an independent third party valuation entity perform a Purchase Price Analysis which included the probability of the Sellers achieving the additional proceeds of \$41,800,000.

At each reporting period, the Company estimates changes in the fair value of contingent consideration, and any change in fair value is recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss). The estimate of the fair value of contingent consideration requires subjective assumptions to be made regarding future operating results, discount rates, and probabilities assigned to various potential operating result scenarios. Due to the uncertainty regarding the achievement of the stated unadjusted accumulated EBITA milestones and the methodology in determining the number of shares to be issued during each earnout period and the potential restriction on the number of shares available for issue, the contingent purchase consideration is classified as a liability.

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

14. Contingent purchase consideration (continued)

	September 30, 2021
Contingent purchase consideration	
Contingent purchase consideration measured on the acquisition of USB	\$ 24,716,957
Settled by the issuance of common shares	—
Repayment in cash	—
Changes in fair value	569,076
Contingent consideration at September 30, 2021	25,286,033

15. Other long-term liabilities

Other long-term liabilities represent the Italian “Trattamento di Fine Rapporto” which is a severance amount set up by Italian companies to be paid to employees on termination or retirement as well as shop deposits that are held by Ulisse.

Balances of other long-term liabilities were as follows:

	September 30, 2021	December 31, 2020
Severance liability	\$ 338,475	\$ 297,120
Customer deposit balance	19,102	366,947
Total other long-term liabilities	\$ 357,577	\$ 664,067

16. Related Parties**Notes Payable, Related Party**

On March 11, 2020, the Company received an advance of \$300,000 in terms of a Promissory Note (“PN”) entered into with Forte Fixtures and Millwork, Inc., a Company controlled by the brother of our Executive Chairman. The PN bears no interest and is repayable on demand.

The movement on notes payable, Related Party, consists of the following:

	September 30, 2021	December 31, 2020
Principal Outstanding		
Additions	\$ —	\$ 300,000
Repayment	—	(200,000)
Applied to warrant exercise	—	(100,000)
	—	—
Accrued Interest		
Opening balance	—	—
Interest expense	—	22,521
Repayment	—	(14,465)
Applied to warrant exercise	—	(8,056)
	—	—
Promissory Notes Payable – Related Party	\$ —	\$ —

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

16. Related Parties (continued)**Convertible notes acquired, Related party**

Forte Fixtures and Millworks acquired certain convertible notes from third parties that had matured on May 31, 2020. The convertible notes had an aggregate principal amount of \$150,000 and only the accrued interest of \$70,000 on a note with an aggregate principal amount of \$350,000 and notes with an aggregate principal amount of CD\$207,000, the maturity date of these convertible notes was extended to September 28, 2020. The convertible notes together with interest thereon, amounting to \$445,020 were repaid between August 23, 2020 and October 21, 2020.

As an incentive for extending the maturity date of the convertible debentures, Forte Fixtures was granted 2 year warrants exercisable for 134,508 shares of common stock at an exercise price of \$3.75 per share and 6 year warrants exercisable for 33,627 shares of common stock at an exercise price of \$5.00 per share. These warrants were exercised on December 30, 2020, for gross proceeds of \$630,506.

Deferred Purchase consideration, Related Party

During the first and second quarter, the Company paid the remaining balance of €312,500 (approximately \$385,121) to related parties in terms of the Virtual Generation

promissory note.

The movement on deferred purchase consideration consists of the following:

Description	September 30, 2021	December 31, 2020
Principal Outstanding		
Promissory notes due to related parties	\$ 382,128	\$ 1,279,340
Settled by the issuance of common shares	—	(482,978)
Repayment in cash	(385,121)	(471,554)
Foreign exchange movements	2,993	57,230
	<u>—</u>	<u>382,128</u>
Present value discount on future payments		
Present value discount	(5,174)	(80,069)
Amortization	5,133	76,222
Foreign exchange movements	41	(1,327)
	<u>—</u>	<u>(5,174)</u>
Deferred purchase consideration, net	<u>\$ —</u>	<u>\$ 376,954</u>

Related party (payables) receivables

Related party payables and receivables represent non-interest-bearing (payables) receivables that are due on demand.

The balances outstanding are as follows:

	September 30, 2021	December 31, 2020
Related Party payables		
Luca Pasquini	\$ (543)	\$ (565)
Victor Salerno	(50,854)	—
	<u>(51,397)</u>	<u>\$ (565)</u>
Related Party Receivables		
Luca Pasquini	<u>\$ 1,438</u>	<u>\$ 1,519</u>

ELYS GAME TECHNOLOGY, CORP. Notes to Unaudited Condensed Consolidated Financial Statements

16. Related Parties (continued)

Gold Street Capital

Gold Street Capital is wholly owned by Gilda Ciavarella, the spouse of Mr. Ciavarella.

Gold Street Capital acquired certain convertible notes that had matured on May 31, 2020, amounting to CDN\$35,000 from third parties, the maturity date of these convertible notes was extended to September 28, 2020. The convertible notes together with interest thereon, amounting to CDN \$44,062 (approximately \$34,547) was outstanding at December 31, 2020. This amount was repaid during the current period.

As an incentive for extending the maturity date of the convertible debentures, all debenture holders, including Gold Street Capital, were granted two-year warrants exercisable at an exercise price of \$3.75 per share, and six-year warrants exercisable at an exercise price of \$5.00 per share. Gold Street Capital was granted two year-warrants exercisable for 9,533 shares of common stock at \$3.75 per share and six-year warrants exercisable for 2,383 shares of common stock at \$5.00 per share.

Luca Pasquini

On January 31, 2019, the Company acquired VG for €4,000,000 (approximately \$4,576,352). Mr. Pasquini was a 20% owner of VG and was due gross proceeds of €800,000 (approximately \$915,270). The gross proceeds of €800,000 was to be settled by a payment in cash of €500,000 over a twelve month period and by the issuance of common stock valued at €300,000 over an eighteen month period. As of June 30, 2021, the Company has paid Mr. Pasquini the full cash amount of €500,000 (approximately \$604,380) and issued 112,521 shares valued at €300,000 (approximately \$334,791).

On January 22, 2021, the Company issued Mr. Pasquini 44,968 shares of common stock valued at \$257,217, in settlement of accrued compensation due to him.

On July 11, 2021, the Company entered into an agreement with Engage IT Services Srl ("Engage"), to provide gaming software and maintenance and support of the system, the total contract price was €390,000 (approximately \$459,572). Mr. Pasquini owns 34% of Engage.

On September 13, 2021, Mr. Pasquini, the Company's Vice President of Technology, resigned as a director of the Company.

Victor Salerno

On July 15, 2021 the Company consummated the acquisition of USB and in terms of the Purchase Agreement the Company acquired 100% of USB, from its members (the "Sellers"). Mr. Salerno was a 68% owner of USB and received \$4,080,000 of the \$6,000,000 paid in cash upon closing and 860,760 of the 1,265,823 shares of common stock issued on closing.

Together with the consummation of the acquisition of USB, the Company entered into a 4 year employment agreement with Mr. Salerno terminating on July 14, 2025 (the "Salerno Employment Agreement"), automatically renewable for a period of one year unless notified by either party of non-renewal. The employee will earn an initial base salary of \$0 and thereafter \$150,000 per annum commencing on January 1, 2022. Mr. Salerno is entitled to bonuses, equity incentives and benefits consistent with those of other senior employees.

Mr. Salerno may be terminated for no cause or resign for good reason, which termination would entitle him to the greater of one year's salary or the remaining term of the employment agreement plus the highest annual incentive bonus paid to him during the past two years. If Mr. Salerno is terminated for cause he is entitled to all unpaid salary and expenses due to him at the time of termination. If the employment agreement is terminated due to death, his heirs and successors are entitled to all unpaid salary, unpaid expenses and one times his annual base salary. Termination due to disability will result in Mr. Salerno being paid all unpaid salary and expenses and one times annual salary.

Pursuant to the Salerno Employment Agreement, Mr. Salerno has also agreed to customary restrictions with respect to the disclosure and use of the Company's confidential information and has agreed that work product or inventions developed or conceived by him while employed with the Company relating to its business is the Company's property. In addition, during the term of his employment and if terminated for cause for the 12 month period following his termination of employment, Mr. Salerno has agreed not to (1) perform services on behalf of a competing business which was the same or similar to the type of services he was authorized, conducted, offered or provided to the Company, (2) solicit or induce any of the Company's employees or independent contractors to terminate their employment with the Company, (3) solicit any actual or prospective customers with whom he had material contact on behalf of a competing business or (4) solicit any actual or prospective vendors with whom he had material contact to support a competing business.

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

16. Related Parties (continued)

On September 13, 2021, the board of directors of the Company appointed Mr. Salerno, the President and founder of the Company's newly acquired subsidiary, Bookmakers Company US LLC ("US Bookmaking"), to serve as a member of the Board.

Prior to the acquisition of USB, Mr. Salerno had advanced USB \$100,000 of which \$50,000 was forgiven and the remaining \$50,000 is still owing to Mr. Salerno, which amount earns interest at 8% per annum, compounded monthly and repayable on December 31, 2023.

Michele Ciavarella

Mr. Ciavarella agreed to receive \$140,000 of his 2021 fiscal year compensation as a restricted stock award, on January 22, 2021, the Company issued Mr. Ciavarella 24,476 shares of common stock valued at \$140,000 on the date of issue.

On January 22, 2021, the Company issued Mr. Ciavarella 175,396 shares of common stock valued at \$1,003,265, in settlement of accrued compensation due to him.

On July 15, 2021, Michele Ciavarella, Executive Chairman of the Company, was appointed as the interim Chief Executive Officer and President of the Company, effective July 15, 2021. Mr. Ciavarella will serve as the Company's Executive Chairman and interim Chief Executive Officer until the earlier of his resignation or removal from office.

Matteo Monteverdi

Mr. Monteverdi resigned as the Company's Chief Executive Officer and President to become the Company's Head of Special Projects.

Gabriele Peroni

On January 31, 2019, the Company acquired Virtual Generation Limited for €4,000,000 (approximately \$4,576,352). Mr. Peroni was a 20% owner of Virtual Generation and was due gross proceeds of €800,000 (approximately \$915,270). The gross proceeds of €800,000 was to be settled by a payment in cash of €500,000 over a twelve month period and by the issuance of common stock valued at €300,000 over an eighteen month period. As of September 30, 2020, the Company has paid Mr. Peroni the full cash amount of €500,000 (approximately \$604,380) and issued 112,521 shares valued at €300,000 (approximately \$334,791).

On January 22, 2021, the Company issued Mr. Peroni 74,294 shares of common stock valued at \$424,962, in settlement of accrued compensation due to him.

Alessandro Marcelli

On January 22, 2021, the Company issued Mr. Marcelli 34,002 shares of common stock valued at \$194,491, in settlement of accrued compensation due to him.

Franco Salvagni

On January 22, 2021, the Company issued Mr. Salvagni 70,807 shares of common stock valued at \$405,016, in settlement of accrued compensation due to him.

Beniamino Gianfelici

On January 22, 2021, the Company issued Mr. Gianfelici 63,278 shares of common stock valued at \$361,950, in settlement of accrued compensation due to him.

Paul Sallwasser

On September 13, 2021, the Company granted Mr. Sallwasser ten year options exercisable for 21,300 shares of common stock at an exercise price of \$5.10, vesting equally over a twelve month period commencing on September 13, 2021.

16. Related Parties (continued)

Steven Shallcross

On January 22, 2021, the Company issued to Mr. Shallcross, a director of the Company, 5,245 shares of common stock valued at \$30,000, in settlement of directors' fees due to him.

On September 13, 2021, the Company granted Mr. Shallcross ten year options exercisable for 13,600 shares of common stock at an exercise price of \$.10, vesting equally over a twelve month period commencing on September 13, 2021.

Mark Korb

On July 5, 2021, the Company entered into an employment agreement dated July 1, 2021 with Mark Korb, the Company's Chief Financial Officer, (the "Korb Employment Agreement"), to employ Mr. Korb, on a full-time basis commencing September 1, 2021, as Chief Financial Officer for a term of four (4) years, at an annual base salary of \$360,000 and such additional performance bonus payments as may be determined by the Company's board of directors with a target bonus of 40% of his base salary. Mr. Korb will also be entitled to pension, medical, retirement and other benefits available to other Company senior officers and directors and he will receive an allowance of up to \$2,000 per month towards medical and welfare benefits. In connection with the Korb Employment Agreement, On July 1, 2021, the Compensation Committee of the Board granted Mr. Korb, an option to purchase 400,000 shares of the Company's common stock. The shares of common stock underlying the option award vest pro rata on a monthly basis over a forty-eight month period. The options are exercisable for a period of ten years from the date of grant and have an exercise price of \$4.03 per share.

In addition, the Korb Employment Agreement also provides for certain payments and benefits in the event of a termination of his employment under specific circumstances. If his employment is terminated by the Company other than for "Cause," death or Disability or by Mr. Korb for "Good Reason" (each as defined in the Korb Employment Agreement), he will be entitled to receive from the Company in equal installments over a six month period (1) an amount equal to one (1) times the sum of: (A) his base salary and (B) an amount equal to the highest annual MBO Bonus (as defined in the Korb Employment Agreement") paid to him (if any) in respect of the two (2) most recent fiscal years of the Company but not more than his MBO Bonus for the then current fiscal year (provided if such termination occurs within the first twelve (12) months of the Agreement, the amount shall be Mr. Korb's MBO Bonus for the then current fiscal year); (2) in lieu of any MBO Bonus for the year in which such termination occurs, payment of an amount equal to (A) the MBO Bonus (if any) which would have been payable to Mr. Korb had he remained in employment with the Company during the entire year in which such termination occurred, multiplied by (B) a fraction the numerator of which is the number of days Mr. Korb was employed in the year in which such termination occurs and the denominator of which is the total number of days in the year in which such termination occurs. In addition, he will be entitled to continue to receive under the Employment Agreement an amount equal to the reimbursement of up to \$2,000 a month in third-party medical and welfare benefits for Mr. Korb and his dependents, until the earlier of: (A) a period of twelve (12) months after the termination date, or (B) the date Mr. Korb becomes eligible to receive such coverage under a subsequent employer's insurance plan. Mr. Korb's receipt of the termination payments and benefits is contingent upon execution of a general release of any and all claims arising out of or related to his employment with the Company and the termination of his employment, and compliance with the restrictive covenants described in the following paragraph.

If the Korb Employment Agreement is terminated by the Company for cause or by Mr. Korb for Good Reason, then Mr. Korb will be entitled to receive accrued and unpaid base salary, earned and unused vacation days through the termination date and all expenses incurred by him prior to the termination date. The Korb Employment Agreement also provides that upon the Disability (as defined in the Korb Employment Agreement) of Mr. Korb or his death, Mr. Korb will be entitled to receive accrued and unpaid base salary, earned and unused vacation days through the date of his declared Disability or death and all expenses incurred by him prior to such date and one times his base salary.

ELYS GAME TECHNOLOGY, CORP. Notes to Unaudited Condensed Consolidated Financial Statements

16. Related Parties (continued)

Pursuant to the Korb Employment Agreement, Mr. Korb has also agreed to customary restrictions with respect to the disclosure and use of the Company's confidential information and has agreed that work product or inventions developed or conceived by him while employed with the Company relating to its business is the Company's property. In addition, during the term of his employment and if terminated for cause for the 12 month period following his termination of employment, Mr. Korb has agreed not to (1) perform services on behalf of a competing business which was the same or similar to the types services he was authorized, conducted, offered or provided to the Company, (2) solicit or induce any of the Company's employees or independent contractors to terminate their employment with the Company, (3) solicit any actual or prospective customers with whom he had material contact on behalf of a competing business or (4) solicit any actual or prospective vendors with whom he had material contact to support a competing business.

Andrea Mandel-Mantello

On June 29, 2021, the board of directors of the Company appointed Mr. Mandel-Mantello to serve as a member of the Board. The appointment was effective immediately and Mr. Mandel-Mantello will serve on the audit committee.

On September 13, 2021, the Company granted Mr. Mandel-Mantello ten year options exercisable for 13,600 shares of common stock at an exercise price of \$.10, vesting equally over a twelve month period commencing on September 13, 2021.

Phillipe Blanc

On July 1, 2021, Philippe Blanc resigned as a director of the Company, simultaneously with Mr. Blanc's resignation as a director of the Company, the Company entered into a consulting agreement with Mr. Blanc to provide for his future services in a consulting capacity over two years. Mr. Blanc will receive €105,000 per annum as compensation.

17. Stockholders' Equity

For the nine months ended September 30, 2021, the Company issued a total of 467,990 shares of common stock, valued at \$2,676,901 for the settlement of compensation and directors' fees to certain of the Company's related parties, refer note 16 above.

Between January 4, 2021, and September 21, 2021, investors exercised warrants for 1,506,809 shares of common stock for gross proceeds of \$3,962,481 at an average exercise price of \$2.63 per share.

On January 22, 2021, the Company issued 24,476 restricted shares of common stock valued at \$40,000 to Michele Ciavarella in terms of a compensation election he made for the 2021 fiscal year.

On July 15, 2021, the Company issued 1,265,823 shares of common stock to the Sellers of USB, at \$4.74 per share for a total of \$6,000,000, representing 50% of the initial purchase consideration.

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

18. Warrants

A summary of all of the Company's warrant activity during the period January 1, 2020 to September 30, 2021 is as follows:

	<u>Number of shares</u>	<u>Exercise price per share</u>	<u>Weighted average exercise price</u>
Outstanding January 1, 2020	1,089,474	\$ 4.00	\$ 4.00
Granted	5,374,371	2.50 to 5.00	2.62
Forfeited/cancelled	(1,089,474)	4.00	4.00
Exercised	(3,321,226)	2.50 to 5.00	2.62
Outstanding December 31, 2020	2,053,145	\$ 2.50 to 5.00	2.63
Granted	—	—	—
Forfeited/cancelled	—	—	—
Exercised	(1,506,809)	2.50 to 3.75	2.63
Outstanding September 30, 2021	546,336	\$ 2.50 to 5.00	\$ 2.66

The following tables summarize information about warrants outstanding as of September 30, 2021:

<u>Exercise price</u>	<u>Warrants outstanding</u>			<u>Warrants exercisable</u>		
	<u>Number of shares</u>	<u>Weighted average remaining years</u>	<u>Weighted average exercise price</u>	<u>Number of shares</u>	<u>Weighted average exercise price</u>	
\$2.50	486,173	3.88	\$ 2.50	486,173	\$ 2.50	2.50
\$3.75	48,395	0.66	3.75	48,395	3.75	3.75
\$5.00	11,768	0.87	5.00	11,768	5.00	5.00
	<u>546,336</u>	<u>3.53</u>	<u>\$ 2.66</u>	<u>546,336</u>	<u>\$ 2.66</u>	<u>2.66</u>

ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

19. Stock Options

In September 2018, our stockholders approved our 2018 Equity Incentive Plan, which provides for a maximum of 1,150,000 awards that can be issued as options, stock appreciation rights, restricted stock, stock units, other equity awards or cash awards.

On October 1, 2020, the Board approved an amendment to the Company's 2018 Equity Incentive Plan (the "Plan") to increase the maximum number of shares that may be granted as an award under the Plan to any non-employee director during any one calendar year to: (i) chairperson or lead director – 300,000 shares of common stock; and (ii) other non-employee director - 250,000 shares of common stock, which reflects an increase in the annual limits for awards to be granted to non-employee directors under the Plan.

On November 20, 2020, the Company held its 2020 Annual Meeting of Stockholders. At the Annual Meeting, the Company's stockholders approved an amendment to the Company's 2018 Equity Incentive Plan to increase the number of shares of common stock that the Company will have authority to grant under the plan by an additional 1,850,000 shares of common stock.

In addition, pursuant to the employment agreement entered into with Mr. Monteverdi, the Company granted Mr. Monteverdi a non-plan option to purchase 648,000 shares of common stock at an exercise price of \$1.84 that vest pro rata on each of September 1, 2021, September 1, 2022, September 1, 2023 and September 1, 2024.

During the period ended September 30, 2021, the Company issued ten year options to purchase 720,000 shares at exercise prices ranging from \$2.62 to \$4.20 per share to employees.

On July 1, 2021, in compliance with the terms of an employment agreement entered into with Mr. Korb, the Company's CFO, the Company granted him ten year options to purchase 400,000 shares of common stock at an exercise price of \$4.03 per share vesting annually commencing on September 1, 2022.

On August 31, 2021, due to the resignation of an employee, unvested options for 50,000 shares of common stock were forfeited by the employee.

On September 13, 2021, the Company granted the non-executive members of its board ten year options to purchase 48,500 shares of common stock at an exercise price of

\$5.10 per share, as a component of annual compensation.

The options awarded during the nine months ended September 30, 2021 were valued using a Black-Scholes option pricing model.

The following assumptions were used in the Black-Scholes model:

	Nine months ended September 30, 2021	
Exercise price	\$ 2.62	to 5.10
Risk free interest rate	0.92	to 1.63%
Expected life of options		10 years
Expected volatility of underlying stock	223	to 229.8%
Expected dividend rate		0%

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ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

19. Stock Options (continued)

A summary of all of the Company's option activity during the period January 1, 2020 to September 30, 2021 is as follows:

	<u>Number of shares</u>	<u>Exercise price per share</u>	<u>Weighted average exercise price</u>
Outstanding January 1, 2020	315,938	\$ 2.72 to 2.96	\$ 2.84
Granted	1,307,000	1.84 to 2.03	1.95
Forfeited/cancelled	—	—	—
Exercised	—	—	—
Expired	—	—	—
Outstanding December 31, 2020	1,622,938	\$ 1.84 to 2.96	2.11
Granted	1,168,500	2.62 to 5.10	3.15
Forfeited/cancelled	(50,000)	2.62	2.62
Exercised	—	—	—
Outstanding September 30, 2021	<u>2,741,438</u>	<u>\$ 1.84 to 5.10</u>	<u>\$ 2.16</u>

The following tables summarize information about stock options outstanding as of September 30, 2021:

<u>Exercise price</u>	<u>Options outstanding</u>			<u>Options exercisable</u>	
	<u>Number of shares</u>	<u>Weighted average remaining years</u>	<u>Weighted average exercise price</u>	<u>Number of shares</u>	<u>Weighted average exercise price</u>
\$1.84	648,000	8.98		162,000	
\$2.03	659,000	9.01		316,333	
\$2.72	25,000	4.75		25,000	
\$2.80	220,625	7.98		110,495	
\$2.96	70,313	7.77		70,313	
\$4.03	1,020,000	9.76		51,667	
\$4.07	25,000	9.79		—	
\$4.20	25,000	9.59		—	
\$5.10	48,500	9.96		—	
	<u>2,741,438</u>	<u>9.16</u>	<u>\$ 2.91</u>	<u>735,807</u>	<u>\$ 2.36</u>

As of September 30, 2021, there were unvested options to purchase 2,005,630 shares of common stock. Total expected unrecognized compensation cost related to such unvested options is \$6,093,119 which is expected to be recognized over a period of 45 months.

The intrinsic value of the options at September 30, 2021 was \$5,534,868.

As of September 30, 2021, there was an aggregate of 2,093,438 options to purchase shares of common stock granted under the Company's 2018 Equity Incentive Plan, and an aggregate of 492,466 restricted shares granted to certain officers and directors of the Company in settlement of liabilities owing to them, with 14,096 shares available for future grants.

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ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

20. Revenues

The following table represents disaggregated revenues from our gaming operations for the three months and nine months ended September 30, 2021 and 2020. Net Gaming

Revenues represents Turnover (also referred to as “Handle”), the total bets processed for the period, less customer winnings paid out, and taxes due to government authorities, while Service Revenues is revenue invoiced for our Elys software service and royalties invoiced for the sale of virtual products.

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Turnover				
Turnover web-based	\$ 162,471,799	\$ 117,879,687	\$ 613,678,568	\$ 300,111,151
Turnover land-based	1,193,778	25,823,099	13,237,738	53,635,357
Total Turnover	163,665,577	143,702,786	626,916,306	353,746,508
Winnings/Payouts				
Winnings web-based	152,328,198	110,841,093	572,975,466	281,541,363
Winnings land-based	1,031,217	21,495,660	11,362,524	43,286,978
Total Winnings/payouts	153,359,415	132,336,753	584,337,990	324,828,341
Gross Gaming Revenues	10,306,162	11,366,033	42,578,316	28,918,167
Less: ADM Gaming Taxes	2,515,570	1,698,192	9,129,881	4,294,680
Net Gaming Revenues	7,790,592	9,667,841	33,448,435	24,623,487
Service Revenues	239,490	33,955	428,924	58,752
Revenue	\$ 8,030,082	\$ 9,701,796	\$ 33,877,359	\$ 24,682,239

21. Net loss per Common Share

Basic income (loss) per share is based on the weighted-average number of common shares outstanding during each period. Diluted income (loss) per share is based on basic shares as determined above, plus the incremental shares that would be issued upon the assumed exercise of “in-the-money” options and warrants using the treasury stock method and the inclusion of all convertible securities, including convertible debentures, assuming these securities were converted at the beginning of the period or at the time of issuance, if later, adding back any direct incremental expenses related to the convertible securities, including interest expense, present value discount amortization. The computation of diluted net income (loss) per share does not assume the issuance of common shares that have an anti-dilutive effect on net loss per share.

The computation of the diluted income per share for the three months and nine months ended September 30, 2021 and 2020 was anti-dilutive due to the losses realized.

For the three months and nine months ended September 30, 2021 and 2020, the following options, warrants and convertible debentures were excluded from the computation of diluted loss per share as the result of the computation was anti-dilutive:

Description	Three and nine Months ended September 30, 2021	Three and nine Months ended September 30, 2020
Options	2,741,438	963,938
Warrants	546,336	5,374,371
	3,287,774	6,338,309

ELYS GAME TECHNOLOGY, CORP. Notes to Unaudited Condensed Consolidated Financial Statements

22. Segmental Reporting

The Company has two reportable operating segments. These segments are:

(i) **Betting establishments**

The operating of web based as well as land based leisure betting establishments situated throughout Italy; and only web based distribution through our Austrian subsidiary in the Italian market until June 2021, and

(ii) **Betting platform software and services**

Provider of certified betting Platform software services to global leisure betting establishments and operators.

The operating assets and liabilities of the reportable segments are as follows:

	September 30, 2021			
	Betting establishments	Betting platform software and services	All other	Total
Purchase of non-current assets	\$ 25,502	\$ 37,881,164	\$ 43,552	\$ 37,950,218
Assets				
Current assets	8,587,092	1,308,003	2,230,792	12,125,887
Non-current assets	6,783,911	43,666,430	1,156,085	51,606,426
Liabilities				

Current liabilities	(6,499,182)	(915,762)	(1,225,532)	(8,640,476)
Non-current liabilities	(765,779)	(3,618,200)	(25,286,034)	(29,670,013)
Intercompany balances	4,247,985	(705,171)	(3,542,814)	—
Net asset position	<u>\$ 12,354,027</u>	<u>\$ 39,735,300</u>	<u>\$ (26,667,503)</u>	<u>\$ 25,421,824</u>

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ELYS GAME TECHNOLOGY, CORP.
Notes to Unaudited Condensed Consolidated Financial Statements

22. Segment Reporting (continued)

The segment operating results of the reportable segments are disclosed as follows:

	Nine months ended September 30, 2021				
	Betting establishments	Betting platform software and services	All other	Adjustments	Total
Revenue	\$ 33,448,435	\$ 428,924	\$ —	\$ —	\$ 33,877,359
Intercompany Service revenue	271,518	3,323,848	—	(3,595,366)	—
Total revenue	<u>33,719,953</u>	<u>3,752,772</u>	<u>—</u>	<u>(3,595,366)</u>	<u>33,877,359</u>
Operating expenses					
Intercompany service expense	3,323,848	271,518	—	(3,595,366)	—
Selling expenses	26,318,643	14,513	—	—	26,333,156
General and administrative expenses	5,251,863	4,204,834	4,518,758	—	13,975,455
Total operating expenses	<u>34,894,354</u>	<u>4,490,865</u>	<u>4,518,758</u>	<u>(3,595,366)</u>	<u>40,308,611</u>
(Loss) Income from operations	<u>(1,174,401)</u>	<u>(738,093)</u>	<u>(4,518,758)</u>	<u>—</u>	<u>(6,431,252)</u>
Other income (expense)					
Other income	434,624	2,073	7,992	—	444,689
Other expense	(23,954)	(4,568)	—	—	(28,522)
Interest expense, net	(7,486)	(2,109)	(5,153)	—	(14,748)
Change in fair value of contingent purchase consideration	—	—	(569,076)	—	(569,076)
Amortization of present value discount	—	—	(12,833)	—	(12,833)
Loss on marketable securities	—	—	(292,500)	—	(292,500)
Total other income (expense)	<u>403,184</u>	<u>(4,604)</u>	<u>(871,570)</u>	<u>—</u>	<u>(472,990)</u>
(Loss) Income before Income Taxes	<u>(771,217)</u>	<u>(742,697)</u>	<u>(5,390,328)</u>	<u>—</u>	<u>(6,904,242)</u>
Income tax provision	(50,666)	58,802	—	—	8,136
Net Loss	<u>\$ (821,883)</u>	<u>\$ (683,895)</u>	<u>\$ (5,390,328)</u>	<u>\$ —</u>	<u>\$ (6,896,106)</u>

The operating assets and liabilities of the reportable segments are as follows:

	September 30, 2020			
	Betting establishments	Betting platform software and services	All other	Total
Purchase of non-current assets	\$ 112,506	\$ 60,168	\$ —	\$ 172,674
Assets				
Current assets	6,940,838	265,782	4,944,614	12,151,234
Non-current assets	12,490,886	6,311,200	620,090	19,422,176
Liabilities				
Current liabilities	(5,847,368)	(489,859)	(5,385,225)	(11,722,452)
Non-current liabilities	(1,320,714)	(1,279,434)	(30,023)	(2,630,171)
Intercompany balances	4,591,801	(61,400)	(4,530,401)	—
Net asset position	<u>\$ 16,855,443</u>	<u>\$ 4,746,289</u>	<u>\$ (4,380,945)</u>	<u>\$ 17,220,787</u>

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22. Segmental Reporting (continued)

The segment operating results of the reportable segments are disclosed as follows:

	Nine months ended September 30, 2020				
	Betting establishments	Betting platform software and services	All other	Adjustments	Total
Net Gaming Revenue	\$ 24,623,487	\$ 58,752	\$ —	\$ —	\$ 24,682,239
Intercompany Service revenue	62,159	1,971,089	—	(2,033,248)	—
Total Revenue	24,685,646	2,029,841	—	(2,033,248)	24,682,239
Operating expenses					
Intercompany service expense	1,971,089	62,159	—	(2,033,248)	—
Selling expenses	17,316,388	10,762	—	—	17,327,150
General and administrative expenses	3,216,798	2,750,780	2,893,315	—	8,860,893
Total operating expenses	22,504,275	2,823,701	2,893,315	(2,033,248)	26,188,043
(Loss) income from operations	2,181,371	(793,860)	(2,893,315)	—	(1,505,804)
Other (expense) income					
Other income	62,888	45	—	—	62,933
Other expense	(109,098)	(525)	—	—	(109,623)
Interest expense, net	(2,292)	(66)	(226,808)	—	(229,166)
Amortization of present value discount	—	—	(780,678)	—	(780,678)
Loss on conversion of debt	—	—	(719,390)	—	(719,390)
Loss on marketable securities	—	—	472,500	—	472,500
Total other (expenses) income	(48,502)	(546)	(1,254,376)	—	(1,303,424)
Income (Loss) before Income Taxes	2,132,869	(794,406)	(4,147,691)	—	(2,809,228)
Income tax provision	(674,273)	64,386	(162,112)	—	(771,999)
Net Income (Loss)	\$ 1,458,596	\$ (730,020)	\$ (4,309,803)	\$ —	\$ (3,581,227)

23. Subsequent Events

The Company has evaluated subsequent events through the date the financial statements were issued and did not identify any other subsequent events that would have required adjustment or disclosure in the financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. All statements other than statements of historical fact could be deemed forward-looking statements. Statements that include words such as "may," "might," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "pro forma" or the negative of these words or other words or expressions of and similar meaning may identify forward-looking statements. For example, forward-looking statements include any statements of the plans, strategies and objectives of management for future operations, including the execution of integration and restructuring plans and the anticipated timing of filings; any statements concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; statements of belief and any statement of assumptions underlying any of the foregoing. Factors that might cause such differences include, but are not limited to, those discussed in our Annual Report on Form 10-K/A for the year ended December 31, 2020 filed with the Securities and Exchange Commission on April 13, 2021 under the heading "Risk Factors" and the Risk Factors as described in Item 1A of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2021.

Overview

Except as expressly stated, the financial condition and results of operations discussed throughout the Management's Discussion and Analysis of Financial Condition and Results of Operations are those of Elys Game Technology, Corp. and its consolidated subsidiaries.

We currently provide our gaming services in Italy through our subsidiary, Multigioco Srl ("Multigioco"), which operations are carried out via both land-based or online retail gaming licenses regulated by the Agenzia delle Dogane e dei Monopoli ("ADM") that permits us to distribute leisure betting products such as sports betting, and virtual sports betting products through both physical, land-based retail locations as well as online through our licensed website www.newgioco.it or commercial webskins linked to our licensed website and through mobile devices. Our Austria Bookmaker license that is regulated by the Austrian Federal Finance Ministry ("BMF") permits us to operate online sports betting in certain European jurisdictions outside of Italy through our subsidiary Ulisse GmbH ("Ulisse") under the free-trade principles incorporated within bilateral Intra-EU trade agreements that refers to all trade, including e-commerce transactions in most goods, services and products between member states of the European Union ("EU").

We also provide Gaming services in the US market via our recently acquired subsidiary Bookmakers Company US, LLC in certain licensed states where we offer bookmaking and platform services to our customers. Our intention is to focus our attention on expanding the US market. We recently began operation in Washington DC through a Class B Managed Service Provider and Class B Operator license to operate a sportsbook within the Grand Central Bar and Grill located in the Adams Morgan area of Washington, D.C., and in October 2021 we entered into an agreement with Ocean Resort Casino in Atlantic City to commence operations in the state of New Jersey in March 2022.

Additionally, we are a global gaming technology company which owns and operates a betting software designed with a unique "distributed model" architecture colloquially named Elys Game Board (the "Platform") through our Odissea subsidiary. The Platform is a fully integrated "omni-channel" framework that combines centralized technology for updating, servicing and operations with multi-channel functionality to accept all forms of customer payment through the two distribution channels described above. The omni-channel software design is fully integrated with a built in player gaming account management system, built-in sports book and a virtual sports platform through our VG

subsidiary. The Platform also provides seamless application programming interface integration of third-party supplied products such as online casino, poker, lottery and horse racing and has the capability to incorporate e-sports and daily fantasy sports providers.

Our corporate group is based in North America, which includes an executive suite situated in San Francisco, California and a Canadian office in Toronto, Ontario through which we carry-out corporate activities, handle day-to-day reporting and U.S. development planning, and through which various employees, independent contractors and vendors are engaged.

For the period ended September 30, 2021, transaction revenue generated through our subsidiaries Multigioco and Ulisse consisted of wagering and gaming transaction income broken down to: (i) spread on sports bet wagers, and (ii) fixed rate commissions on casino, poker, lotto and horse racing wagers from online based betting web-shops and websites as well as land-based retail betting shops located throughout Italy; while our service revenue generated by our Platform is primarily derived from bet and wager processing through Multigioco and Ulisse. Since the majority of Ulisse Data Transmission Centers (CTD) locations were not expected to re-open after the COVID-19 related lockdowns in Italy subside, management decided to simplify our Italian footprint by focusing our investment towards the Multigioco operations and discontinued Ulisse presence in Italy during Q2-2021 and focusing Ulisse operations to online operations in Austria and other potential European regions.

We believe that our Platform is considered one of the newest betting software platforms in the world and our plan is to expand our Platform offering to new jurisdictions around the world on a B2B basis, including expansion through Europe, South America, South Africa and the developing market in the United States. During the year ended December 31, 2020 and the nine months ended September 30, 2021, we also generated service revenue from royalties through authorized agents by providing our virtual sports products through our VG subsidiary and generated service revenues through the provision of bookmaking and platform services through our recently acquired subsidiary, Bookmakers Company US, LLC. We intend to leverage our partnerships in these countries to cross-sell our Platform services to expand the global distribution of our betting solutions.

Recent Developments

Impact of COVID-19

As a result of the global outbreak of the COVID-19 virus, on March 8, 2020 the Italian government issued a decree which imposed certain restrictions on public gatherings and travel, and closures of physical venues that included betting shops, arcades and bingo halls across Italy. Accordingly, we had temporarily closed all betting shop locations throughout Italy as a result of the decree until May 4, 2020. Subsequently, on March 10, 2020 the Italian government imposed further restrictions on travel throughout Italy as well as transborder crossings and had either postponed or cancelled most professional sports events which had an effect on the Company's overall sports betting handle and revenues and negatively impacted the Company's operating results.

On June 19, 2020 all land-based betting shops, including corner locations such as coffee shops throughout Italy temporarily reopened until November 2020 when the Italian government imposed new lockdowns that were lifted on June 14, 2021. The closing of physical betting shop locations did not affect our online and mobile business operations which has mitigated some of the impact. Due to the high percentage of vaccinations administered in Italy, we do not anticipate further severely restrictive lockdowns.

We anticipate that COVID-19 will continue to negatively impact our operating results in future periods, and we expect that a significant number of locations will not re-open after the COVID-19 related lockdowns in Italy subside. Since the duration and scope of the COVID-19 outbreak worldwide, including the impact to the local economies and retail business is not precisely determinable at this time, management decided to close our Ulisse operations in Italy during Q2 2021, while focusing investments on growing our more familiar Multigioco brand, the result of which management believes has reduced the complexity and improve the efficiency of our gaming operations in Italy.

Expansion and New Markets

United States Operations Development

On July 15, 2021, we completed the acquisition of Bookmakers Company US LLC dba US Bookmaking ("USB") in accordance with the terms of the Membership Purchase Agreement that we entered into on July 5, 2021 with the members of USB (the "Sellers"), making USB a wholly owned subsidiary of the Company. USB's management team includes a long time sports book operator Victor Salerno, with over 40 years of experience in the Nevada sports book business managing risk for over 100 properties and who was inducted into the American Gaming Association's Gaming Hall of Fame in 2015 and SBC's Hall of Fame in 2020; Bob Kocienski, CEO, with over 40 years of experience in the gaming industry including oversight on the sports books at several high profile casinos; Robert Walker, Director of Bookmaking, with over 30 years of experience in managing sports books at several casinos including the Stardust, Mirage, and the MGM; and John Salerno, Director of Operations and Compliance with over 20 years of experience. USB currently operates in 4 states (New Mexico, Colorado, North Dakota and Michigan) providing services to 6 clients (Sky Ute Casino Resort, Santa Ana Star Casino, Isleta Resort & Casino, Santa Claran Hotel & Casino, Odawa Casino, and 4 Bears Casino) with pending operations in 2 additional states (Washington, DC and Iowa).

Pursuant to the terms of the Purchase Agreement, the consideration paid for all of the equity of USB was \$6 million in cash plus the issuance of 1,265,823 shares of our common stock having a value of \$6,000,000 based upon a price of \$4.74 per share which was the volume weighted average closing price of the stock for the 90 trading days preceding the closing date. The Sellers will have an opportunity to receive up to an additional \$38 million plus a potential premium of 10% (or \$3.8 million) based upon achievement of stated adjusted cumulative EBITDA milestones during the next four years, payable 50% in cash and 50% in Elys stock at a price equal to volume weighted average price of our common stock for the 90 consecutive trading days preceding January 1 of each subsequent fiscal year for the duration of the earnout period ending December 31, 2025, subject to obtaining shareholder approval, if the aggregate number of shares to be issued pursuant to the Purchase Agreement exceed 4,401,020 and with a cap of 5,065,000 on the aggregate number of shares to be issued. Any excess not approved by shareholders or exceeding the cap will be paid in cash.

The Purchase Agreement contains customary representations, warranties and covenants of us and the Sellers. Subject to certain customary limitations, the Sellers have agreed to indemnify us and our officers and directors against certain losses related to, among other things, breaches of the Sellers' representations and warranties, certain specified liabilities and the failure to perform covenants or obligations under the Purchase Agreement.

The commencement of betting transactions in the United States are subject to obtaining the required certification, licensing and approvals from the respective state gambling control agency, in addition to any other state or federal regulatory approval required by law. On September 1, 2021, we issued a press release announcing the approval of our first license in Washington DC, a Class B Managed Service Provider and Class B Operator licenses to operate a sportsbook within the Grand Central Bar and Grill located in the Adams Morgan area of Washington, D.C. which commenced sports betting in October 2021, and in October 2021 we entered into an agreement with Ocean Resort Casino in Atlantic City to commence operations in the state of New Jersey in March 2022.

Inflation

We do not believe that general price inflation will have a material effect on our business in the near future.

Foreign Exchange

We operate in several foreign countries, including Austria, Italy, Malta and Canada and we incur operating expenses and have foreign currency denominated assets and liabilities associated with these operations. Transactions involving our corporate expenditures are generally denominated in U.S. dollars and Canadian dollars while the functional currency of our subsidiaries is in Euro. Changes and fluctuations in the foreign exchange rate between the US Dollar and the Euro, Canadian dollar and Colombian Peso will have an effect on our results of operations.

Critical Accounting Policies and Estimates

Preparation of our unaudited condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, as well as related disclosure of contingent assets and liabilities. Significant accounting policies are fundamental to understanding our financial condition and results as they require the use of estimates and assumptions which affect the financial statements and accompanying Notes.

Recently Issued Accounting Pronouncements

See Note 2 - Summary of Significant Accounting Policies of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for information regarding recently issued accounting standards.

Results of Operations

Results of Operations for the three months ended September 30, 2021 and the three months ended September 30, 2020

Revenues

The following table represents disaggregated revenues from our gaming operations for the three months ended September 30, 2021 and 2020. Net Gaming Revenues represents Turnover (also referred to as "Handle"), the total bets processed for the period, less customer winnings paid out, and taxes due to government authorities, Service Revenues is revenue invoiced for our Elys software service and royalties invoiced for the sale of virtual products.

	Three Months Ended		Increase (decrease)	Percentage change
	September 30, 2021	September 30, 2020		
Turnover				
Turnover web-based	\$ 162,471,799	\$ 117,879,687	\$ 44,592,112	37.8%
Turnover land-based	1,193,779	25,823,099	(24,629,320)	(95.4)%
Total Turnover	163,665,578	143,702,786	19,962,792	13.9%
Winnings/Payouts				
Winnings web-based	152,328,199	110,841,093	41,487,106	37.4%
Winnings land-based	1,031,217	21,495,660	(20,464,443)	(95.2)%
Total Winnings/payouts	153,359,416	132,336,753	21,022,663	15.9%
Gross Gaming Revenues	10,306,162	11,366,033	(1,059,871)	(9.3)%
Less: ADM Gaming Taxes	2,515,570	1,698,192	817,378	48.1%
Net Gaming Revenues	7,790,592	9,667,841	(1,877,249)	(19.4)%
Add: Service Revenues	239,490	33,955	205,535	605.3%
Total Revenues	\$ 8,030,082	\$ 9,701,796	\$ (1,671,714)	(17.2)%

The Company generated total revenues of \$8,030,082 and \$9,701,796 for the three months ended September 30, 2021 and 2020, respectively, a decrease of \$1,671,714 or 17.2%.

The change in turnover (handle) is primarily due to the following:

Web-based turnover increased by \$44,592,112 or 37.8%. The increase was due to the significant number of new online players while the physical betting shops were closed for a significant portion of the prior year and up until June 14, 2021 due to the pandemic. The reopening of physical land-based locations during June 2021 resulted in a lower percentage growth in our web-based turnover for the current quarter, however it still remains significant and reinforces our belief that web based turnover will continue its growth trajectory. In addition, due to the closure of our Ulisse operations in Italy, we generated no revenue from this entity. We expect the business mix to continue to trend towards online channels, and we still expect quarterly growth for the foreseeable future as we gain market share. The percentage of payouts on web-based turnover improved to 93.8% from 94.0% for the three months ended September 30, 2021 and 2020, respectively.

Land-based turnover decreased by \$24,629,320 or 95.4%. The decrease over the prior period was impacted by the closure of the Ulisse Italian operations during June 2021, with no revenue generated from this entity during the current period. The impact of the closure of our Ulisse operations was offset by increased online gaming in Multigioco. We expect the business mix to continue trending towards online channels. The percentage of payouts on land-based turnover increased to 86.4% from 83.2% for the three months ended September 30, 2021 and 2020, respectively.

The turnover mix impacts our Gross Gaming Revenue. In the prior year three-month period ended September 30, 2020 sports betting represented 31.4% of turnover and casino style games represented 67.8% and other was 0.8%, in the current year three-month period ended September 30, 2021 sports betting represented 19.2% of turnover and casino style games represented 80.1% of turnover and other was 0.7%. Although the shift towards sports betting had a positive impact on our gross gaming revenue, the closure of all Ulisse Italian based locations in the second quarter, had a negative impact on the overall sports betting turnover resulting in our blended Hold (sports betting combined with i-gaming and online poker) decreasing to 6.3% compared to 7.9% for the three months ended September 30, 2021 and 2020, respectively. Casino style games generally have a lower Hold compared to our sports betting business.

Disaggregated sportsbook hold, before gaming taxes, decreased to 14.8% from 17.0% of handle for the three months ended September 30, 2021 and 2020, respectively, a decrease of 2.2 percentage points in sportsbook hold. The closure of the Ulisse operations had a negative impact on overall sports betting during the current three month period compared to the same prior year period and the lower sports betting hold had a negative impact on our overall gross gaming revenue, or our blended hold (sports betting combined with i-gaming and online poker). Although the Casino style games hold improved to 4.2% from 3.6% for the three months ended September 30, 2021 and 2020, respectively, the shift of overall revenue towards on-line casino style games with a lower hold and lower margin poker rake, resulted in an overall blended conversion of turnover to revenue hold of 6.3% compared to 7.9% for the three months ended September 30, 2021 and 2020, respectively, a year-over-year decrease of 1.6 percentage points in blended hold.

Gaming taxes increased by \$817,378 or 48.1% over the prior period. The relative rate of our gaming taxes, which is based on Gross Gaming Revenues was 24.4% and 14.9% for the three months ended September 30, 2021 and 2020, respectively. The increase is attributable to all of our Italian based gaming business shifting to Multiigioco. In the prior period Ulisse had a significantly lower tax rate due to its incorporation being situated outside of Italy.

The majority of Ulisse CTD locations were not expected to re-open after the COVID-19 related lockdowns in Italy, management simplified its Italian footprint by focusing our investment towards the Multiigioco operations and discontinued Ulisse presence in Italy at the end of the second quarter of 2021, re-focusing our Ulisse online operations in Austria and other potential European regions.

Service revenues increased by \$205,535 or 605.3%. This is primarily due to; (i) revenues generated by our Colombian operations of \$99,524, which started trading in the last quarter of the prior year and revenues generated of \$121,552 from our recent acquisition of USB. This revenue remains insignificant to total revenues during the periods presented.

Selling expenses

We incurred selling expenses of \$6,054,757 and \$7,154,623 for the three months ended September 30, 2021 and 2020, respectively, a decrease of \$1,099,866 or 15.4%. Selling expenses are commissions that are paid to our sales agents as a percentage of turnover (handle) and are not affected by the winnings that are paid out. Therefore, increases in turnover (handle), will typically result in increases in selling expenses but may not result in increases in overall revenue if winnings/payouts, that are subject to the unknown outcome of sports events that we have no control over, are very high. The percentage of selling expenses to turnover improved to 3.7% compared to 5.0% for the three months ended September 30, 2021 and 2020, respectively. The improvement is due to the wind down of Ulisse during the second quarter, which had a commission percentage of 9.8% in the prior year.

General and Administrative Expenses

General and administrative expenses were \$5,075,300 and \$3,156,505 for the three months ended September 30, 2021 and 2020, respectively, an increase of \$1,918,795 or 60.8%. The increase over the prior year is attributable to the following: (i) an increase in personnel costs of \$1,074,838 in our European operations as well as in our US operations as we gear up for our expansion into the US markets, this includes both administrative personnel and engineering personnel to develop the platform for the US market; (ii) an increase in stock based compensation expense of \$626,376 primarily due to the periodic amortization expense of options granted to senior management during the second half of the prior year and the third quarter of the current year; (iii) an increase in platform and IT related services to support the services offered by the group of \$54,322, and (iv) an increase in depreciation and amortization expense of \$185,557 offset by (v) a foreign exchange gain realized predominantly in our corporate operations of \$423,452 due to the improvement in the US Dollar exchange rate against the Euro. The balance of the increase of \$401,154 consists of numerous individually insignificant expenses that have increased due to the increased activity as we gear up for our expansion into the US market.

Loss from Operations

The loss from operations was \$3,099,975 and \$609,332 for the three months ended September 30, 2021 and 2020, respectively, an increase of \$2,490,643 or 408.8%. The increase in operating loss is directly attributable to the decrease in revenues of \$1,671,714 and the increase in general and administrative expenses of \$1,918,795, offset by a reduction in selling expenses of \$1,099,866, as discussed above.

Other income

Other income was \$74,327 and \$37,237 for the three months ended September 30, 2021 and 2020, respectively, an increase of \$37,090 or 99.6%. Other income includes a gain realized on reconciling our accounting records to the platform records.

Other expense

Other expense was \$384 and \$109,623 for the three months ended September 30, 2021 and 2020, respectively, a decrease of \$109,239 or 99.6%. The prior year expense consists primarily of a contribution made to an Italian sporting Association to relaunch sporting operations post the COVID-19 shut down.

Interest Expense, Net of Interest Income

Interest expense was \$4,705 and \$56,093 for the three months ended September 30, 2021 and 2020, respectively, a decrease of \$51,388 or 91.6%. The decrease is primarily related to the repayment and the conversion into equity of convertible debentures during the prior year resulting in lower interest-bearing debt. The last convertible debenture was repaid during the first quarter of 2021.

Change in fair value of contingent purchase consideration

Change in fair value of contingent purchase consideration was \$569,076 and \$0 for the three months ended September 30, 2021 and 2020, respectively, an increase of \$569,076.

The change in fair value of contingent purchase consideration is the accretion expense associated with the present value of contingent purchase consideration due on the acquisition of USB.

Amortization of present value discount

Amortization of present value discount was \$0 and \$43,604 for the three months ended September 30, 2021 and 2020, respectively, an increase of \$514,892. The amortization of present value discount in the prior period, related to deferred purchase consideration on the acquisition of Virtual Generation which was fully amortized in the first quarter of the current period.

(Loss) gain on Marketable Securities

The loss on marketable securities was \$200,000 and \$250,000 for the three months ended September 30, 2021 and 2020, respectively, a decrease of \$50,000 or 20.0%. The losses and gains on marketable securities is directly related to the stock price of our investment in Zoompass which is marked-to-market each quarter. The shares in Zoompass were acquired by the Company as settlement of a litigation matter, we have no influence over the performance of Zoompass.

Loss Before Income Taxes

Loss before income taxes was \$3,799,813 and \$1,031,379 for the three months ended September 30, 2021 and 2020, respectively, an increase of \$2,768,434 or 268.4%. The increase is primarily attributable to the increase in loss from operations and the change in fair value of contingent purchase consideration, as discussed above.

Income Tax Provision

The income tax provision was a credit of \$284,636 and a charge of \$(181,902) for the three months ended September 30, 2021 and 2020, respectively, a decrease of \$466,538 or 256.5%. The current period credit is due to the reversal of a tax provision raised in the previous quarter due to the current period reduction in profitability in our Multigioco and Odissea operations and an adjustment to a prior period income tax charge in Ulisse related to incentive bonuses reversed during the current period of \$119,660.

Net Loss

Net loss was \$3,515,177 and \$1,213,281 for the three months ended September 30, 2021 and 2020, respectively, an increase of \$2,301,896 or 189.7% due to the increase in loss before income taxes and the reduction in income tax provision, discussed above.

Comprehensive Loss

Our reporting currency is the U.S. dollar while the functional currency of our Italian, Maltese and Austrian subsidiaries is the Euro, the functional currency of our Canadian subsidiary is the Canadian Dollar and the functional currency of our Colombian operation is the Colombian Peso. The financial statements of our subsidiaries are translated into United States dollars in accordance with ASC 830, using year-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues, costs, and expenses and historical rates for equity. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining other comprehensive income.

We recorded a foreign currency translation loss of \$(154,572) and a foreign currency translation gain of \$218,193 for the three months ended September 30, 2021 and 2020, respectively, primarily due to the strengthening of the US Dollar against the Euro during the current period and the weakening against the Euro in the prior period.

Results of Operations for the nine months ended September 30, 2021 and the nine months ended September 30, 2020

Revenues

The following table represents disaggregated revenues from our gaming operations for the nine months ended September 30, 2021 and 2020. Net Gaming Revenues represents Turnover (also referred to as "Handle"), the total bets processed for the period, less customer winnings paid out, and taxes due to government authorities, while Service Revenues represents revenue invoiced for our Elys software service and royalties invoiced for the sale of virtual products.

	<u>Nine Months Ended</u>			
	<u>September 30, 2021</u>	<u>September 30, 2020</u>	<u>Increase (decrease)</u>	<u>Percentage change</u>
Turnover				
Turnover web-based	\$ 613,678,568	\$ 300,111,151	\$ 313,567,417	104.5%
Turnover land-based	13,237,738	53,635,357	(40,397,619)	(75.3)%
Total Turnover	<u>626,916,306</u>	<u>353,746,508</u>	<u>273,169,798</u>	<u>77.2%</u>
Winnings/Payouts				
Winnings web-based	572,975,466	281,541,363	291,434,103	103.5%
Winnings land-based	11,362,524	43,286,978	(31,924,454)	(73.8)%
Total Winnings/payouts	<u>584,337,990</u>	<u>324,828,341</u>	<u>259,509,649</u>	<u>79.9%</u>
Gross Gaming Revenues	42,578,316	28,918,167	13,660,149	47.2%
Less: ADM Gaming Taxes	9,129,881	4,294,680	4,835,201	112.6%
Net Gaming Revenues	<u>33,448,435</u>	<u>24,623,487</u>	<u>8,824,948</u>	<u>35.8%</u>
Add: Service Revenues	428,924	58,752	370,172	630.1%
Total Revenues	<u>\$ 33,877,359</u>	<u>\$ 24,682,239</u>	<u>\$ 9,195,120</u>	<u>37.3%</u>

The Company generated total revenues of \$33,877,359 and \$24,682,239 for the nine months ended September 30, 2021 and 2020, respectively, an increase of \$9,195,120 or 37.3%.

The change in turnover (handle) is primarily due to the following:

Web-based turnover increased by \$313,567,417 or 104.5%. The increase was due to the significant number of new online players while the physical betting shops were closed for a significant portion of the prior year and up until June 14, 2021 due to the pandemic. The reopening of physical land-based locations during June 2021 resulted in a lower percentage growth in our web-based turnover for the current quarter, however it still remains significant and reinforces our belief that web based turnover will continue its growth trajectory. In addition, due to the closure of our Ulisse operations in Italy during the second quarter, we generated no revenue from this entity. The percentage of payouts on web-based turnover improved to 93.4% from 93.8% for the nine months ended September 30, 2021 and 2020, respectively.

Land-based turnover decreased by \$40,397,619 or 75.3%. The decrease over the prior period was impacted by the closure of the Ulisse Italian operations during June 2021, with no revenue generated from this entity during the third quarter. The impact of the closure of our Ulisse land-based operations which were severely impacted by Covid-19, was offset by increased online gaming in Multigioco. We, however, expect the business mix to continue trending towards online channels. The percentage of payouts on land-based turnover increased to 85.8% from 80.7% for the nine months ended September 30, 2021 and 2020, respectively.

The turnover mix impacts our Gross Gaming Revenue. In the prior year nine-month period ended September 30, 2020 sports betting represented 28.3% of turnover and casino style games represented 71.1% and other was 0.6%, in the current year nine-month period ended September 30, 2021 sports betting represented 22.7% of turnover and casino style games represented 76.4% of turnover and other was 0.9%. The payout percentage varies based on the skill and luck of our customers and the outcome of sporting events which are inherently unpredictable and can fluctuate significantly from period to period.

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Disaggregated sportsbook hold decreased to 14.2% from 19.3% of handle for the nine months ended September 30, 2021 and 2020, respectively, a decrease of 5.1 percentage points in sportsbook hold. The decrease in sports betting during the current nine month period compared to the same prior year period has a negative impact on our overall gross gaming revenue, or our blended Hold (sports betting combined with i-gaming and online poker). Casino style games generally have a lower Hold compared to our sportsbook hold. The shift towards growing our online channel, with higher pay-out casino games and lower margin poker rake, resulted in an overall blended conversion of turnover to revenue hold to 6.8% from 8.2% for the nine months ended September 30, 2021 and 2020, respectively, a year-over-year decrease of 1.4 percentage points in blended hold.

Gaming taxes increased by \$4,835,201 or 112.6% over the prior period. The relative rate of our gaming taxes, which is based on Gross Gaming Revenues was 21.4% and 14.9% for the nine months ended September 30, 2021 and 2020, respectively. The increase is attributable to the shift of our gaming business to Multigioco which has an average gaming tax of approximately 24.5% compared to Ulisse with a significantly lower tax rate due to its incorporation being situated outside of Italy.

Since the majority of Ulisse CTD locations were not re-opened after the COVID-19 related lockdowns in Italy were lifted as management had decided to simplify our Italian footprint by focusing our investment towards our Multigioco operations and discontinued our Ulisse distribution in Italy at the end of the second quarter of 2021, re-focusing our Ulisse online operations in Austria and other potential European regions.

Service revenues increased by \$370,172 or 630.1%. This is predominantly due to revenues generated by our Colombian operations and our newly acquired USB operations. Our Colombian operations only started trading in the current year. Our Platform services customer base is currently limited primarily to services provided to external US and international retail customers and internal group operations of Multigioco, Ulisse and VG. This revenue remains insignificant to total revenues during the periods presented.

Selling expenses

We incurred selling expenses of \$26,333,156 and \$17,327,150 for the nine months ended September 30, 2021 and 2020, respectively, an increase of \$9,006,006 or 52.0%. Selling expenses are commissions that are paid to our sales agents as a percentage of turnover (handle) and are not affected by the winnings that are paid out. Therefore, increases in turnover (handle), will typically result in increases in selling expenses but may not result in increases in overall revenue if winnings/payouts, that are subject to the unknown outcome of sports events that we have no control over, are very high. The percentage of selling expenses to turnover decreased to 4.2% from 4.9% for the nine months ended September 30, 2021 and 2020, respectively.

General and Administrative Expenses

General and administrative expenses were \$13,975,455 and \$8,860,893 for the nine months ended September 30, 2021 and 2020, respectively, an increase of \$5,114,562 or 57.7%. The increase over the prior year is attributable to the following: (i) an increase in personnel costs of \$1,791,192 in our European operations as well as in our US operations as the Company gears up for its expansion into the US markets and includes both administrative personnel and engineering personnel to develop the platform for the US market; (ii) stock based compensation increased by \$1,158,967 primarily due to the periodic amortization expense of options granted to senior management during the second half of the prior year and the current quarter; (iii) an increase in professional fees of \$382,611, primarily legal fees incurred on licensing, acquisitions and corporate restructuring; (iv) investor relations expenses of \$315,825 primarily related to programs undertaken to promote the company to its US investors; (v) an increase in depreciation and amortization expense of \$184,443, primarily due to the amortization of intangibles on the acquisition of USB; and (vi) an increase in platform and IT related services to support the services offered by the group of \$552,780, including third party provider revenue shares. The balance of the increase of \$728,744 consists of numerous individually insignificant expenses that have increased due to the increased activity as we gear up for our expansion into the US market.

Loss from Operations

The loss from operations was \$6,431,252 and \$1,505,804 for the nine months ended September 30, 2021 and 2020, respectively, an increase of \$4,925,448 or 327.1%. The increase in loss from operations is primarily due to the following: (i) the increase in selling expenses of \$9,006,006; (ii) the increase in general and administrative expenses of \$5,114,562; partially offset by (iii) the increase in revenue of \$9,195,120, as discussed above.

Other income

Other income was \$444,689 and \$62,933 for the nine months ended September 30, 2021 and 2020, respectively, an increase of \$381,756 or 606.6%. Other income includes a COVID tax credit of \$85,874 received from the Agenzia delle Dogane e dei Monopoli ("ADM") for taxes previously charged; \$204,888 of COVID relief funds received by Ulisse during the current period, a gain of \$35,507 realized on reconciling our accounting records to the platform records, and other immaterial non-operating amounts received.

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Other expense

Other expense was \$28,522 and \$109,623 the nine months ended September 30, 2021 and 2020, respectively, an increase of \$81,101 or 74.0%. Other expense includes an administrative penalty of \$26,930, related to ADM taxes provided for by Multigioco. The prior year expense consists primarily of a contribution made to an Italian sporting Association to relaunch sporting operations post the COVID-19 shut down.

Interest Expense, Net of Interest Income

Interest expense was \$14,748 and \$229,166 for the nine months ended September 30, 2021 and 2020, respectively, a decrease of \$214,418 or 93.6%. The decrease is primarily related to the repayment and the conversion into equity of convertible debentures during the prior year resulting in lower interest-bearing debt. The last convertible debenture was repaid during the first quarter of 2021.

Change in fair value of contingent purchase consideration

Change in fair value of contingent purchase consideration was \$569,076 and \$0 for the nine months ended September 30, 2021 and 2020, respectively, an increase of \$569,076. The change in fair value of contingent purchase consideration is the accretion expense associated with the present value of contingent purchase consideration due on the acquisition of USB.

Amortization of present value discount

Amortization of present value discount was \$12,833 and \$780,678 for the nine months ended September 30, 2021 and 2020, respectively, a decrease of \$767,845. The prior year charge relates to the amortization of present value discounts on the convertible debentures which matured during the second quarter of 2020 and deferred purchase consideration on the acquisition of Virtual Generation which was fully amortized in the first quarter of the current period.

Loss on extinguishment of convertible debt

The loss on extinguishment of convertible debt was \$0 and \$719,390 for the nine months ended September 30, 2021 and 2020, respectively, a decrease of \$719,390 or 100%. In the prior period, we issued additional warrants to certain debenture holders who agreed to extend the maturity date of their debentures by between 90 and 120 days to allow us to complete a fund raising exercise. These warrants were valued using a Black-Scholes valuation model.

(Loss) gain on Marketable Securities

The loss on marketable securities was \$(292,500) and the gain on marketable securities was \$472,500 for the nine months ended September 30, 2021 and 2020, respectively, a decrease of \$765,000 or 161.9%. The losses and gains on marketable securities is directly related to the stock price of our investment in Zoompass which is marked-to-market each quarter. The shares in Zoompass were acquired by the Company as settlement of a litigation matter, we have no influence over the performance of Zoompass.

Loss Before Income Taxes

Loss before income taxes was \$6,904,242 and \$2,809,228 for the nine months ended September 30, 2021 and 2020, respectively, an increase of \$4,095,014 or 145.8%. The increase is attributable to the increase in loss from operations, the loss on extinguishment of convertible debt in the prior period and the increase in loss on marketable securities, offset by the increase in other income, as discussed above.

Income Tax Provision

The income tax provision was a credit of \$8,136 for the nine months ended September 30, 2021 and a charge of \$771,999 for the nine months ended September 30, 2020, a decrease of \$780,135 or 101.1%. The prior period tax charge included a withholding tax charge on dividends declared by one of our subsidiaries to our holding company of €150,000 (Approximately \$162,000). The current year charge decreased due to losses incurred at our Ulisse operation during the current period and lower profitability at our MultiGioco operation during the current period.

Net Loss

Net loss was \$6,896,106 and \$3,581,227 for the nine months ended September 30, 2021 and 2020, respectively, an increase of \$3,314,879 or 92.6% due to the increase in loss before income taxes, the increase in the change in fair value of contingent purchase consideration offset by the reduction in income tax provision, discussed above.

Comprehensive Loss

Our reporting currency is the U.S. dollar while the functional currency of our Italian, Maltese and Austrian subsidiaries is the Euro, the functional currency of our Canadian subsidiary is the Canadian Dollar and the functional currency of our Colombian operation is the Colombian Peso. The financial statements of our subsidiaries are translated into United States dollars in accordance with ASC 830, using year-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues, costs, and expenses and historical rates for equity. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining other comprehensive income.

We recorded a foreign currency translation loss of \$(413,917) and a foreign currency translation gain of \$124,679 for the nine months ended September 30, 2021 and 2020, respectively, primarily due to the strengthening of the US Dollar against the Euro during the current period and the weakening against the Euro in the prior period.

Liquidity and Capital Resources

Our principal cash requirements have included the funding of acquisitions, repayments of convertible debt and deferred purchase consideration, the purchase of plant and equipment, and working capital needs. Working capital needs generally result from expenses incurred in developing our gaming platform for the various markets we operate in and new markets we are developing as well as our intention to aggressively expand into the US market.

We finance our business primarily through debt and equity placements and cash generated from operations. Our ability to generate sufficient cash flow from operations is dependent on the continued demand for our gaming services we offer to our customers through our land based and web based locations as well as the gaming platforms we license to third parties.

We finance our business to provide adequate funding for at least 12 months, based on forecasted profitability and working capital needs, and in the future, we anticipate that we would need to raise additional cash through equity or debt funding.

We believe that our cash and cash equivalents and our ability to access public equity markets provide us with sufficient liquidity to meet our current and foreseeable cash flow needs.

On July 15, 2021, we closed on the acquisition of US Bookmakers for a cash consideration of \$6,000,000.

The ongoing Covid-19 pandemic has impacted on our Italian based operations, we have seen a significant increase in Turnover (Handle) from our web-based operations and a significant decline in turnover from our land-based operations with the permanent closure of our Ulisse betting shop locations. The percentage Hold or Gross Gaming Revenue generated from our turnover is typically lower on web-based business which generally favors more casino type gaming at lower margins, as discussed above. The selling

expenses, which primarily consists of commissions, paid to our agents is based on turnover and not Gross Gaming Revenues, therefore the significant increase in web-based turnover at lower hold margins, resulted in a significant increase in selling expenses, offsetting the benefit we realized on the increased web-based turnover, whilst increasing the complexity of our business with significantly higher transaction volumes.

Assets

At September 30, 2021, we had total assets of \$63,732,313 compared to \$35,857,979 at December 31, 2020, an increase of \$27,874,334. The increase is primarily related to the increase in goodwill of \$27,024,036 and intangible assets of \$10,066,732 recognized on the acquisition of USB, offset by a decrease in cash of \$9,537,782 primarily due to the net cash payment to the USB sellers of \$5,973,839 and the absorption of negative operating cash flows of \$5,258,606, offset by net from financing activities of \$2,891,186

Liabilities

At September 30, 2021, we had \$38,310,489 in total liabilities compared to total liabilities of \$15,701,626 at December 31, 2020, an increase of \$22,608,863. The increase is primarily attributable to the contingent purchase consideration on the acquisition of USB of \$25,286,033, the increase in the deferred tax liability of \$2,149,004, offset by a decrease in accounts payable and accrued liabilities of \$3,735,582, the repayment of the bank line of credit of \$500,000, the repayment of deferred purchase consideration of \$394,627 and the redemption of convertible debt of \$34,547.

Working Capital

We had \$9,408,035 in cash and cash equivalents at September 30, 2021 compared to \$18,945,817 on December 31, 2020. On July 15, 2021, we closed on the acquisition of US Bookmakers which required a net cash payment of \$5,973,839.

We had a working capital surplus of \$3,485,411 at September 30, 2021, compared to a working capital surplus of \$7,879,631 at December 31, 2020. The working capital position was affected by the payment of a net \$5,973,839 upon the acquisition of USB, the absorption of negative operating cash flows of \$5,258,607, offset by net from financing activities of \$2,891,186.

Accumulated Deficit

As of September 30, 2021, we had accumulated deficit of \$40,074,623 compared to accumulated deficit of \$33,178,517 at December 31, 2020.

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Cash Flows from Operating Activities

Net cash used in operating activities was \$5,258,609 and \$412,867 for the nine months ended September 30, 2021 and 2020, respectively, an increase of \$4,845,742, primarily related to; (i) the increase in net loss of \$(2,745,803), discussed under operating results; and (ii) the movements in working capital of \$(2,247,489), primarily due to the movement in accounts payable of \$1,243,866, prepaid expenses and other current assets of \$621,447, taxes payable of \$542,126, the movement in long term liabilities of \$287,243 offset by the increase in gaming accounts liabilities of \$513,332.

Cash Flows from Investing Activities

Net cash used in investing activities was \$6,109,674 and \$172,674 for the nine months ended September 30, 2021 and 2020, an increase of \$5,937,000, primarily due to the initial net cash payment on the acquisition of USB of \$5,973,839.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$2,891,186 and \$4,697,328 for the nine months ended September 30, 2021 and 2020, respectively, a decrease of \$1,806,142. The decrease is primarily due to; (i) a decrease in proceeds from subscriptions, net of fees of \$8,966,121; (ii) a decrease in proceeds from related party promissory notes of \$301,071; offset by (iii) an increase in proceeds from warrants exercised of \$3,962,482; (iv) a reduction in the repayment of convertible debentures of \$2,983,092 and (v) a reduction in the repayment of bank credit lines of \$500,000.

Contractual Obligations

Current accounting standards require disclosure of material obligations and commitments to make future payments under contracts, such as debt, lease agreements, and purchase obligations.

The amount of future minimum lease payments under finance leases are as follows:

	<u>Amount</u>
Remainder of 2021	\$ 2,272
2022	8,957
2023	7,177
2024	833
Total undiscounted minimum future lease payments	<u>\$ 19,239</u>

The amount of future minimum lease payments under operating leases are as follows:

	<u>Amount</u>
Remainder of 2021	\$ 76,162
2022	269,988
2023	209,319
2024	29,637
Total undiscounted minimum future lease payments	<u>\$ 585,106</u>

Off-Balance-Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that we expect to be material to investors. We do not have any non-consolidated, special-purpose entities.

Related Party Transactions

The following includes a summary of transactions during our fiscal year ended December 31, 2020 and our current period ended September 30, 2021 to which we have been a party, in which the amount involved in the transaction exceeds the lesser of \$120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements.

Related party payables and receivables represent non-interest-bearing (payables) receivables that are due on demand.

The balances outstanding are as follows:

	September 30, 2021	December 31, 2020
Related Party payables		
Luca Pasquini	\$ (543)	\$ (565)
Victor Salerno	(50,854)	—
	(51,397)	(565)
Related Party Receivables		
Luca Pasquini	\$ 1,438	\$ 1,519

Amounts due to Luca Pasquini are for advances made to various subsidiaries for working capital purposes.

Prior to the acquisition of USB, Mr. Salerno had advanced USB \$100,000 of which \$50,000 was forgiven and the remaining \$50,000 is still owing to Mr. Salerno, which amount earns interest at 8% per annum, compounded monthly and repayable on December 31, 2023.

Gold Street Capital is wholly owned by Gilda Ciavarella, the spouse of Mr. Ciavarella. Amounts due to Gold Street Capital Corp., the major stockholder of Elys, are for reimbursement of expenses.

On September 4, 2019, we issued to Gold Street 15,196 shares of our common stock as payment in settlement of \$48,508 of the reimbursable expenses owing to Gold Street. There was no balance owing to Gold Street as of September 30, 2021 and December 31, 2020, respectively.

Gold Street Capital acquired certain convertible notes that had matured on May 31, 2020, amounting to CDN \$35,000 from third parties, the maturity date of these convertible notes was extended to September 28, 2020. The convertible notes together with interest thereon, amounting to CDN \$44,062 (approximately \$34,547) was outstanding at December 31, 2020. This amount was repaid during the current period end.

As an incentive for extending the maturity date of the convertible debentures, all debenture holders, including Gold Street Capital, were granted two-year warrants exercisable at an exercise price of \$3.75 per share, and three-year warrants exercisable at an exercise price of \$5.00 per share. Gold Street Capital was granted two year-warrants exercisable for 9,533 shares of common stock at \$3.75 per share and three-year warrants exercisable for 2,383 shares of common stock at \$5.00 per share.

In February 2018 we provided a loan of €39,048 (approximately \$45,000) to Engage IT Services Srl to finance hardware purchased by third-party betting shops. In June 2018, we increased the loan by €45,675 (approximately \$53,000). The loan bears interest at 4.47% and is due in February 2019. This loan has been repaid in full. During the year ended December 31, 2020, we contracted with Engage IT to provide us software development services of approximately €706,300 (approximately \$806,029) of which approximately €20,000 (approximately \$24,456) was outstanding at December 31, 2020. Luca Pasquini, one of our officers and directors, holds a 34% stake in Engage IT Services Srl.

As of September 30, 2021, we had settled the balance outstanding to the former shareholders of VG under the VG Share Purchase Agreement by making cash payments equal to €2,500,000 (approximately \$2,946,978), and we issued 562,605 shares amounting to €1,500,000 (approximately \$1,673,959) of common stock pursuant to the promissory note. Mr. Pasquini has been paid cash of €500,000 (approximately \$604,380) and issued 112,521 shares of common stock valued at €300,000 (approximately \$399,061). Mr. Peroni has been paid cash of €500,000 (approximately \$604,380) and issued 112,521 shares of common stock valued at €300,000 (approximately \$334,792).

In addition, pursuant to the terms of the VG purchase agreement, we agreed to pay the sellers as an earnout payment in shares of our common stock within one month from the end of the 2019 fiscal year such number of shares as shall equal to an aggregate amount of €500,000 (approximately \$561,000), if the amounts of bets made by the users through the VGS platform related to our 2019 fiscal year are at least 5% higher than the amounts of bets made by the users through the VGS platform related to our 2018 fiscal year. Based on 18,449,380 tickets sold in 2019 the VG sellers qualified for the earnout payment of 132,736 shares of common stock equal at a price of \$4.23 per share.

We issued promissory notes in the principal amounts of \$300,000 during the year ended December 31, 2020 to Forte Fixtures and Millwork, Inc., a Company controlled by the brother of our Executive Chairman. The aggregate principal amount of \$300,000 together with interest thereon of \$22,521 was repaid in full during the year.

Forte Fixtures and Millwork acquired certain convertible notes from third parties that had matured on May 31, 2020. The convertible notes had an aggregate principal amount of \$150,000 and only the accrued interest of \$70,000 on a note with an aggregate principal amount of \$350,000 and notes with an aggregate principal amount of CDN \$207,000, the maturity date of these convertible notes was extended to September 28, 2020. The convertible notes together with interest thereon, amounting to \$445,020 were repaid between August 23, 2020 and October 21, 2020.

As an incentive for extending the maturity date of the convertible debentures, Forte Fixtures was granted two year warrants exercisable for 134,508 shares of common stock at an exercise price of \$3.75 per share and three year warrants exercisable for 33,627 shares of common stock at an exercise price of \$5.00 per share. These warrants were exercised on December 30, 2020, for gross proceeds of \$630,506.

The movement on deferred purchase consideration consists of the following:

Description	September 30, 2021	December 31, 2020
Principal Outstanding		
Promissory notes due to related parties	\$ 382,128	\$ 1,279,340
Settled by the issuance of common shares	—	(482,978)
Repayment in cash	(385,121)	(471,554)
Foreign exchange movements	2,993	57,230
	—	382,128
Present value discount on future payments		
Present value discount	(5,174)	(80,069)
Amortization	5,133	76,222
Foreign exchange movements	41	(1,327)
	—	(5,174)
Deferred purchase consideration, net	\$ —	\$ 376,954

On January 22, 2021, we issued Mr. Pasquini 44,968 shares of common stock valued at \$257,217, in settlement of accrued compensation due to him.

Mr. Ciavarella agreed to receive \$140,000 of his 2021 fiscal year compensation as a restricted stock award, on January 22, 2021, we issued Mr. Ciavarella 24,976 shares of common stock valued at \$140,000 on the date of issue.

On January 22, 2021, we issued Mr. Ciavarella 175,396 shares of common stock valued at \$1,003,265, in settlement of accrued compensation due to him.

On January 22, 2021, we issued Mr. Peroni 74,294 shares of common stock valued at \$424,962, in settlement of accrued compensation due to him.

On January 22, 2021, we issued Mr. Marcelli 34,002 shares of common stock valued at \$194,491, in settlement of accrued compensation due to him.

On January 22, 2021, we issued Mr. Salvagni 70,807 shares of common stock valued at \$405,016, in settlement of accrued compensation due to him.

On January 22, 2021, we issued Mr. Gianfelici 63,278 shares of common stock valued at \$361,950, in settlement of accrued compensation due to him.

On January 22, 2021, we issued to Mr. Shallcross, a director of the Company, 5,245 shares of common stock valued at \$30,000, in settlement of directors' fees due to him.

On June 29, 2021, the board of directors of the Company appointed Mr. Mandel-Mantello to serve as a member of the Board. The appointment was effective immediately and Mr. Mandel-Mantello will serve on the audit committee.

On July 1, 2021, Philippe Blanc resigned as a director of the Company, simultaneously with Mr. Blanc's resignation as a director of the Company, the Company entered into a consulting agreement with Mr. Blanc to provide for his future services in a consulting capacity over two years. Mr. Blanc will receive €105,000 per annum as compensation.

On July 5, 2021, the Company entered into an employment agreement dated July 1, 2021 with Mark Korb, the Company's Chief Financial Officer, (the "Korb Employment Agreement"), to employ Mr. Korb, on a full-time basis commencing September 1, 2021, as Chief Financial Officer for a term of four (4) years, at an annual base salary of \$360,000 and such additional performance bonus payments as may be determined by the Company's board of directors with a target bonus of 40% of his base salary. Mr. Korb will also be entitled to pension, medical, retirement and other benefits available to other Company senior officers and directors and he will receive an allowance of up to \$2,000 per month towards medical and welfare benefits. In connection with the Korb Employment Agreement, On July 1, 2021, the Compensation Committee of the Board granted Mr. Korb, an option to purchase 400,000 shares of the Company's common stock. The shares of common stock underlying the option award vest pro rata on a monthly basis over a thirty-six month period. The options are exercisable for a period of ten years from the date of grant and have an exercise price of \$4.03 per share.

On July 11, 2021, we entered into an agreement with Engage IT Services Srl ("Engage"), to provide gaming software and maintenance and support of the system, the total contract price was €390,000 (approximately \$459,572). Mr. Pasquini owns 34% of Engage

On July 15, 2021, Michele Ciavarella, Executive Chairman of the Company, was appointed as the interim Chief Executive Officer and President of the Company, effective July 15, 2021. Mr. Ciavarella will serve as the Company's Executive Chairman and interim Chief Executive Officer until the earlier of his resignation or removal from office.

On September 13, 2021, the board of directors of the Company appointed Mr. Salerno, the President and founder of the Company's newly acquired subsidiary, Bookmakers Company US LLC ("US Bookmaking"), to serve as a member of the Board. On July 15, 2021 the Company consummated the acquisition of USB and in terms of the Purchase Agreement the Company acquired 100% of USB, from its members (the "Sellers"). Mr. Salerno was a 68% owner of USB and received \$4,080,000 of the \$6,000,000 paid in cash upon closing and 860,760 of the 1,265,823 shares of common stock issued on closing. Together with the consummation of the acquisition of USB, the Company entered into a 4 year employment agreement with Mr. Salerno terminating on July 14, 2025, automatically renewable for a period of one year unless notified by either party of non-renewal. The employee will earn an initial base salary of \$0 and thereafter \$150,000 per annum commencing in January 1, 2022. Mr. Salerno is entitled to bonuses, equity incentives and benefits consistent with those of other senior employees.

On September 13, 2021, Mr. Pasquini, the Company's Vice President of Technology, resigned as a director of the Company.

On September 13, 2021, the Company granted Mr. Sallwasser ten year options exercisable for 21,300 shares of common stock at an exercise price of \$5.10, vesting equally over a twelve month period commencing on September 13, 2021.

On September 13, 2021, the Company granted Mr. Shallcross ten year options exercisable for 13,600 shares of common stock at an exercise price of \$5.10, vesting equally over a twelve month period commencing on September 13, 2021.

On September 13, 2021, the Company granted Mr. Mandel-Montello ten year options exercisable for 13,600 shares of common stock at an exercise price of \$5.10, vesting equally over a twelve month period commencing on September 13, 2021.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Elys Game Technology, Corp is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 4. Controls and Procedures.

Management's Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC's rules and forms and that the information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

As required by SEC Rule 13a-15(b), our management, under the supervision and with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021. Based on the foregoing evaluation, our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial officer), concluded that due to our limited resources our disclosure controls and procedures were not effective. Specifically, our internal control over financial reporting was not effective due to material weaknesses related to a limited segregation of duties due to our limited resources and the small number of employees. Management has determined that this control deficiency constitutes a material weakness which can result in material misstatements of significant accounts and disclosures that would result in a material misstatement to our interim or annual financial statements that would not be prevented or detected. In addition, due to limited staffing, we are not always able to detect minor errors or omissions in reporting.

Going forward, management anticipates that additional staff will be necessary to mitigate these weaknesses, as well as to implement other planned improvements. The Company is currently in the process of improving its disclosure controls and procedures by implementing new policies and guidelines for internal controls and governance as well as increasing the number additional staff that should enable us to document and apply transactional and periodic controls procedures, permit a better review and approval process and improve quality of financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On August 1, 2019, an action was filed against the Company by Elizabeth J. MacLean, the Company's former CFO, in the Superior Court of Arizona, Maricopa County (the "Arizona Court"), Case No. C2019-008383. The action challenged the Company's termination of Ms. MacLean's employment in May 2019 as unlawful under her employment agreement, dated September 19, 2018, with the Company and seeks damages in the amount of \$1,050,204. On October 10, 2019, a default judgment was filed in the Arizona Court. On November 4, 2019, the Company filed a motion to set aside the default judgment based on, among other things, the failure by plaintiff's counsel to follow the notice provisions of Arizona law which led to the default judgment. On January 29, 2020, the Arizona Court ruled in favor of the Company to set aside the default judgement. On March 16, 2021, the Arizona Court of Appeals denied Ms. MacLean's appeal of the trial court's decision to set aside a default judgement previously obtained by Ms. MacLean and has awarded costs to the Company, which Ms. MacLean is contesting. The Company believes this action to be wholly without merit and that it has various meritorious defenses to this action, including that Ms. MacLean was terminated during the stated probationary period set forth in her employment agreement with the Company and that the Company had good cause to affect any such termination, whether within or without the probationary period. The Company does not expect this action will have a material adverse effect on its business or its current and expected future operations.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should consider carefully the following risks, together with all the other information in this Form 10-Q, including our condensed consolidated financial statements and notes thereto. If any of the following risks actually materializes, our operating results, financial condition and liquidity could be materially adversely affected. As a result, the trading price of our common stock could decline and you could lose part or all of your investment. The following information updates, and should be read in conjunction with, the information disclosed in Part I, Item 1A, "Risk Factors," contained in our Annual Report on Form 10-K/A for the year ended December 31, 2020. Except as disclosed below, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K/A for the year ended December 31, 2020.

Risks related to our financial position

The effects of the COVID-19 pandemic have strained and negatively impacted our businesses and operations, and the duration and extent to which COVID-19 may impact our future results of operations and overall financial performance remains uncertain.

The outbreak and spread of COVID-19 and the related adverse public health developments, have adversely affected work forces, economies and financial markets globally. The outbreak has caused the closures of physical locations throughout Italy where we provide our gaming services, of which closures could continue indefinitely for a significant number of these locations if the outbreak intensifies. In 2020, the cancellation of March Madness, suspension of the European Soccer Championship and NHL Hockey, the shortened NBA playoffs, the delay in the MLB season, and other events affected by the COVID-19 pandemic has had an adverse impact on our operations and revenue.

Additionally, although most major sporting events and leagues have recently recommenced, the suspension of professional sports competitions throughout the world negatively impacted our ability to offer sports gaming products, and COVID-19 could have a continued material adverse impact on economic and market conditions and trigger a period of continued global economic slowdown, especially in light of potential subsequent waves or new strains of the virus. Our revenue depends on the continuation of major league sports and other sporting events, and we may not generate as much revenue as we would have without the cancellations or postponements that occurred in the wake of COVID-19.

In response to the spread of COVID-19 as well as guidance from public health directives, and orders of national and local government and health authorities, we have implemented work-from-home policies to support community efforts to reduce the transmission of COVID-19 and protect employees. We implemented a number of measures to ensure employee safety and business continuity. Business travel has been suspended, and online and teleconference technology is used to meet virtually rather than in person. The effects of the governmental orders and our work-from-home policies have negatively impact productivity, disrupted our business and delayed our progress in implementing our business plan, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course.

In addition, the outbreak of the COVID-19 coronavirus could disrupt our operations due to absenteeism by infected or ill members of management or other employees, or absenteeism by members of management and other employees who elect not to come to work due to the illness affecting others in our offices or other workplaces, or due to quarantines. COVID-19 illness could also impact members of our Board of Directors resulting in absenteeism from meetings of the directors or committees of directors and making it more difficult to convene the quorums of the full Board of Directors or its committees needed to conduct meetings for the management of our affairs.

The global outbreak of the COVID-19 coronavirus continues to rapidly evolve. The extent to which the COVID-19 outbreak may continue to impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease. We do not yet know the full extent of potential delays or impacts on our business, operations, or the global economy as a whole. While the spread of COVID-19 may eventually be contained or mitigated, there is no guarantee that a future outbreak of this or any other widespread epidemics will not occur, or that the global economy will recover, either of which could seriously harm our business.

We have incurred substantial losses in the past and it may be difficult to achieve profitability.

We have a history of losses and are anticipated to incur additional losses in the development of our business. For the year ended December 31, 2020, we had a net loss of \$9.9 million and for the period ended September 30, 2021 we had a net loss of \$6.9 million. As of December 31, 2020, and September 30, 2021 we had accumulated deficits of \$33.2 million, and \$40.1 million, respectively. Since we are currently in the early stages of our development and strategy, we intend to continue to invest in sales and marketing, product and solution development and operations, including by hiring additional personnel, upgrading our technology and infrastructure and expanding into new geographical markets. To the extent we are successful in increasing our customer base, we expect to also incur increased losses in the short term despite the fact that our Platform is easily scalable because costs associated with entering new markets, acquiring clients, customers and operators are generally incurred up front, while service and transactional revenues are generally recognized at future dates if at all. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenues enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this section, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve and sustain profitability, the value of our business and common stock may significantly decrease. If we are unable to maintain our profitability, the value of our business and common stock may decrease. Although we cannot assure that we will be able to maintain a profitable level of operations to meet our obligations arising from normal business operations, in recent years we have generated sufficient revenue to maintain our existing operations and continue our moderate organic growth.

The exercise of currently outstanding securities would dilute current holders of our common stock.

If all of the holders of our outstanding securities exercised their outstanding warrants and options, we would be obligated to issue 3,287,774 common shares.

Risks Related to our Business

We expect that competition from internet gaming will continue to grow and intensify in the United States.

We intend to expand the use of our Platform in the United States; however, that will be dependent upon changes in legislation and we expect that we will face increased competition from other leisure betting operators as the potential for legalized internet gaming continues to grow. Several states in the United States are currently considering legislation that would legalize internet gaming at the state level. As a result of the Justice Department's ("DOJ") December 2011 opinion concerning the applicability of the Wire Act to internet gaming, certain states including Nevada, Delaware and New Jersey have enacted legislation to authorize various forms of intrastate internet gaming. Based on a recent U.S. Court of Appeals for the First Circuit ruling in *New Hampshire Lottery Com'n v. Barr*, the 2011 DOJ opinion remains in play, including its conclusion regarding the Wire Act, which permits competition from internet lotteries and other internet, non-sports wagering gaming services that allow their customers to play Las Vegas-style casino games, among others, from home, which could divert customers from our products and thus adversely affect our business. Such internet wagering services are likely to expand in future years and become more accessible to domestic customers as a result of initiatives in some states to consider legislation to legalize internet wagering, including the authorization of intrastate sports wagering. There have also been proposals that would specifically legalize internet gaming under federal law. If we are unable to execute our U.S. strategy, anticipate, react to or penetrate the U.S. market in a timely manner, our competitive position could weaken, which could adversely affect our business and results of operations.

If we have a security incident or breach involving unauthorized access to customer data, our Platform may be perceived as lacking sufficient security, customers may reduce their use of, or stop using our Platform and we may incur significant liabilities, including facing potential criminal proceedings as a result of a violation of Italian gaming and tax laws.

Our Platform involves the storage and transmission of our customer's confidential and proprietary information, which may include the personal data and information on their customers, players, suppliers and agents. As a result, unauthorized access or use of customer data could expose us to regulatory actions, litigation, investigations, cyber-crime, remediation costs, damage to our reputation and brand, disclosure obligations, loss of customer and partner confidence in the security of our solutions and resulting fees, costs, expenses, loss of revenues, and other potential liabilities including criminal proceedings. While our Platform has security measures in place designed to protect the integrity of customer information and prevent data loss, misappropriation, and other security breaches, if these measures are inadequate or are compromised as a result of third-party action, unauthorized entry and use by our webshop operators, including intentional misconduct by the webshop operators or by computer hackers, theft, employee error, malfeasance or otherwise, our reputation could be damaged, a violation of Italian gaming and tax laws may occur, and our business may suffer and we could incur significant liabilities including facing potential criminal proceedings as a result of a violation of Italian gaming and tax laws. Cybersecurity challenges, including threats to our IT infrastructure or those of our customers or third-party providers, are often targeted at companies such as ours, and may take a variety of forms ranging from malware, phishing, ransomware, man-in-the-middle attacks, session hijacking, denial-of-service, password attacks, viruses, worms and other malicious software programs or cybersecurity attacks to "mega breaches" targeted against hosted software and cloud based IT services. A cybersecurity incident or breach could result in disclosure of confidential information and intellectual property, or cause production downtimes and compromised data. Because cybersecurity attacks and techniques change frequently, we may be unable to anticipate these techniques or implement adequate preventative measures. Any or all of these issues could negatively affect our ability to attract new customers, cause existing customers to elect to terminate their business with us or switch their business to a competitor, result in reputational damage, cause us to pay remediation costs or issue service credits or refunds to customers for improper bets or false claims of improper bets, or result in lawsuits, regulatory fines or other action or liabilities including criminal proceedings, which could adversely affect our business and results of operations.

Many states in the United States as well as foreign governments have enacted laws requiring companies to provide notice of data security breaches involving certain types of personal data, and significant fines on companies involved in such incidents may be imposed. In addition, some of our regulators and certifying agents contractually require notification of data security breaches. Security compromises experienced by us or by our competitors may lead to public disclosures, which may lead to widespread negative publicity. Any security compromise in our industry, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively impact our ability to attract new clients, cause existing clients to switch to a competing betting software provider, or subject us to third-party lawsuits, regulatory fines or other action or liability including criminal proceedings, which could materially and adversely affect our business and operating results.

We have and may in the future become the subject of Italian federal and provincial investigations and our business may be adversely affected.

A governmental investigation or criminal trial could divert our management's attention, result in significant expenses, forfeiture of our licenses, as well as result in negative publicity and adversely affect our business. Both Italian federal and provincial government agencies have heightened and coordinated civil and criminal enforcement efforts as part of numerous ongoing national investigations to detect and prevent anti-money laundering and the misuse of licenses issued by state authorities for banking, money transfer, gaming and other such businesses. A national probe conducted by Guardia di Finanza (the Italian tax police) known as Operation Fantacommesse (Phantom Bet), has targeted for investigation several online licensed gaming operators in Italy for alleged gaming law violations, including the Company and certain members of its senior management that reside and work in Italy. These investigations could lead to criminal proceedings against both licensed businesses and its management because European corporations impose individual responsibility on the legal representatives of each company. In this regard, certain third-party webshop owners have been accused of violations of Italian gaming or tax laws for inappropriate land-based wagering via an online channel. Based thereon, a similar accusation towards the Company was reported to the ADM, the Italian regulatory authority. The ADM completed its inspection of the Company's operations and Platform and determined that the Platform performed in compliance with the ADM certification requirements. Although no action has been taken by the ADM, there can be no assurance that any action, if any, will not be taken in the future. Due to their positions as the legal representatives of the subsidiary, two senior officers of our Italian subsidiary, have been investigated for and are now believed by the Italian tax police to have criminal legal responsibility for, gaming law violations based on the alleged actions performed at webshops. No charges have been brought against the Company, its senior officers or our Italian subsidiary, and we intend to vigorously defend our two senior officers from any claim or criminal proceeding that may be commenced against them on the basis that they acted improperly in any way or should be personally responsible. We expect that the matter will come before an Italian judge in the next few months for a preliminary hearing to determine whether criminal indictment is warranted and if court proceedings should commence. At the hearing, the judge can dismiss the matter, settle the matter or it can decide to send the matter to a criminal trial to be decided by a jury of trial judges. There can be no assurance that our two senior officers will be successful. If unsuccessful, we could incur significant legal expenses and could be forced to terminate the employment of such officers with whom we are dependent.

Risks Related to Our Acquisition of USB

Our current expansion strategy, which includes expansion through USB in the various states in which it operates, may be difficult to implement because the licensing and certification requirements to operate in the United States are currently indeterminable.

Our current expansion strategy includes offering sports betting in states where USB currently operates as well as expanding to additional states. USB currently operates in 4 states (New Mexico, Colorado, North Dakota and Michigan) providing services to 6 clients (Sky Ute Casino Resort, Santa Ana Star Casino, Isleta Resort & Casino, Santa Claran Hotel & Casino, Odawa Casino, and 4 Bears Casino) with pending operations in 2 additional states (Washington, DC and Iowa). There can be no assurance that we will be successful in operating in the states in which USB currently operates or that we will be able to expand our operations or those of USB to additional states.

The stock consideration issuable to the Sellers will cause our current stockholders to experience dilution

The issuance of shares of common stock to the Sellers upon attainment of certain milestones specified in the Purchase Agreement will dilute an investor's equity ownership in our company and, as a result, could have the effect of depressing the market price for our securities, especially if the anticipated benefits of the acquisition do not materialize or otherwise result in increased stockholder value or revenue stream to the combined company.

The combined company may not experience the anticipated strategic benefits of the acquisition.

We believe that the acquisition will provide certain strategic benefits that may not be realized by us if USB was not acquired. Specifically, we believe the acquisition would provide certain strategic benefits which would enable us to accelerate our business plan through increased access to the U.S. sports betting and online gaming market. The market price of our common stock may decline as a result of the acquisition if the combined company does not achieve the perceived benefits of the acquisition as rapidly or to the extent anticipated by our investors, financial or industry analysts. There can be no assurance that these anticipated benefits of the acquisition will materialize or that if they materialize will result in increased stockholder value or revenue stream to the combined company.

We may be unable to successfully integrate the USB business with our current management and structure.

Our failure to successfully complete the integration of USB could have an adverse effect on our prospects, business activities, cash flow, financial condition, results of operations and stock price. Integration challenges may include the following:

- assimilating USB's technology and retaining personnel in Nevada;
- estimating the capital, personnel and equipment required for USB based on the historical experience of management with the businesses they are familiar with;
- minimizing potential adverse effects on existing business relationships; and
- successfully developing the new products and services.

USB has had limited operations to date.

USB has had limited operations to date. USB is subject to many of the risks common to an entity in operations for only a short number of years, including its ability to implement its business plan, market acceptance of its proposed business and products, under-capitalization, cash shortages, limitations with respect to personnel, financing and other resources, competition from better funded and experienced companies, and uncertainty of its ability to generate revenues. There is no assurance that its activities will be

successful or will result in any revenues or profit, and the likelihood of its success must be considered in light of the stage of its development. Even if it generates revenue, there can be no assurance that it will be profitable. In addition, no assurance can be given that it will be able to consummate its business strategy and plans, as described herein, or that financial, technological, market, or other limitations may force it to modify, alter, significantly delay, or significantly impede the implementation of such plans, including due to COVID-19.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None that were not previously disclosed in other filings with the Securities and Exchange Commission.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

On July 11, 2021, we entered into an agreement with Engage IT Services Srl. ("Engage"), to provide gaming software and maintenance support of the system, the total contract price was €390,000 (approximately \$459,572). Mr. Pasquini owns 34% of Engage. Mr. Pasquini was a director of the Company until September 13, 2021 and served as an executive officer of the Company until October 4, 2021.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation dated September 18, 2018 (Incorporated by reference to the Registrant's Form 8-K, File No. 000-50045, filed with the Securities and Exchange Commission on October 3, 2018)
3.2	Bylaws (Incorporated by reference to the Registrant's Form 8-K, File No. 000-50045, filed with the Securities and Exchange Commission on October 22, 2002)
3.3	Certificate of Amendment dated December 9, 2019 to the Amended and Restated Certificate of Incorporation dated December 18, 2018 (Incorporated by reference to the Registrant's Form 8-K, File No. 000-50045, filed with the Securities and Exchange Commission on December 12, 2019)
3.4	Certificate of Amendment dated November 2, 2020 to the Certificate of Incorporation of Elys Game Technology, Corp. dated September 18, 2018 (Incorporated by reference to the Registrant's Form 8-K, File No. 001-39170, filed with the Securities and Exchange Commission on November 6, 2020)
3.5	Certificate of Correction of Elys Game Technology, Corp. dated November 6, 2020 to Certificate of Incorporation dated September 18, 2018 (Incorporated by reference to the Registrant's Form 8-K, File No. 001-39170, filed with the Securities and Exchange Commission on November 6, 2020)
10.1	Employment Agreement, dated July 5, 2021, by and between Elys Game Technology, Corp. and Mark Korb (Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2021 – File No. 001-39170)
10.2	Membership Purchase Agreement, dated July 5, 2021, by and among Elys Game Technology, Corp., Bookmakers Company US LLC and the members of Bookmakers Company US LLC
10.3	Amendment, effective July 15, 2021, to Employment Agreement, dated September 21, 2020, by and between Elys Game Technology, Corp. and Matteo Monteverdi (Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 16, 2021 – File No. 001-39170)
10.4	Employment Agreement, dated July 15, 2021, by and between Bookmakers company US LLC dba U.S. Bookmaking and Victor Salerno
10.5	Software Development Agreement, effective July 10, 2021, by and between Engage IT Services Srl and Elys Gameboard Technologies LLC
31.1	Certification of Chief Executive Officer pursuant to the Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to the Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 15, 2021

Elys Game Technology, Corp.

By: /s/ Michele Ciavarella
Michele Ciavarella
Interim Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ Mark J. Korb
Mark J. Korb
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EMPLOYMENT AGREEMENT

This Employment Agreement (this "*Agreement*"), dated July 15, 2021 and effective as of the Closing of the Transaction, is between Victor J. Salerno ("*Employee*") and Bookmakers Company US LLC dba U.S. Bookmaking, a Nevada limited liability company (the "*Company*").

RECITALS

- A. The Company desires to secure the services of the Employee and the Employee desires to render services to the Company upon the terms and conditions hereinafter set forth.
- B. The Employee is a Key Employee of the Company, and the Company believes it to be in its best interests to attract, retain and motivate Key Employees and ensure continuity of management.
- C. The Company and the Employee desire for this Agreement to constitute and embody their full and complete understanding and agreement with respect to the Employee's employment by the Company.

Now, therefore, in consideration of the premises and mutual benefits to be derived herefrom and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Company and Employee, the parties agree as follows:

I DEFINITIONS

- 1.1 Definitions. In addition to terms defined elsewhere in this Agreement, for purposes of this Agreement, the following terms will have the following meanings when used in this Agreement with initial capital letters:
- (a) "*Affiliate*": with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes of this definition, "*control*," when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any such Person, whether through the ownership of voting securities, by contract or otherwise, and the term "*controlletf*" has the meaning correlative to the foregoing. With respect to any natural Person, "*Affiliate*" will include such Person's parents, any descendants of such Person's parents, the parents of such Person's spouse and any descendants of the parents of such Person's spouse (in each case, whether by blood, adoption or marriage). However, the term with respect to Company does not include Sanderina II, LLC dba US Fantasy.
 - (b) "*Agreement*": as defined in the introductory paragraph.
 - (c) "*Base Salary*": as defined in Section 2.4
 - (d) "*Boauf*": the Board of Managers of the Company.
 - (e) "*Business*": the business as conducted by the Company and its Affiliates includes the providing of leisure betting technology software and services and the retail distribution and sales of leisure betting products such as sports bets, lotto tickets, virtual sports bets, online poker and casino products through both physical land-based retail locations as well as online channels through websites and mobile devices.
 - (f) "*Cause*": (i) the neglect or failure by Employee to perform his duties in any material respect after reasonable notice and an opportunity to cure; (ii) the conviction of Employee of any felony or the plea by Employee of *noloconendere* to any felony or offense evidencing moral turpitude; (iii) personally or on behalf of another Person, receiving a benefit relating to the Company or its Affiliates or its funds, properties, opportunities or other assets that is in material violation of a policy of the Company or applicable law, or constituting fraud, embezzlement or misappropriation; (iv) the failure by Employee to comply in any material respect with any written policy of the Company after reasonable notice and an opportunity to cure; (v) the willful material misstatement by the Employee of the financial records of the Company or its Affiliates or complicit actions in respect thereof; (vi) the willful failure to disclose material financial or other information to the Board of Managers or any regulatory authority having jurisdiction over the Business; (vii) the material breach by Employee of any of the terms of this Agreement; or (viii) disparaging the Company, its Affiliates or their employees, or engaging in any conduct that would tend to materially harm their reputation. The term does not include statements made or opinions expressed by Employee on any subject prior to or after the date of this Agreement in any form or forum, including but not limited to social media posts regardless of how it offends current standards of social justice or so-called "political correctness", provided that such statements or opinions; (i) do not evidence moral turpitude of the Employee; (ii) are unrelated to the Company, its Affiliates and their Employees; (iii) are not in violation of any applicable laws; and (iv) do not disparage the Company, its Affiliates and their employees or would materially harm their reputation. Likewise, the term does not include statements made or opinions expressed by the Company to which the Employee foils or refuses to adopt, express, or publish as his own with regard to, relating to, directly or indirectly to, current standards of social justice or so-called "political correctness." provided that such exception does not qualify, limit or restrict the obligation of the Employee to comply in all material respects with any written policy of the Company.
 - (g) "*Chief Executive Officer*": the Chief Executive Officer of the Company.
 - (h) "*Closing*": as defined in the Purchase Agreement.
 - (i) "*COBRA*": Consolidated Omnibus Budget Reconciliation Act of 1985.
 - (j) "*Code*": as defined in Section 2.7(a)(iii).
 - (k) "*Commencement Date*": as defined in Section 2.1.
 - (l) "*Company*": as defined in the introductory paragraph.
 - (m) "*Company JP*": as defined in Section 3.4(a).
 - (n) "*Competitive Business*": as defined in Section 3.1(a)(i).
 - (o) "*Compensation*": as defined in Section 2.4.
 - (p) "*Confidential Information*": as defined in Section 3.3.

- (q) *"Disability"*: If the Company or Parent provides long-term disability insurance to its Employees generally, the term *"Disability"* shall have the meaning set forth in such plan regarding eligibility for long-term disability insurance; otherwise, the term *"Disability"* means a physical or mental incapacity as a result of which Employee becomes unable to continue to perform fully his duties hereunder for 60 consecutive calendar days or for shorter periods aggregating 120 or more days in any 12-month period or upon the determination by a licensed medical doctor practicing as a specialist in the area to which the alleged disability relates selected by the Company that Employee will be unable to return to work and perform his duties on a full-time basis within 30 calendar days following the date of such determination on account of mental or physical incapacity. The Board's determination, in its sole discretion, as to whether a Disability exists and the initial date of Disability shall be final and binding upon the parties.
- (r) *"Earnout Period"*: as defined in the Purchase Agreement.
- (s) *"Employee"*: as defined in the introductory paragraph.
- (t) *"Exchange Act"*: means the Securities Exchange Act of 1934, as amended.
- (u) *"Employment Period"*: as defined in Section 2.1.
- (v) *"Good Reason"*: except in connection with a termination of the Employee's employment for Cause or due to death or Disability the occurrence of any of the following events, without the Employee's consent: (i) a material adverse change to Employee's positions, titles, offices, or duties following the Effective Date from those set forth in Section 2.2; (ii) a decrease in base salary or material decrease in Employee's Incentive Compensation opportunity provided under this Agreement; (iii) a requirement that on a continuing basis Employee reports to anyone other than the position set forth in Section 2.2, provided that Employee may be required to report to the Board through the chairman or another Board member; (iv) relocating Employee's place of employment by a distance of more than 30 miles without Employee's consent; (v) Employee's retirement from the Business after the Earnout Period; or (vi) any other material failure by the Company to perform any material obligation under, or material breach by the Company of any material provision of, this Agreement; provided, however, that a termination by Employee for Good Reason under any of clauses (i) through (vi) shall not be considered effective unless Employee shall have provided the Company with written notice of the specific reasons for such termination within thirty (30) days after he has knowledge of the event or circumstance constituting Good Reason and the Company shall have failed to cure the event or condition allegedly constituting Good Reason within thirty (30) days after such notice has been given to the Company

and Employee actually terminates his employment within one (1) year following the initial occurrence of the event giving rise to Good Reason.

- (w) *"Incentive Compensation"*: as defined in Section 2.4(b).
- (x) *"Initial Employment Term"*: as defined in Section 2.1.
- (y) *"Key Employee"*: as defined in the Purchase Agreement.
- (z) *"Parent"*: means **Elys Game Technology, Corp.**, a Delaware corporation.
- (aa) *"Person"*: an individual, a corporation, a partnership, a limited liability company, an association, a trust, a joint stock company, a joint venture, an unincorporated organization, a business entity or any other entity or any federal, state, county, city, municipal or other local or foreign government or any subdivision, authority, commission, board, bureau, court, administrative panel or other instrumentality thereof.
- (bb) *"Purchase Agreement"*: means the Membership Interest Purchase Agreement between the Parent, the Company, the Sellers (as defined therein) and the Sellers' Representatives (as defined therein) dated as of July 5, 2021.
- (cc) *"Release"*: as defined in Section 2.7(g). (dd) *"Section 409A"*: as defined in Section 4.21. (ee) *"Specified Employee"*: as defined in Section 4.21(d). (ff) *"Termination Date"*: as defined in Section 2.1.
- (gg) *"Transaction"*: as defined in the Purchase Agreement.

2.1

II TERMS OF EMPLOYMENT

Employment Period. The term of this Agreement and Employee's employment hereunder will commence on the Closing of the Transaction (the *"Commencement Date"*) and terminate on July 14, 2025 (the *"Initial Employment Term"*), unless sooner terminated in accordance with Section 2.7; provided however, that commencing on the first day after the expiration of the Initial Employment Term and on each anniversary of such date thereafter, Employee's employment hereunder will automatically be extended for successive three-year periods unless either party gives written notice to the other, not less than 60 calendar days prior to the otherwise scheduled Termination Date, that such party does not want Employee's term of employment so to extend. A non-renewal notice by the Company pursuant to this Section 2.1 shall be deemed to be a termination without Cause by the Company for purposes of this Agreement as of the end of the then period. A non-renewal notice by the Employee pursuant to this Section 2.1 shall be deemed to be a resignation by the Employee without Good Reason as of the end of the then period. The Initial Employment Term, as renewed by any additional successive one-year periods, is referred to herein as the *"Employment Period,"* and the date on which this Agreement terminates pursuant to this Section 2.1 or Section 2.7 is referred to herein as the *"Termination Date."*

2.2 Duties During Employment Period. Employee will be employed by the Company as President and will report directly to the Board of Managers. In such capacity, Employee will perform such duties and exercise such powers as are reasonably assigned to Employee by the Board of Managers. Employee agrees that to the best of his ability and experience he shall at all times conscientiously perform all of the duties and obligations reasonably assigned to him by the Board of Managers under the terms of this Agreement.

2.3 Activities During Employment Period. Employee will devote his full business time, energy, ability, attention and skill to her employment hereunder and to the business of the Company as conducted from time to time and, absent the prior written approval of the Chief Executive Officer, Employee will not engage in any other business activity, whether as an Employee, officer, director, consultant, independent contractor or otherwise, that would interfere with his duties and responsibilities pursuant to Section 2.2. Employee agrees to comply with all written policies of the Company throughout the Employment Period; provided, however, that if any such policy conflicts with the terms of this Agreement, the terms of this Agreement shall prevail. Notwithstanding the foregoing, during the Employment, Employee may (i) participate in charitable, civic, educational, professional, community or industry affairs, and serve as a member of the boards of directors of for-profit and not-for-profit entities except that service on any board shall be subject to prior written consent

of the Board for each individual board position which may be granted or denied in the Board's sole discretion; and (ii) manage Employee's personal investments, so long as such activities, individually or in the aggregate, do not materially interfere or conflict with Employee's duties hereunder or create a potential business or fiduciary conflict.

2.4 Collateral.

- (a) Salary. The Company shall pay to the Employee, as compensation for the performance of his duties and obligations under this Agreement, a base salary (which shall be paid in accordance with the normal payroll practices of the Company) (the "*Base Salary*"), as follows:
 - (i) From the Commencement Date the Employee's Base Salary shall initially be at the rate of US\$0 per annum.
 - (ii) From January 1, 2022 the Employee's Base Salary shall be at the rate of US\$150,000 per annum.
 - (iii) Employee's Base Salary shall be subject to review each year for possible increase by the Board in its sole discretion.
 - (iv) Employee's Base Salary may be increased by the Board at any time. Employee's Base Salary may not be decreased from the amount in effect at any time without the consent of the Employee.
- (b) Incentive Bonus. The Employee shall participate in all standard bonus plans established by the Board for senior Employees, on a basis that is consistent with the level of participation by other senior Employees of the Company ("*Incentive Compensation*"). Such bonus plans shall in all cases have reasonably achievable objectives that are determined by the Board, in its sole discretion.
- (c) Equity Participation. The Board in its sole discretion may determine to grant the Employee awards under any stock option or equity-based incentive compensation plan or arrangement adopted by the Company during the Employment Period for which the Company's senior Employees are eligible. The level of the Employee's participation in any such plan or arrangement, if any, shall be determined by the Board in its sole discretion. To the greatest extent permissible in accordance with applicable IRS regulations, options to acquire Company stock which may be granted to the Employee shall be in the form of qualified options. Any options which cannot be granted in the form of qualified options will be granted to the Employee as non-qualified options.

2.5 Benefits.

- (a) Medical and Welfare Benefits. Except as otherwise addressed in this Section 2.5, during the Employment Period, Employee (and, in the case of medical coverage, his dependents) shall be entitled to participate in any vacation, pension, medical, retirement and other benefit plans and programs generally available to the Company's senior officers and directors, provided that Employee and his dependents meet all eligibility requirements under those plans and programs. Employee and his dependents shall be subject to the terms and conditions of the plans and programs, including, without limitation, the Company's right to amend or terminate the plans and programs at any time and without prior notice to the participants.
- (b) Perquisites and Other Benefits. During the Employment Period, the Employee shall be entitled to fringe benefits and perquisites comparable to those of other senior Employees of the Company. Such fringe benefits shall include, but not be limited to, 4 weeks of paid vacation per year, to be used in accordance with the Company's paid vacation policy for senior Employees.
- (c) Business and Travel Expenses. During the Employment Period, the Company shall promptly pay or reimburse the Employee for all actual, reasonable and customary expenses incurred by the Employee in the course of his employment including but not limited to travel, entertainment, subscriptions and dues associated with the Employee's membership in professional, business and civic organizations; provided that such expenses are incurred and accounted for in compliance with the Company's policies as then in effect regarding the incurrence, substantiation and verification of business expenses, Employee is authorized to incur on behalf of the Company and the Company will pay or reimburse Employee for all reasonable expenses incurred in connection with the performance of Employee's duties hereunder or for promoting, pursuing or otherwise furthering the Business of the Company, including Employee's reasonable expenses for travel, meals, accommodation, entertainment and similar items.

2.6 Deductions and Withholdings. All amounts payable or that become payable and all benefits provided under this Agreement will be subject to any deductions and withholdings required by law.

2.7 Termination. Employee's employment may be terminated at any time prior to the end of the Employment Period under the terms described in this Section 2.7, and the Employment Period shall automatically terminate upon any termination of Employee's employment. For purposes of clarification, except as provided in Section 3.7, all stock options, restricted stock units and other equity-based awards will be governed by the terms of the plans, grant agreements and programs under which such options, restricted stock units or other awards were granted on any termination of the Employment Period and Employee's employment with the Company.

- (a) Termination by the Company without Cause or Resignation by Employee for Good Reason. The Company may terminate Employee's employment at any time without Cause, for any reason or no reason, and Employee may terminate Employee's employment for "Good Reason." In the event that Employee's employment is terminated by the Company without Cause or by Employee for Good Reason (and for the avoidance of doubt, not in the event of a termination pursuant to Section 2.7(b), (c), (d) or (e) or due to a notice of non-renewal by the Employee pursuant to Section 2.1), the Company shall pay the following amounts, and make the following other benefits available, to Employee:
 - (i) the standard termination payments in compliance with the Company's policies as then in effect, if any; including the reimbursement of expenses properly incurred by the Employee prior to the Termination Date; and
 - (ii) an amount equal to one (1) times the sum of (A) Employee's Base Salary for the period of time that is the greater of one (1) year and the balance of the Initial Employment Term and (B) an amount equal to the highest annual Incentive Compensation paid to Employee (if any) in respect of the two (2) most recent fiscal years of the Company, such amount under this clause 2.7(a)(ii) shall be payable monthly in equal installments over a period of twelve (12) months after such termination in accordance with Section 4.21; and
 - (iii) if Employee elects to continue medical coverage under the Company's group health plan in accordance with COBRA, an amount equal to the monthly premiums for such coverage less the amount of employee contributions for similarly-situated active employees of the Company, which shall be payable to Employee monthly until the earlier of (A) twelve (12) months after the termination date, or (B) the date Employee becomes eligible to receive such coverage under a subsequent employer's insurance plan for a period of twelve (12) months; provided, however, if the Company's payment of the COBRA premium contributions as described herein would subject the Company to any tax or penalty under the Patient Protection and Affordable Care Act or Section 105(h) of the Internal Revenue Code of 1986, as amended (the "*Code*"), such monthly payments shall be taxable to Employee and Employee may, but is not required to, use such payment towards COBRA coverage; and

- (iv) except to the extent otherwise provided at the time of grant under the terms of any equity award made to Employee, full vesting of any unvested stock options and any unvested restricted stock units held by Employee immediately prior to such termination (provided that any such stock options (together with any other vested stock options) held by Employee will cease being exercisable upon the earlier of thirty (30) days after such termination and the scheduled expiration date of such stock options), and, in all other respects, all stock options, restricted stock units and other equity-based awards held by Employee shall be governed by the plans and programs and the agreements and other documents pursuant to which the awards were granted; provided, however, that in the event such termination occurs prior to the Compensation Committee's determination as to the satisfaction of any performance criteria to which any such stock options and/or restricted stock units is subject, such stock options and/or restricted stock units (as the case may be) will not vest (and, in the case of any such stock options, will not become exercisable) until a determination is or has been made by the Compensation Committee that such criteria have been satisfied, at which time such stock options and/or restricted stock units will vest (and, in the case of any such stock options, will become exercisable) to the extent contemplated by the terms of such award (it being understood and agreed, for the avoidance of doubt, that such stock options or restricted stock units will immediately be forfeited to the extent contemplated by the terms of such award in the event that such criteria are determined not to have been satisfied); provided, further, however, if necessary to comply with Section 409A, settlement of any such equity-based awards shall be made on the date that is six (6) months plus one (1) day following expiration of the Term.
- (b) Termination by the Company for Cause. The Company will have the right to terminate Employee's employment hereunder for Cause upon written notice to Employee. Upon termination of the Employee's employment in such circumstances, the Company will pay to Employee (i) accrued but unpaid Base Salary through the Termination Date and (ii) all expenses incurred by Employee prior to the Termination Date for which Employee is entitled to reimbursement pursuant to Section 2.5(c), which payments will become due and payable in cash in a lump sum on the Termination Date. Upon termination of Employee's employment pursuant to this Section 2.7(b), except for the payments required by this Section 2.7(b), the Company will have no additional obligations to Employee hereunder or otherwise and, except as otherwise provided in this Agreement, this Agreement will terminate.
- (c) Termination by Death of Employee. If Employee dies during the Employment Period, the Company will pay to such Person or Persons as Employee may designate in writing or, in the absence of such designation, to the estate of Employee, the sum of (i) accrued but unpaid Base Salary earned prior to Employee's death, and (ii) expenses incurred by Employee prior to his death for which Employee is entitled to reimbursement pursuant to Section 2.5(c) and (iii) one (1) times the Employee's annual Base Salary at the time of his death. Such payment will be made within 45 calendar days following the date of Employee's death. This Agreement in all other respects will terminate upon the death of Employee and all rights of Employee and his heirs, testamentary executors and testamentary administrators regarding compensation and other benefits under this Agreement shall cease.
- (d) Termination for Disability. The Company will have the right to terminate Employee's employment hereunder at any time upon the Disability of Employee during the Employment Period. If Employee's employment is terminated because of Employee's Disability, the Company will pay to Employee the sum of (i) accrued but unpaid Base Salary prior to the Employee's Disability, and (ii) all expenses incurred by Employee prior to her Disability for which Employee is entitled to reimbursement pursuant to Section 2.5(c) and (iii) one times the Employee's annual Base Salary at the time of his disability. Such payment will be made within 45 calendar days following the date of Employee's Disability. This Agreement in all other respects will terminate upon the Disability of Employee, except as otherwise provided in this Agreement.
- (e) Resignation by Employee for Any Reason other than Good Reason. Employee may resign for any or no reason upon 30 calendar days' written notice. If Employee resigns for any reason other than Good Reason, the Company will pay to Employee (i) accrued but unpaid Base Salary through the Termination Date, and (ii) all expenses incurred by Employee prior to the Termination Date for which Employee is entitled to reimbursement pursuant to Section 2.5(c), which payments will become due and payable in cash in a lump sum on the Termination Date. Upon termination of Employee's employment pursuant to this Section 2.7(e), except for the payments required by this Section 2.7(t), the Company will have no additional obligations to Employee hereunder or otherwise, and except as otherwise provided in this Agreement, this Agreement will terminate.
- (f) Release. To be eligible for severance pay as described in Section 2.7(a), the Employee must execute a release of claims substantially in the form attached hereto as Exhibit A (the "Release") in favor of the Company and its Affiliates, and deliver it to the Company such that it becomes irrevocable within 30 days after Employee's termination of employment. If the period during which the Employee has discretion to execute or revoke the general release of claims straddles two taxable years of the Employee, then the Company shall make the severance payments starting in the second of such taxable years, regardless of which taxable year the Employee actually delivers the executed general release of claims to the Company.
- (g) Suspension by the Company for Indictment: Administrative Leave. The Company will have the right to suspend Employee's employment and right to Base Salary and other compensation pursuant to this Agreement upon the indictment of Employee for any felony until the final resolution of all proceedings with respect to such indictment. The Company will have the right to place Employee on administrative leave during the Employment Period if the Board determines in good faith that circumstances exist that would reasonably be expected to give rise to the Company's ability to terminate this Agreement for Cause. While on administrative leave, Employee agrees to fully cooperate with the Company and the Board, and Employee will be entitled to receive his Base Salary, payable in accordance with Section 2.4.

3. I Non-competition and Non-solicitation.

III RESTRICTIVE COVENANTS

- (a) The Employee agrees and acknowledges that, in connection with his employment with the Company, he has been and will continue to be provided with access to and become familiar with confidential and proprietary information and trade secrets belonging to the Company and its Affiliates. The Employee further acknowledges and agrees that, given the nature of this information and trade secrets, it is likely that such information and trade secrets would inevitably be used or revealed, either directly or indirectly, in any subsequent employment with a Competitive Business in any position comparable to the position he will hold with the Company under this Agreement. Accordingly, in consideration of his employment with the Company pursuant to this Agreement, and other good and valuable consideration, the receipt of which is hereby acknowledged, the Employee agrees that, while he is in the employ of the Company and for one (1) year, Employee will not, without the prior written consent of Company, for his own account or jointly with another, for or on behalf of any person, as principal, agent, shareholder, participant, partner, promoter, director, officer, manager, Employee, consultant, sales representative or otherwise:

- (i) provide services the same as or substantially similar to those Employee provided while employed by Company to any business engaged, or which he reasonably knows is undertaking to become engaged, in a business that is in competition with the Business of the Company or its Affiliates (a "*Competitive Business*") in any state in the United States where the Company or its Affiliates are carrying on the Competitive Business at the date of termination of employment; provided that Employee may purchase or otherwise acquire up to (but not in excess of) 2% of any class of securities of any Person, including a Competitive Business (but without otherwise participating in the activities of such Person), if such securities are listed on any national or regional securities exchange;
 - (ii) directly or indirectly solicit, or assist in the solicitation of, any Person to whom the Company or any Affiliate sold or licensed or provided any products or services on, or during the two (2) year period prior to, the date of termination of employment, for the purpose of obtaining the patronage of such Person for the purchase of any competitive products or services, unless such Person had already terminated its business relationship with the Company or applicable Affiliate of the Company;
 - (iii) directly or indirectly solicit, interfere with, disturb, or attempt to solicit, interfere with or disturb, directly or indirectly, the relationship (contractual or otherwise) with any Person who is, as of the date of termination of employment, or was within two (2) years prior to the date of termination of employment, a supplier of the Company or any Affiliate, including any actively sought prospective supplier of the Company or any Affiliate, for the purpose of inducing such supplier to cease doing business with the Company or any Affiliate, unless such supplier had already terminated its business relationship with the Company or applicable Affiliate of the Company; or
 - (iv) directly or indirectly recruit solicit, encourage or assist in the solicitation of, for the purpose of offering employment to or hiring, any Person employed by the Company or any Affiliate (as an Employee, independent contractor or otherwise) unless, prior to any such solicitation, such person is no longer employed or engaged by the Company or any Affiliate.
- (b) The parties agree that the relevant public policy aspects of covenants not to compete and not to solicit have been discussed, and that every effort has been made to limit the restrictions placed upon the Employee to those that are reasonable and necessary to protect the Company's and its Affiliates' legitimate interests. The Employee acknowledges that, based upon his education, experience, and training, these non-compete and non-solicit provisions will not prevent him from earning a livelihood and supporting himself and his family during the relevant time period. The Employee further acknowledges that a narrower geographic limitation on the restrictive covenants than that set forth above would not adequately protect the Company's legitimate business interests.
- (c) The Employee shall, on the Commencement Date, enter into a Key Employee Agreement Regarding Trade Secrets , Confidential Information, Inventions, Non-Betting And Non-Solicitation substantially in the form as Exhibit B attached hereto and the Employee agrees that the entering into such agreement is necessary to protect the interests of the Company, its Subsidiaries or Affiliates and is reasonable and valid in geographical and temporal scope and in all other respects.
- (d) If any provision of this Section 3.1, or the application of such provision to any Person or circumstance is held invalid, illegal or unenforceable in any respect by a court or other tribunal of competent jurisdiction, such provision will, without any actions on the part of the parties to this Agreement , be modified to the least extent necessary to cause such provision to conform to the law as may be determined by such court or other tribunal, and such invalidity, illegality or unenforceability will not affect any other provision of this Agreement.
- (e) The restrictions contained in Section 3.1 are necessary for the protection of the business, goodwill and Confidential Information of the Company and its Affiliates and are considered by the Employee to be reasonable for such purposes. The Employee agrees that any material breach of Section 3.1 could cause the Company and its Affiliates substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Company shall have the right to seek specific performance and injunctive relief, cease any severance payments being made to the Employee, and/or recover severance payments already made.
- (f) The existence of a claim, charge, or cause of action by the Employee against the Company shall not constitute a defense to the enforcement by the Company of the foregoing restrictive covenants.
- (g) The provisions of this Section 3. I shall survive termination of this Agreement and apply regardless of the reason for the termination of the Employee's employment.

3.2 Permitted Activities. For the avoidance of doubt, during and after the Employment Period, nothing contained in this Section 3 shall be construed to prohibit Employee from contacting business associates, customers or suppliers of the Company if such contact is not made for purposes of, and does not have the effect of, violating any of the provisions of this Section 3.

3.3 Survival. The provisions contained in this Section 3 will survive termination of this Agreement regardless whether such termination is initiated by the Company or the Employee.

IV MISCELLANEOUS

4.1 Notices. All notices and other communications required or permitted hereunder will be in writing and, unless otherwise provided in this Agreement, will be deemed to have been duly given when delivered in person or by a nationally recognized overnight courier service or when dispatched if during normal business hours by electronic facsimile transfer (confirmed in writing by mail simultaneously dispatched) to the appropriate party at the address specified below:

If to the Company, to:

Elys Game Technology, Corp./BookmakersCompany US LLC c/o Beard Winter LLP
 130 Adelaide St. W, Suite 701 Toronto, Ontario, Canada M5H 2K4 Telephone No.: (416) 306-1771
 Facsimile No.: (416) 593-7760 Attention: Julian L. Doyle, LLB Email: jdoyle@beardwinter.com

with a copy to:

Gracin & Marlow, LLP The Chrysler Building
 405 Lexington Avenue, 26th Floor
 New York, New York 10174 Telephone No.: (212) 907-6457
 Facsimile No.: (212) 208-4657 Attention: Leslie Marlow, Esq.
 Email: lmarlow@gracinmarlow.com

If to Employee, to the address for the Employee in the Company's payroll records; or, in any case, to such other address or addresses as any such party may from time to time designate by like notice, and with copy (that shall not constitute notice) is to:

- (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.
- (b) No failure or delay by any party in exercising any right, power or privilege hereunder will operate as a waiver thereof nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided will be cumulative and not exclusive of any rights or remedies provided by law.
- 4.3 Code of Business Conduct. Employee shall, on the Commencement Date, acknowledge receipt of the Parent's Code of Business Conduct (with Whistleblower Policy), a copy of which is attached hereto as Exhibit C, and agree, by signing the acknowledgment, to abide by such Code of Business Conduct (with Whistleblower Policy), as amended or supplemented from time to time.
- 4.4 Indemnification. The Company shall indemnify Employee to the fullest extent permitted under the Company's Certificate of Organization or By-Laws and pursuant to any other agreements or policies in effect from time to time in connection with any action, suit or proceeding to which Employee may be made a party by reason of Employee being an officer, director or employee of the Company or of any Affiliate of the Company. This provision shall survive termination of employment.
- 4.5 Expenses. Except as otherwise provided elsewhere in this Agreement, each party will pay all of their respective expenses incurred in connection with the negotiation of this Agreement, and, except as otherwise specified in this Agreement, the parties will pay all of their respective expenses incurred in connection with any legal proceeding concerning a dispute arising out of this Agreement.
- 4.6 Successors and Assigns. The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs and administrators; provided that except in accordance with the laws of descent and distribution with respect to Employee, neither party may assign, delegate or otherwise transfer any of his or its rights or obligations under this Agreement without the prior written consent of the other party.
- 4.7 No Third-Party Beneficiaries. Except as otherwise expressly provided for herein, this Agreement is for the sole benefit of the parties hereto, and Affiliates of the Company, and their permitted assigns, and nothing herein expressed or implied will give or be construed to give to any Person, other than the parties hereto and such permitted assigns any legal or equitable rights hereunder.
- 4.8 Governing Law. This Agreement will be governed by, and construed in accordance with, the laws of the State of Nevada without regard to the principles of conflicts of laws of such state.
- 4.9 Mediation.
Unless the circumstances warrant a party to seek immediate, equitable relief, prior any legal proceeding between any of the parties arising out of or relating to this Agreement, the parties shall submit the dispute to non-binding mediation. Either party may commence such mediation by providing the other party a written request for mediation, setting forth the subject of the dispute. The parties shall use their commercially reasonable efforts to select a single mediator with knowledge and experience in the sports wagering business that is mutually satisfactory to both parties. If the parties cannot promptly agree on a mutually satisfactory mediator, the parties shall request an alternative dispute resolution provider to promptly select the mediator. The mediation shall be conducted in Las Vegas, Nevada and every effort will be made to commence and conclude the mediation within sixty (60) days following the date that the mediator is selected. The costs of such mediation shall be borne by the parties equally. If such mediation does not produce a satisfactory resolution of the dispute, then each party shall be entitled to exercise its rights and remedies under this Agreement. Any applicable statutes of limitation or repose shall be tolled during the period between the selection of the mediator and thirty (30) days after the conclusion of the mediation.
- 4.10 Jurisdiction. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement that is not subject to or resolved by mediation shall be subject to the exclusive jurisdiction and venue of the state and federal courts located in the metropolitan area of the city where Employee is employed and each of the parties to this Agreement hereby irrevocably consents to the jurisdiction and venue of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding that is brought in any such court has been brought in an inconvenient form. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party to this Agreement agrees that service of process on such party as provided in Section 4.1 of this Agreement will be deemed effective service of process on such party.
- 4.11 No Limitation of Rights. Nothing in this Agreement shall limit or prejudice any rights of the Company or Employee under any other laws.
- 4.12 WAIVER OF JURY TRIAL. EACH OF THE EMPLOYEE AND THE COMPANY HEREBY KNOWINGLY AND VOLUNTARILY IRREVOCABLY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL PROCEEDING OR DISPUTE ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.
- 4.13 Counterparts. This Agreement may be signed in any number of counterparts, each of which will be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.
- 4.14 Headings. The headings in this Agreement are for convenience of reference only and will not control or affect the meaning or construction of any provisions hereof.
- 4.15 Joint Drafting. In recognition of the fact that the parties had an equal opportunity to negotiate the language of, and draft, this Agreement, the parties acknowledge and agree that there is no single drafter of this Agreement and, therefore, the general rule that ambiguities are to be construed against the drafter is, and shall be, inapplicable. If any language in this Agreement is found or claimed to be ambiguous, each party shall have the same opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language without any inference or presumption being drawn against any party.
- 4.16 Severability. If any provision of this Agreement or the application of any such provision to any Person or circumstance is held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision hereof. If any provision of this Agreement is finally judicially determined to be invalid, ineffective or unenforceable, the determination will apply only in the jurisdiction in which such final adjudication is made, and such provision will be deemed severed from this Agreement for purposes of such jurisdiction only, but every other provision of this Agreement will remain in full force and effect, and there will be substituted for any such provision held invalid, ineffective or unenforceable, a provision of similar import reflecting the original intent of the parties to the extent permitted under applicable law.
- 4.17 Survivability. The provisions of this Agreement which by their terms call for performance subsequent to termination of Employee's employment hereunder, or of this Agreement, shall so survive such termination, whether or not such provisions expressly state that they shall so survive.

- 4.18 Certain Interpretive Provisions. Unless the context requires otherwise, (i) words in the singular include the plural and vice versa, (ii) all reference to \$ or dollar amounts will be to lawful currency of the United States, (iii) to the extent the term "day" or "days" is used, it will mean calendar days, (v) the words "herein," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole, and (vi) the term "including" means "including without limitation."
- 4.19 Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof. This Agreement supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.
- 4.20 Full Understanding. Employee represents and agrees that Employee fully understands Employee's right to discuss all aspects of this Agreement with Employee's private attorney, and that to the extent, if any, that Employee desired, Employee utilized this right. Employee further represents and agrees that: (i) Employee has carefully read and fully understands all of the provisions of this Agreement; (ii) Employee is competent to execute this Agreement; (iii) Employee's agreement to execute this Agreement has not been obtained by any duress and that Employee freely and voluntarily enters into it; and (iv) Employee has read this document in its entirety and fully understands the meaning, intent and consequences of this document.
- 4.21 Section 409A.
- (a) The provisions of this Agreement are intended to comply with or be exempt from Section 409A of the Code and any final regulations and guidance promulgated thereunder and shall be construed in a manner consistent with the

requirements for avoiding taxes or penalties under Section 409A of the Code ("*Section 409A*"). If the Company determines in good faith that any provision of this Agreement would cause Employee to incur an additional tax, penalty, or interest under Section 409A, and the applicable guidance thereunder, the Company and Employee shall use reasonable efforts to reform such provision, if possible, in a mutually agreeable fashion to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A or causing the imposition of such additional tax, penalty, or interest under Section 409A. The preceding provision, however, shall not be construed as a guarantee by the Company of any particular tax effect to Employee under this Agreement. In no event will the Company be liable for any additional tax, interest or penalties that may be imposed upon Employee under Section 409A or any damages for failing to comply with Section 409A.

- (b) "Termination of employment," or words of similar import, as used in this Agreement means, for purposes of any payments under this Agreement that are payments of deferred compensation subject to Section 409A, the Employee's "separation from service" as defined in Section 409A. For purposes of Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.
- (c) With respect to any reimbursement of expenses of, or any provision of in-kind benefits to, Employee, as specified under this Agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code; (ii) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.
- (d) If a payment obligation under this Agreement or other compensation arrangement arises on account of Employee's separation from service while Employee is a "*Specified Employee*" (as defined under Section 409A and determined in good faith by the Company), any payment of "deferred compensation" (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)) that is scheduled to be paid within six (6) months after such separation from service shall accrue without interest and shall be paid within 15 days after the end of the six-month period beginning on the date of such separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of Employee's estate following her death. Whenever a payment under this Agreement specifies a payment period with respect to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

{signatures are on the next page}

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BOOKMAKERS COMPANY US LLC dba U.S. BOOKMAKING

/s/ Robert Kocienski
Name: Robert Kocienski
Title: CEO

EMPLOYEE

/s/ Victor J. Salerno
Name: Victor J. Salerno

/s/ Terina Salerno
Witness

/s/ Victor J. Salerno /s/ Terina Salerno
Name: Victor J. Salerno Witness

SOFTWARE DEVELOPMENT AGREEMENT

As between the Parties:

Engage IT Services Srl with registered office situated Via Pertini 13/3036 Fidenza (PR), Italy, - PI 02761360342 – represented by Mr. Luca Pasquini, its Director provided with the necessary power and authority to enter into this Agreement, hereinafter "the Provider".

and

Elys Gameboard Technologies LLC with registered office situated at 611 Gateway Blvd, Suite 120, San Francisco, California 94080, USA – IRS 30-0956064 represented by Mr. Michele Ciavarella, its Sole Member provided with the necessary power and authority to enter into this Agreement, hereinafter "the Customer".

both parties hereinafter collectively referred to as "the Parties" and individually as "Party".

Provided that:

1. The Provider wishes to provide to the Customer and the Customer wishes to engage the Provider to deliver the services set forth in Article 2.2 (the "Services").
2. The Services are designed to meet the interests of the Customer and must be configured as requested by the Customer.

Now therefore the Parties have stipulated and agree as follows:

1. INTRODUCTION

The introduction is an integral and essential part of this Agreement

2. OBJECT OF THE AGREEMENT

2.1. General

2.1.1. The proposal of this Agreement will comprise all of the Services that the Provider undertakes to provide with the standards and service levels established by its own organization, resources and technical expertise that are necessary and sufficient to provide the Services described below.

2.1.2. The proposal of the Agreement also covers all preparation and ancillary planning necessary or useful to carry out the Services including but not limited to meetings, travel, etc. at the rates set forth in Article 12.

The Services carried out by the Provider must be authorized in writing by the Customer with the sole exception of those activities that have urgency or needed to avoid risks or damage to software.

2.2. Services

2.2.1 Software development and Support

- Development of gaming software - Self Service Betting Terminal (SSBTs/Kiosk) for Sports Wagering Operators;
- Development of gaming software - Point of Sale (POS) for Sports Wagering Operators;
- Development of Odds-Viewing System (Odds Swings)
- Maintenance and Support ("first month")

3. CONTENT OF THE PERFORMANCE OF THE PROVIDER

3.1. Throughout the term of this Agreement, the Provider undertakes to perform the Services, with respect to the Services to be provided to Customer, with the standards and levels of service established within the agreed period of time.

3.2. To provide all services covered by this Agreement, the Provider undertakes to:

- carry out the necessary activities,
- provide the resources in terms of personnel and materials,
- make the connection to the telecommunications networks of the Customer and provide the appropriate professionals to put into operation and manage the Customer Information System.

3.3. Under the present Agreement, the Provider will be entitled to offer to Customer - and the Customer will have the right to accept - additional services not covered in Article 2. For these additional services the Parties will mutually agree on the fees for such additional services. Such services will be governed, in all matters not specifically agreed to by the Parties, by the terms of this Agreement.

4. RESOURCES AND COOPERATION OF THE CUSTOMER

The Customer shall promptly provide product specifications, documentation, information, and all relevant data required by the Provider in the execution of this Agreement.

5. LOCATION OF THE PROVISION OF SERVICES

The services will be provided by the Provider in its premises and in those of the Customer.

6. RESPONSIBILITY AND PROVIDER'S WARRANTY

6.1. The Provider is responsible for any irregularities and defects of its performance and abnormalities on any software application developed by the Provider. Any errors or omissions committed by Customer - including the transfer of data to Provider - or software malfunction or hardware configurations solely attributable to the Customer or if the information programs are not used by the Customer in accordance with the instructions provided by the Provider or if the Customer has modified its information environment, networks, servers and workstations without informing the Provider or has otherwise given incorrect or incomplete information to the Provider, are expressly excluded.

6.2. The Provider warrants to the Customer that for the provision of the Services it will rely on professionals in sufficient number and appropriate expertise to deliver the Services.

6.3. The Provider undertakes to respect and ensure compliance by its employees, who have access to the Customer's premises, to rules of conduct and safety regulations (which will be provided in advance and in writing by the Customer).

7. LIMITATION OF THE LIABILITY OF THE PROVIDER

7.1. The maximum penalty against the contractual liability of the Provider under this Agreement provided that such liability results from willful or negligent breach of the Agreement by the Provider, will not exceed 5% of the annual compensation paid to the Provider under this Agreement. The Provider will not be liable for any contractual or extra-contractual liability for any direct or indirect damage suffered by the Customer or any third party resulting from the use or non-use of the programs or Services.

7.2. The Provider is not liable for the proper operation and performance warranted by the producers of the basic software used to create the operating environment and management (e.g. operating system, database software, network software, e-mails, packages of various kinds (ERP, etc.), applications developed in-house by the Customer or a third party on behalf of the Customer with the exception of those developed by the Provider.

7.3. With regard to "Antivirus" products, no warranty is offered by the Provider on the effectiveness of the software product chosen by

the Customer and installed in its environment against new and unknown viruses in addition to the guarantee given by the producer. It is the Provider's obligation to make its selection and acquisition based on their sole knowledge and expertise - where required - of reliable products available on the market or to upgrade those installed by the Customer. In latter case, the Provider and the Customer agree on the contractual scheme suitable to proceed with this activity.

7.4. The occurrence of the following shall be exempt from liability:

- The consequences of force majeure, embargoes, acts of war, pandemics, acts of the public authorities and measures with the exception of the measures taken by the Judiciary for non-compliance through binding rules;
- The interruption of electricity, unless it is due to default to the Provider;
- The interruption, suspension or deletion of connections to the lines of communication offered by the Provider;
- The strikes of the third parties involved in the provision of services related to this Agreement, including the staff of the Customer and of the Provider.

In all these cases, the Parties will do everything reasonable within their power to ensure the most expeditious and timely fulfillment of contractual obligations, not just removing the cause of suspension. In any case the service levels measured do not take account of these interruptions.

8. RESPONSIBILITIES AND OBLIGATIONS OF THE CUSTOMER

8.1. The Customer agrees to make available to the Provider members of the Customer's staff needed to analyze the environment in which the services are to be performed. The Customer will also provide the necessary personnel to interface with the end-user for the performance of all Services in all locations of the Customer or of the Provider.

8.2. The Customer will enter into contracts with third party suppliers, upon the reasonable request of the Provider, for the acquisition of hardware, software or ancillary services necessary or useful for delivery of Services.

8.3. The Customer is also responsible for making the data available to the Provider and for the completeness of the hardware and software configurations and performance measures of its information system that are required for the delivery of the Services.

8.4. If the Customer installs equipment of the Provider at its own premises, the Customer will:

- Keep these devices in optimal working conditions,
- maintain all licenses, permits and certifications required for the use of these locations (e.g. building permits, licenses of occupancy, fire clearance, etc.), and are responsible for all expenses, taxes, fines and expenses necessary for the maintenance of such licenses and permits or derivative works with respect to relations with the authorities empowered to issue the same,
- respond to deterioration or loss (including fire and theft) of equipment and related software even if caused by third parties,
- reimburse Provider for expenses incurred in replacement and repair of equipment and related software.

9. SOFTWARE REQUIRED TO PROVIDE SERVICES

9.1. The Software is the property of the Provider and will be granted to the Customer with non-exclusive license with a term equivalent to the term of this Agreement.

9.2. It is also the obligation of the Customer, unless otherwise agreed, to provide coverage of all necessary servicing, maintenance, modification, testing and validation of the application software owned by the Customer.

In the event of any change or modification by the Customer of the application software or if any update to other basic software becomes necessary, the Customer and the Provider will jointly evaluate the effort required in terms of time and cost.

10. OWNERSHIP OF THE RIGHTS OF SOFTWARE AND HARDWARE USED

10.1. The Customer acknowledges and agrees that Provider retains its rights in the Gaming Software and all subsequent copies and modifications of the Gaming Software.

10.2. The Customer acknowledges that all title and copyrights in and to the Gaming Software the accompanying printed materials, and any copies of the Gaming Software are developed, owned or licensed by the Provider.

10.3. The Customer acknowledges and agrees that any suggestions or contributions made by Customer or its employees or agents that are incorporated into subsequent versions of the Gaming Software shall be the sole and exclusive property of Provider or of any third-party owner indicated in writing by Provider.

10.4. For the avoidance of doubt, no proprietary rights are being transferred in this Agreement but strictly only a license to use. Nothing in this Agreement shall give the Customer any interest in any Intellectual Property Rights in the Gaming Software or any goodwill associated therewith, except as expressly licensed hereunder and Customer hereby acknowledges that it shall acquire no interest in respect thereof and, that all such interests and goodwill are and shall remain vested in the Provider.

10.5. For the duration of the Agreement the Customer will have the right to decide, in consultation with the Provider, the acquisition of new basic software and environment, as well as the application, replacing and/or adding to the apparatus already in operation. In this case, the Provider and the Customer agree on the appropriate contractual framework with which to purchase the software.

10.6. Outsourcing of the Services described in this Agreement to third parties by the Provider is not permitted without the express written permission of the Customer.

10.7. The Supplier may improve the efficiency of the performance of its activities, provided that such actions will not have a negative impact on service levels and activities of the Customer. For this purpose, the Supplier will work in conjunction with the Customer to evaluate the possible consequences of such actions on the activities of the Customer. In any case, the Customer will not be charged extra fees for modifications to be adopted by the Supplier in order to optimize its performance.

11. CONFIDENTIALITY

11.1. The Customer must take care to establish the range of permissions and passwords to access the information system, along with the Provider to establish the operating system and safety procedures when accessing data, transactions and communications networks. The Provider will ensure that procedures for its employees regarding the secrecy and confidentiality of the data, information, knowhow, software that will be in place with respect to this Agreement, as well as the secrecy and confidentiality of the documents, of whatever nature, prepared by the Customer or third parties (including employees and promoters) in the interest of the Customer.

11.2. The Provider and the Customer are required to take the necessary safety and protection measures, both within their organization, and in the conduct of activities involving contact with third parties, to ensure the confidentiality of data.

11.3. The data and programs that the Customer assigns to the Provider are reserved.

11.4. It should not be considered secret information when the subjects which they have received:

- are already in lawful possession as a matter of normal course,
- have received an authorization from third parties to transfer them validly and without the constraint of submission to secrecy.

12. REMUNERATION

12.1. The remuneration provided for the Services by the performance of the Provider as detailed to Article 2.2.1 (Software development and Support), is determined according to 2,600 hours for month at

EUR 50/hour for a maximum of 7,800 hours plus the mutually agreed sum for the additional services required.

The Provider shall be reimbursed for travel and other reasonable expenses subject to the prior approval of the Customer.

13. METHOD OF INVOICE

13.1. The Provider will invoice the Customer in advance, for the services listed in article 2.2.1 of this agreement. The payment must be made in full and lump-sum payment.

13.2. The amounts mentioned above do not include Value Added Tax. The Customer will pay the Value Added Tax on the invoices of the Provider to the extent and in the manner prescribed by law.

14. TERMS OF THE CONTRACT

14.1. This Agreement shall commence from the date of signing and expire on August 31, 2021.

15. PROHIBITION OF COMPETITION

15.1. The Provider and the Customer undertake not to carry out in any way - directly or indirectly - unfair competitive practices to the detriment of the other.

15.2. The Parties undertake not to employ or solicit for employment any member of the staff of the other Party without first obtaining written permission from the latter during the period of duration of the Agreement and in the twelve months following its termination.

16. RESOLUTION AND WITHDRAWAL OF PARTIES

16.1. In the event of the failure by Provider or Customer to fulfill its obligations under this Agreement the other Party may give notice in writing, to the defaulter to remedy the situation within a maximum of 30 days. In the event that the defaulting Party has not remedied the default within 30 days, the other Party will be able to terminate this Agreement on written notice to the defaulting party.

16.2. As of notice of termination or withdrawal of the Customer, or from the date of expiry of the Agreement - subject to the provisions, only in the event of cancellation, of the compulsory purchase of equipment essential to the provision of services - the Provider will provide the assistance that the Customer may reasonably request in writing to ensure that the operation of the information system can continue without interruption and to facilitate the orderly transfer of the services to the person designated by the Customer. The Provider, in particular, will continue to run after receipt of the notice of the resolution, those services being performed and which the Customer in good faith could reasonably ask for the continuation, with the payment of the costs due for the services that will be made as a result of this request.

17. DATA PRIVACY

17.1. The Customer warrants to the Provider that all data that is transferred to the Provider for the management of its information system has been legally acquired in accordance with the current legislation and appoints the Provider to process and use this data in accordance with the instructions given by the Customer in writing. The Provider may therefore lawfully carry out the processing and use of any personal data that is provided by the Customer in performance of this Agreement.

17.2 The Customer will indemnify the Provider from any damage, claim, cost or expense that may arise, either directly or by third parties, as a result of a breach of the obligations of the Customer under this Agreement.

18. JURISDICTION

18.1. For any dispute concerning the validity, performance or termination of this Agreement the Court of Parma (Italy) will be the exclusive territorial jurisdiction and the Italian Law will apply.

19. NOTICES

19.1. All notices and other communications related to this Agreement will be made in writing and will be sent by email to the address specified below or at such other address as the Party that receives the notification will indicate in a notice to the other Party:

Provider: engageitservices@pec.it
Customer: m.ciavarella@elysgame.com

20. AMENDMENT OR ADDENDUM

20.1. No amendment or addendum to this Agreement will be effective between the Parties unless it is specifically approved in writing by both parties.

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be executed on its behalf as of June 9th, 2021. Parma, Italy

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

Elys Gameboard Technologies LLC Engage IT Services Srl

By: /s/Michele Ciavarella
Name: Michele Ciavarella
Title: Its Sole Member
Date: 7/10/2021

By: /s/Luca Pasquini
Name: Luca Pasquini
Title: VP of technology
Date: 7/9/2021

By: /s/ Michele Ciavarella
Name: Michele Ciavarella, B.Sc.
Title: Executive Chairman
Date: 7/10/2021

By: /s/ Mark Korb
Name: Mark Korb
Title: CFO
Date:
7/11/2021

**Certification of Chief Executive Officer of
ELYS GAME TECHNOLOGY, CORP.
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michele Ciavarella, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Elys Game Technology, Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2021

/s/ Michele Ciavarella
Michele Ciavarella
Chief Executive Officer
(Principal Executive Officer)

**Certification of Chief Financial Officer of
ELYS GAME TECHNOLOGY, CORP.
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Mark J. Korb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Elys Game Technology, Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2021

/s/ Mark J. Korb
Mark J. Korb
Chief Financial Officer
(Principal Financial Officer)

**Statement of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 1350 of Title 18 of the United States Code**

Pursuant to Section 1350 of Title 18 of the United States Code as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Michele Ciavarella and Mark J. Korb, the Chief Executive Officer and Chief Financial Officer of Elys Game Technology, Corp. (the "Company"), respectively, hereby certify that based on the undersigned's knowledge:

1. The Company's quarterly report on Form 10-Q for the period ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 15, 2021

/s/ Michele Ciavarella
Michele Ciavarella
Chief Executive Officer
(Principal Executive Officer)

/s/ Mark J. Korb
Mark J. Korb
Chief Financial Officer
(Principal Financial Officer)