

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, 2023  
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

1-561-838-3325

(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
N/A	N/A	N/A

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   
Non-accelerated Filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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 9, 2023, the registrant had 37,444,381 shares of common stock, \$0.0001 par value per share, outstanding.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION	PAGE
Cautionary Statement Regarding Forward Looking Statements	3
Item 1 Financial Statements	
Consolidated Balance Sheets (unaudited)	4
Consolidated Statements of Operations and Comprehensive Loss (unaudited)	5
Consolidated Statements of Changes in Stockholders' Equity (unaudited)	6
Consolidated Statements of Cash Flows (unaudited)	7
Notes to Consolidated Financial Statements (unaudited)	9
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operation	37
Item 3 Quantitative and Qualitative Disclosures About Market Risk	51
Item 4 Controls and Procedures	51
 PART II - OTHER INFORMATION	 52
Item 1 Legal Proceedings	52
Item 1A Risk Factors	52
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	54
Item 3 Defaults Upon Senior Securities	54
Item 4 Mine Safety Disclosures	54
Item 5 Other Information	54
Item 6 Exhibits	55
 SIGNATURES	 56

## 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 a 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.

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 for the year ended December 31, 2022 filed with the Securities and Exchange Commission on April 17, 2023.

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.

PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2023	December 31, 2022
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,551,000	\$ 3,400,166
Accounts receivable	735,725	731,962
Gaming accounts receivable	1,841,921	1,431,497
Prepaid expenses	2,637,882	900,205
Related party receivable	22,511	22,511
Other current assets	379,781	338,871
<b>Total Current Assets</b>	<b>8,168,820</b>	<b>6,825,212</b>
<b>Non - Current Assets</b>		
Restricted cash	—	364,701
Property and equipment	975,211	610,852
Right of use assets	1,471,190	1,498,703
Intangible assets	10,069,843	10,375,524
Goodwill	1,662,016	1,662,278
Marketable securities	—	19,999
<b>Total Non - Current Assets</b>	<b>14,178,260</b>	<b>14,532,057</b>
<b>Total Assets</b>	<b>\$ 22,347,080</b>	<b>\$ 21,357,269</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 8,917,952	6,790,523
Gaming accounts payable	3,492,128	2,213,532
Taxes payable	61,187	179,720
Related party payable	46,916	422,129
Promissory notes payable - related parties	411,939	752,000
Operating lease liability	381,439	369,043
Financial lease liability	1,895	6,831
Bank loan payable - current portion	2,987	3,151
<b>Total Current Liabilities</b>	<b>13,316,443</b>	<b>10,736,929</b>
<b>Non-Current Liabilities</b>		
Deferred tax liability	1,391,102	1,696,638
Operating lease liability	1,059,970	1,157,979
Financial lease liability	1,244	2,288
Bank loan payable	152,643	148,169
Convertible notes payable, net of discount of \$169,003	209,347	—
Convertible notes payable – related parties, net of discount of \$2,039,673	2,936,049	—
Other long-term liabilities	577,725	464,851
<b>Total Non - Current Liabilities</b>	<b>6,328,080</b>	<b>3,469,925</b>
<b>Total Liabilities</b>	<b>19,644,523</b>	<b>14,206,854</b>
<b>Stockholders' Equity</b>		
Common stock, \$0.0001 par value, 80,000,000 shares authorized; 35,794,381 and 30,360,810 shares issued and outstanding as of September 30, 2023 and December 31, 2022	3,579	3,036
Additional paid-in capital	78,952,510	74,249,244
Accumulated other comprehensive loss	(609,554)	(600,619)
Accumulated deficit	(75,643,978)	(66,501,246)
<b>Total Stockholders' Equity</b>	<b>2,702,557</b>	<b>7,150,415</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 22,347,080</b>	<b>\$ 21,357,269</b>

See notes to the unaudited condensed consolidated financial statements

ELYS GAME TECHNOLOGY, CORP.

Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenue</b>	\$ 8,464,591	\$ 9,591,294	\$ 32,233,378	\$ 32,175,015
<b>Costs and Expenses</b>				
Selling expenses	6,724,275	6,874,581	26,158,349	24,029,532
General and administrative expenses	4,318,720	5,385,407	13,498,145	14,273,817
Depreciation and amortization	354,334	423,361	1,043,432	1,315,593
Restructuring and severance expenses	—	—	—	1,205,689
<b>Total Costs and Expenses</b>	<b>11,397,329</b>	<b>12,683,349</b>	<b>40,699,926</b>	<b>40,824,631</b>
<b>Loss from Operations</b>	<b>(2,932,738)</b>	<b>(3,092,055)</b>	<b>(8,466,548)</b>	<b>(8,649,616)</b>
<b>Other (Expenses) Income</b>				
Interest expense, net of interest income	(162,474)	(9,104)	(273,701)	(22,641)
Amortization of debt discount	(142,381)	—	(215,651)	—
Other income	9,994	21,931	13,521	90,783
Changes in fair value of contingent purchase consideration	—	(482,059)	—	(1,397,833)
Other expense	—	(45,528)	(7,017)	(56,539)
Gain (loss) on marketable securities	—	(49,250)	(19,999)	43,250
<b>Total Other (Expenses) Income</b>	<b>(294,861)</b>	<b>(564,010)</b>	<b>(502,847)</b>	<b>(1,342,980)</b>
<b>Loss Before Income Taxes</b>	<b>(3,227,599)</b>	<b>(3,656,065)</b>	<b>(8,969,395)</b>	<b>(9,992,596)</b>
Income tax provision	4,240	(167,574)	67,199	(200,518)
<b>Net Loss from continuing operations</b>	<b>(3,223,359)</b>	<b>(3,823,639)</b>	<b>(8,902,196)</b>	<b>(10,193,114)</b>
<b>Discontinued operations</b>				
Operating loss	(34,690)	—	(198,335)	—
Loss on recission	(42,201)	—	(42,201)	—
<b>Net loss from discontinued operations</b>	<b>(76,891)</b>	<b>—</b>	<b>(240,536)</b>	<b>—</b>
<b>Net loss</b>	<b>\$ (3,300,250)</b>	<b>\$ (3,823,639)</b>	<b>\$ (9,142,732)</b>	<b>\$ (10,193,114)</b>
<b>Other Comprehensive (Loss) Income</b>				
Foreign currency translation adjustment	(102,111)	(367,765)	(8,935)	(877,996)
<b>Comprehensive Loss</b>	<b>\$ (3,402,361)</b>	<b>\$ (4,191,404)</b>	<b>\$ (9,151,667)</b>	<b>\$ (11,071,110)</b>
<b>Loss per common share – basic and diluted</b>				
Continuing operations	\$ (0.10)	\$ (0.14)	\$ (0.27)	\$ (0.41)
Discontinued operations	(0.00)	0.00	(0.00)	0.00
	<b>(0.10)</b>	<b>(0.14)</b>	<b>(0.27)</b>	<b>(0.41)</b>
Weighted average number of common shares outstanding – basic and diluted	31,886,832	26,942,389	32,758,530	24,871,319

See notes to the unaudited condensed consolidated financial statements

**ELYS GAME TECHNOLOGY, CORP.**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**Nine months ended September 30, 2023 and September 30, 2022**  
*(Unaudited)*

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
<i>Nine months ended September 30, 2022</i>						
<b>Balance at December 31, 2021</b>	<b>23,363,732</b>	<b>\$ 2,336</b>	<b>\$ 66,233,292</b>	<b>\$ (251,083)</b>	<b>\$ (48,243,028)</b>	<b>\$ 17,741,517</b>
Proceeds from open market sales	56,472	6	131,559	—	—	131,565
Brokers Fees on open market sales	—	—	(3,949)	—	—	(3,949)
Restricted stock compensation	162,835	16	424,984	—	—	425,000
Stock based compensation expense	—	—	597,972	—	—	597,972
Foreign currency translation adjustment	—	—	—	(151,775)	—	(151,775)
Net loss	—	—	—	—	(2,554,216)	(2,554,216)
<b>Balance at March 31, 2022</b>	<b>23,583,039</b>	<b>\$ 2,358</b>	<b>\$ 67,383,858</b>	<b>\$ (402,858)</b>	<b>\$ (50,797,244)</b>	<b>\$ 16,186,114</b>
Proceeds from open market sales	111,544	11	255,477	—	—	255,488
Brokers Fees on open market sales	—	—	(7,663)	—	—	(7,663)
Proceeds from private placement	2,625,000	263	2,486,925	—	—	2,487,188
Proceeds from prefunded warrants	—	—	512,758	—	—	512,758
Brokers fees on private placement	—	—	(245,950)	—	—	(245,950)
Stock based compensation expense	—	—	1,296,118	—	—	1,296,118
Foreign currency translation adjustment	—	—	—	(358,456)	—	(358,456)
Net loss	—	—	—	—	(3,815,259)	(3,815,259)
<b>Balance at June 30, 2022</b>	<b>26,319,583</b>	<b>\$ 2,632</b>	<b>\$ 71,681,523</b>	<b>\$ (761,314)</b>	<b>\$ (54,612,503)</b>	<b>\$ 16,310,338</b>
Proceeds from warrants exercised	541,227	54	—	—	—	54
Restricted stock compensation	3,500,000	350	1,587,250	—	—	1,587,600
Stock based compensation expense	—	—	487,884	—	—	487,884
Foreign currency translation adjustment	—	—	—	(367,765)	—	(367,765)
Net loss	—	—	—	—	(3,823,639)	(3,823,639)
<b>Balance at September 30, 2022</b>	<b>30,360,810</b>	<b>\$ 3,036</b>	<b>\$ 73,756,657</b>	<b>\$ (1,129,079)</b>	<b>\$ (58,436,142)</b>	<b>\$ 14,194,472</b>

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount				
<b>Nine months ended September 30, 2023</b>						
Balance at December 31, 2022	30,360,810	\$ 3,036	\$ 74,249,244	\$ (600,619)	\$ (66,501,246)	\$ 7,150,415
Fair value of common stock issued for Acquisition of Engage IT Services, Srl	3,018,461	302	1,735,313	—	—	1,735,615
Fair value of warrant issued with convertible debt	—	—	485,922	—	—	485,922
Restricted stock awards	5,366,155	537	170,885	—	—	171,422
Fair value of restricted stock issued to settle liabilities	67,416	6	59,994	—	—	60,000
Fair value of options issued to settle liabilities	—	—	125,000	—	—	125,000
Stock based compensation expense	—	—	545,198	—	—	545,198
Foreign currency translation adjustment	—	—	—	87,647	—	87,647
Net loss	—	—	—	—	(2,293,361)	(2,293,361)
<b>Balance at March 31, 2023</b>	<b>38,812,842</b>	<b>\$ 3,881</b>	<b>\$ 77,371,556</b>	<b>\$ (512,972)</b>	<b>\$ (68,794,607)</b>	<b>\$ 8,067,858</b>
Fair value of warrant issued with convertible debt	—	—	662,623	—	—	662,623
Restricted stock awards	—	—	257,133	—	—	257,133
Stock based compensation expense	—	—	540,432	—	—	540,432
Foreign currency translation adjustment	—	—	—	5,529	—	5,529
Net loss	—	—	—	—	(3,549,121)	(3,549,121)
<b>Balance at June 30, 2023</b>	<b>38,812,842</b>	<b>\$ 3,881</b>	<b>\$ 78,831,744</b>	<b>\$ (507,443)</b>	<b>\$ (72,343,728)</b>	<b>\$ 5,984,454</b>
Fair value of shares returned on rescission of acquisition	(3,018,461)	(302)	(1,938,154)	—	—	(1,938,456)
Fair value of warrant issued with convertible debt	—	—	1,275,782	—	—	1,275,782
Restricted stock awards	—	—	257,133	—	—	257,133
Stock based compensation expense	—	—	526,005	—	—	526,005
Foreign currency translation adjustment	—	—	—	(102,111)	—	(102,111)
Net loss	—	—	—	—	(3,300,250)	(3,300,250)
<b>Balance at September 30, 2023</b>	<b>35,794,381</b>	<b>\$ 3,579</b>	<b>\$ 78,952,510</b>	<b>\$ (609,554)</b>	<b>\$ (75,643,978)</b>	<b>\$ 2,702,557</b>

See notes to the unaudited condensed consolidated financial statements

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

	For the nine months ended September 30,	
	2023	2022
Net Loss	\$ (9,142,732)	\$ (10,193,114)
Net loss from discontinued operations	240,536	—
Net loss from continuing operations	(8,902,196)	(10,193,114)
<b>Adjustments to reconcile net loss to net cash used in operating activities</b>		
Depreciation and amortization	1,043,431	1,315,593
Gain on disposal of property and equipment	(5,136)	—
Amortization of debt discount	215,651	—
Restricted stock awards	685,688	2,012,600
Stock-based compensation expense	1,611,635	2,381,974
Non-cash interest	268,320	17,637
Loss on dissolution of subsidiary	325	—
Change in fair value of contingent purchase consideration	—	1,397,833
Unrealized loss (gain) on marketable securities	19,999	(43,250)
Movement in deferred taxation	(124,437)	(238,616)
<b>Changes in Operating Assets and Liabilities, net of assets acquired and liabilities assumed</b>		
Prepaid expenses	(1,757,254)	(2,043,015)
Accounts payable and accrued liabilities	1,307,024	(1,013,194)
Accounts receivable	1,957	(282,002)
Gaming accounts receivable	(440,090)	981,478
Gaming accounts liabilities	1,339,804	693,455
Taxes payable	(122,333)	391,339
Due from related parties	31,279	(8,026)
Other current assets	(39,764)	(19,838)
Long term liability	122,022	76,916
<b>Net Cash Used in Operating Activities – continuing operations</b>	<b>(4,744,075)</b>	<b>(4,572,230)</b>
<b>Net Cash Used in Operating Activities – discontinued operations</b>	<b>(76,697)</b>	<b>—</b>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(4,820,772)</b>	<b>(4,572,230)</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property and equipment and intangible assets	(1,112,830)	(355,939)
<b>Net Cash Used in Investing Activities – continuing operations</b>	<b>(1,112,830)</b>	<b>(355,939)</b>
<b>Net Cash Provided by Investing Activities – discontinued operations</b>	<b>76,459</b>	<b>—</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,036,371)</b>	<b>(355,939)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from convertible notes	350,000	—
Proceeds from convertible notes, related parties	4,400,000	—
Proceeds from Subscriptions – Net of Fees	—	2,616,679
Proceeds from pre-funded warrants	—	512,813
Proceeds from related party promissory notes	—	665,000
Repayment of bank overdraft	—	(7,043)
Repayment of bank loan	—	(33,041)
Repayment of financial leases	(5,996)	(5,926)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>4,744,004</b>	<b>3,748,482</b>
Effect of change in exchange rate	(100,728)	(1,504,030)
Net decrease in cash	(1,213,867)	(2,683,717)
Cash, cash equivalents and restricted cash – beginning of the period	3,764,867	7,706,357
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH – END OF THE PERIOD</b>	<b>\$ 2,551,000</b>	<b>\$ 5,022,640</b>



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

**Reconciliation of cash, cash equivalents and restricted cash within the Balance Sheets to the Statement of Cash Flows**

Cash and cash equivalents	\$ 2,551,000	\$ 4,690,034
Restricted cash included in non-current assets	—	332,606
	<u>\$ 2,551,000</u>	<u>\$ 5,022,640</u>

**Supplemental disclosure of cash flow information**

Cash paid during the period for:

Interest	\$ 5,735	\$ 5,855
Income tax	\$ 199,745	\$ 84,988

**Supplemental cash flow disclosure for non-cash activities**

Fair value of common stock issued on acquisition of Engage IT Services Srl	\$ 1,735,615	\$ —
Fair value of common stock returned on rescission of acquisition of Engage IT Services Srl	\$ (1,938,456)	—
Fair value of warrant issued with convertible debt	\$ 2,424,327	\$ —
Fair value of restricted stock issued to settle liabilities	\$ 60,000	\$ —
Fair value of options issued to settle liabilities	\$ 125,000	\$ —

See notes to the unaudited condensed consolidated financial statements

**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”), provides gaming services in the U.S. market via Elys Gameboard Technologies, LLC and Bookmakers Company US, LLC (“US Bookmaking”) in certain licensed states where the Company offers bookmaking and platform services to the Company’s customers. The Company’s intention is to focus its attention on expanding its operations in the U.S. market. In this regard, the Company operates in Washington D.C. through a Class B Managed Service Provider and Class B Operator license to operate a sportsbook within the Grand Central Restaurant and Sportsbook located in the Adams Morgan district and the Over Under Sportsbook Rooftop Lounge in Washington, D.C. In March 2022, the Company began providing platform and bookmaking services at Ocean Casino Resort in Atlantic City, New Jersey. Through its acquisition of US Bookmaking, the Company also provides sportsbook services to tribal casinos in New Mexico, North Dakota, Colorado and Michigan.

The Company also provides business-to-consumer (“B2C”) gaming services in Italy through its subsidiary, Multigioco. Multigioco has both a land-based retail license and an online interactive gaming license regulated by the Agenzia delle Dogane e dei Monopoli (“ADM”). Through Multigioco the Company offers leisure betting products such as sports betting, and virtual sports betting products at physical locations as well as online through the Company’s website www.newgioco.it, through linked commercial webskins and on mobile devices. Management implemented a consolidation strategy in the Italian market by integrating all B2C operations into Multigioco which allowed the Austrian Bookmakers license, that was regulated by the Austrian Federal Finance Ministry (“BMF”), to terminate.

Additionally, the Company provides business-to-business (“B2B”) gaming technology through its Odissea subsidiary which owns and operates a betting software designed with a unique “distributed model” 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, a built-in sports-book and a virtual sports platform through its Virtual Generation subsidiary. The Platform also provides seamless integration of application programming interface 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. Management is implementing a growth strategy to expand B2B gaming technology operations in the U.S. and is considering further expansion in Canada and Latin American countries in the near future.

The entities included in these 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
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
Elys US Game Technologies and Services, LLC	July 1, 2022	USA	U.S. dollar
Engage IT Services, Srl	January 29, 2023	Italy	Euro

On January 12, 2023, Elys Technology Group Limited, a previously wholly owned subsidiary, was dissolved and its operations were assumed by Virtual Generation Limited.

On July 17, 2023, the Company agreed to rescind its acquisition of Engage IT Services, Srl after reaching an agreement with the Sellers. The Company is negotiating the amount due to Engage which have been fully accrued by the Company.

The Company operates two lines of business: (i) the operating of online betting as well as retail leisure betting at establishments situated throughout Italy and; (ii) licensing our certified betting Platform software and services to global leisure betting establishments and operators.

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) an operational group based in the U.S. 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 maintains an executive suite in Las Vegas, Nevada and a space in Toronto, Ontario, Canada through which the Company carries-out corporate activities, handles day-to-day reporting and U.S. development planning, and through which various employees, independent contractors and vendors are engaged.

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

**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, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023. The balance sheet at December 31, 2022 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 for the fiscal year ended December 31, 2022, as filed with the U.S. Securities and Exchange Commission (“SEC”) on April 17, 2023.

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

The Company previously had a secondary listing on the NEO exchange in Canada, which was terminated on December 31, 2021. For the purposes of its previous 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 either Euros, Colombian Pesos or U.S. dollars during the periods presented.

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

**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.

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

**2. Accounting Policies and Estimates (continued)**

**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, using accounting principles generally accepted in the United States (“U.S. GAAP”) applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. 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 intangible assets and goodwill, the collectability of receivables, leasing arrangements, convertible debentures, contingent purchase consideration, 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 records adjustments when necessary.

**Loss Contingencies**

The Company may be subject to claims, suits, government investigations, and other proceedings involving competition and antitrust, intellectual property, 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 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 the 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 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.

**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 developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

The carrying value of the Company’s accounts receivables, gaming accounts receivable, 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.

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

**2. Accounting Policies and Estimates (continued)**

**Cash and Cash Equivalents**

The Company primarily places cash balances in the U.S. 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.

To date, the Company has not been affected by the recent U.S. bank failures and we do not anticipate any adverse impact on the Company's cash balances.

**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 and nine months ended September 30, 2023.

**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 and Equipment**

Property 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 property 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:

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

**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:

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

**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 unit exceeds its fair value 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 unit exceeds its fair value. If the carrying amount of the reporting unit exceeds its fair value, an asset impairment charge will be recognized in an amount equal to that excess.

Goodwill was recently assessed on December 31, 2022 and as of September 30, 2023 and there were no qualitative indications that impairment of intangible assets or goodwill may be appropriate.

**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 operating 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 and equipment with a corresponding financial liability raised at the date of lease inception. Interest incurred on financial leases is 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 operating lease liability raised at the date of lease inception. The right of use asset and the operating lease liability are amortized over the right of use period using the effective interest rate implied in the operating lease agreement.

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

**2. Accounting Policies and Estimates (continued)**

**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 2017 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 2017 forward, are subject to examination. The Company is not currently under examination, and it has not been notified of a pending examination.

**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.

Revenues from the Betting Platform include software licensing fees, training, installation, and product support services. The Company does not sell its proprietary software. 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.
- Training fees, installation fees are recognized when each task has been completed.
- Product support services are recognized based on the nature of the agreement with our customers, ad-hoc support service revenue will be recognized when the task is completed and revenue from product support service contracts will be recognized on a periodic basis where we charge a recurring fee to provide ongoing support services.

**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 expenses 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.

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

**2. Accounting Policies and Estimates (continued)**

**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 include 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 dilutive impact on the number of shares outstanding should they be exercised. Securities that have the potential to dilute shareholder’s interests include unexercised stock options and warrants as well as unconverted debentures.

**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 Financial Accounting Standards Board (“FASB”) issued additional updates during the quarter ended September 30, 2023. 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 Company’s condensed 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 online as well as retail leisure betting establishments situated throughout Italy, and
- (ii) licensing of certified betting Platform software and services to leisure betting establishments in the U.S. and 9 other countries.

**3. Going Concern**

The Company’s financial statements are prepared using accounting principles generally accepted in the United States (“U.S. GAAP”) applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

The accompanying financial statements for the period ended September 30, 2023 have been prepared assuming the Company will continue as a going concern, but the ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund ongoing development work of its gaming platforms and operations until we are able to generate revenue streams from our additional gaming platforms and become profitable. These factors, individually and collectively indicate that a material uncertainty exists that raises substantial doubt about the Company’s ability to continue as a going concern for one year from the date of issuance of these unaudited condensed consolidated financial statements. Management’s plans to continue as a going concern include raising additional capital through sales of equity securities and borrowing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. If the Company is not able to obtain the necessary additional financing on a timely basis, the Company will be required to delay, and reduce the scope of the Company’s development and operations. Continuing as a going concern is dependent upon its ability to successfully secure other sources of financing and attain profitable operations. The accompanying unaudited condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.



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

**4. Acquisition and rescission of subsidiaries**

**Acquisition agreement**

On January 29, 2023 (the “Closing Date”), the Company entered into a Share Purchase Agreement (the “Purchase Agreement”) to acquire 100% of Engage IT Services, Srl, a company organized under the laws of Italy (“Engage IT”), from its founding shareholders (the “Sellers”). The Purchase Agreement provided that, upon the terms and subject to the conditions set forth therein, the Company would acquire all of the shares of Engage IT and Engage IT became a wholly owned subsidiary of Elys.

Founded in 2016 by the Company’s current Head of Global Technology, Luca Pasquini, along with Alessandro Alpi and Michael Denney, Engage IT employs 27 specialist technicians, developers and software engineers that specialize in the design, implementation and management of SQL databases, agile project management, and solutions based on the Microsoft cloud platform (Azure) and in the development of .NET applications. Since 2016, Engage has also provided contract services to the Company, playing a key role in the development of the Company’s Elys Gameboard sportsbook technology and Player Account Management Platform (PAM).

Pursuant to the terms of the Purchase Agreement, on the Closing Date, the Company paid the “Dollar Equivalent” of €1,080,000 for all of the shares of Engage IT on a debt free basis, which amount may be increased or decreased based on the working capital surplus or deficit, and any indebtedness due to or from Engage IT by or from any one or more of the Sellers to be determined 10 days prior to June 30, 2023, the calculation of the working capital surplus or deficit was not performed prior to June 30, 2023 and will be performed at a later date, if applicable, based on ongoing discussions with the management of Engage IT. The Company satisfied the payment by the issuance 3,018,461 shares of common stock (the “Exchange Shares”), valued at \$1,735,615, equal to the “Dollar Equivalent” of the Purchase Price, calculated at the exchange rate at the time of closing, at a price equal to the volume weighted average price per share (calculated to the nearest one-hundredth of one cent) of the Company’s common stock for the twenty consecutive trading days beginning on the twenty-third trading day immediately preceding the Closing Date and concluding at the close of trading on the third trading day immediately preceding the Closing Date or US \$0.39 per share, which may be adjusted for any stock split, reverse stock split, stock dividend, recapitalization, combination, exchange or similar event; or any subsequent equity sale or rights offering of Elys, and is subject to shareholder approval if required. Additionally, the Company may repurchase the Exchange Shares in cash in whole or in part at any time on or prior to June 30, 2023. The Company did not exercise its right to acquire the Exchange Shares.

The Purchase Agreement contains customary representations, warranties and covenants of Elys and the Sellers. Subject to certain customary limitations, the Sellers have agreed to indemnify Elys and its 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 preliminary purchase price allocation was as follows:

	<b>Amount</b>
<b>Consideration</b>	
3,018,461 shares of common stock at fair market value	\$ 1,735,615
<b>Total purchase consideration</b>	<b>\$ 1,735,615</b>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>	
Cash	\$ 94,450
Accounts receivable – Related party	555,634
Other Current assets	22,377
Property and equipment	36,135
Right-of-use assets	47,335
	<b>\$ 755,931</b>
Less: liabilities assumed	
Current liabilities assumed	\$ (425,882)
Related party payables	(130,278)
Operating lease liabilities	(47,335)
Non-current liabilities assumed	(171,051)
	<b>\$ (774,546)</b>
Net identifiable assets acquired and liabilities assumed	<b>(18,615)</b>
Goodwill	1,754,230
	<b>\$ 1,735,615</b>

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

**4. Acquisition and rescission of subsidiaries (continued)**

**Rescission agreement**

On July 15, 2023, the Company and the Sellers, after further due diligence into the operations of Engage, agreed to rescind the Acquisition agreement, as discussed above, with effect from July 17, 2023. In exchange for the return of the shares in Engage to the Sellers, the shares of common stock issued to the Sellers on January 29, 2023 were returned into the custody of the Company and will be cancelled in due course. With effect from July 17, 2023, the company no longer has control over the operations and has ceased all development and support work with Engage, other than projects that required minimal effort to complete. The 3,018,461 common shares returned to the Company had a fair market value of \$0.6422 per share on July 17, 2023.

As a result of the rescission the Company recorded the following loss from discontinued operations:

	<b>Amount</b>
<b>Assets and liabilities transferred</b>	
Cash	\$ 15,667
Accounts receivable	1,166,990
Prepaid expenses	2,995
Other Current assets	18,024
Property and equipment	36,220
Right-of-use assets	35,094
Goodwill	1,754,230
	<b>3,029,220</b>
Less: liabilities assumed	
Current liabilities assumed	(570,691)
Related party payables	(173,652)
Operating lease liabilities	(35,094)
Income tax payable	(75,941)
Non-current liabilities assumed	(193,185)
	<b>(1,048,563)</b>
	<b>\$ 1,980,657</b>
Fair value of 3,018,461 common shares returned to the custody of the Company	1,938,456
<b>Loss on rescission</b>	<b>\$ 42,201</b>

The loss from discontinued operations is as follows:

	<b>Three months ended September 30, 2023</b>	<b>Nine months ended September 30, 2023</b>
<b>Revenue</b>	<b>\$ 41,248</b>	<b>\$ 622,704</b>
<b>Costs and Expenses</b>		
General and administrative expenses	86,030	904,152
Depreciation and amortization	2	2,228
<b>Total Costs and Expenses</b>	<b>86,032</b>	<b>906,380</b>
<b>Loss from Operations</b>	<b>(44,784)</b>	<b>(283,676)</b>
<b>Other (Expenses) Income</b>		
Other income	23	443
Other expense	(21)	(188)
<b>Total Other (Expenses) Income</b>	<b>2</b>	<b>255</b>
<b>Loss Before Income Taxes</b>	<b>(44,782)</b>	<b>(283,421)</b>
Income tax provision	10,093	85,086
<b>Net Loss from discontinued operations</b>	<b>(34,689)</b>	<b>(198,335)</b>
Loss on rescission	(42,201)	(42,201)
<b>Loss from discontinued operations</b>	<b>\$ (76,891)</b>	<b>\$ (240,536)</b>

**ELYS GAME TECHNOLOGY, CORP**  
**Notes to the Consolidated Financial Statements**

**4. Acquisition and rescission of subsidiaries (continued)**

The amount of revenue and earnings included in the Company's consolidated statement of operations and comprehensive income (loss) for the period ended July 17, 2023, the effective date of the rescission, and the revenue and earnings of the combined entity had the acquisition date been January 1, 2022, is presented as follows:

	<u>Revenue</u>	<u>Earnings</u>
Actual for the period from acquisition to July 15, 2023	\$ —	\$ (198,335)
2023 supplemental pro forma from January 1, 2023 to July 15, 2023	\$ 32,233,378	\$ (9,023,632)
2022 supplemental pro forma from January 1, 2022 to September 30, 2022	\$ 32,181,552	\$ (10,452,167)

The 2023 supplemental pro forma information was adjusted to exclude \$73,811 of intercompany profit that would not have been capitalized to platform costs, the associated adjustment to amortization expense of platform costs amounting to \$109,132 and the associated deferred taxation calculated on the elimination of the intercompany profit and adjustment to amortization expense amounting to \$19,671. The 2022 supplemental pro forma information was adjusted to exclude \$454,950 of intercompany profit that would not have been capitalized to platform costs and an estimated once-off legal expense of \$15,000, that would not have been incurred had this transaction taken place on January 1, 2022. There was no associated adjustment to amortization expense as the platform cost associated with the intercompany profit was not being depreciated during the nine months ended September 30, 2022.

**5. Property and equipment**

	<u>September 30,</u> <u>2023</u>			<u>December 31, 2022</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Leasehold improvements	\$ 136,144	\$ (54,979)	\$ 81,165	\$ 17,876
Computer and office equipment	1,235,467	(934,611)	300,856	307,602
Fixtures and fittings	454,410	(293,369)	161,041	160,122
Vehicles	14,416	(14,416)	—	—
Computer software	715,266	(283,117)	432,149	125,252
	<u>\$ 2,555,703</u>	<u>\$ (1,580,492)</u>	<u>\$ 975,211</u>	<u>\$ 610,852</u>

The aggregate depreciation charge to operations was \$206,338 and \$152,955 for the nine months ended September 30, 2023 and 2022, respectively. The depreciation policies followed by the Company are described in Note 2.

**6. Leases**

The Company's portfolio of leases contains both finance and operating leases that relate to real estate agreements, vehicles and office equipment agreements.

***Operating leases***

***Real estate agreements***

The Company has several property lease agreements in Italy and Austria and one lease agreement in the U.S. which have terms in excess of a twelve-month period, these property leases are for our administrative operations in these countries. The Company does not and does not intend to take ownership of the properties at the end of the lease term.

***Vehicle agreements***

The Company leases several vehicles for business use purposes, the terms of these leases range from twenty-four to forty-eight months. The Company does not and does not intend to take ownership of the vehicles at the end of the lease term.

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

**6. Leases (continued)**

**Finance Leases**

**Office equipment agreements**

The Company has entered into several finance leases for office equipment, the term of these leases range from thirty-six to sixty months. The Company takes ownership of the office equipment at the end of the lease term.

**Right of use assets**

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

	September 30, 2023	December 31, 2022
<b>Non-current assets</b>		
Right of use assets - operating leases, net of amortization	\$ 1,471,190	\$ 1,498,703
Right of use assets - finance leases, net of depreciation – included in property and equipment	\$ 3,240	\$ 8,884

Lease costs consists of the following:

	Nine Months Ended September 30,	
	2023	2022
<b>Finance lease cost:</b>		
Amortization of financial lease assets	\$ 5,654	\$ 5,726
Interest expense on lease liabilities	263	348
<b>Operating lease cost</b>	378,996	257,582
<b>Total lease cost</b>	<b>\$ 384,913</b>	<b>\$ 263,656</b>

Other lease information:

	Nine Months ended September 30,	
	2023	2022
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows from finance leases	\$ (263)	\$ (348)
Operating cash flows from operating leases	(378,996)	(257,582)
Financing cash flows from finance leases	(5,996)	(5,926)
Weighted average remaining lease term – finance leases	2.23 years	1.24 years
Weighted average remaining lease term – operating leases	3.83 years	4.64 years
Weighted average discount rate – finance leases	6.72%	3.73%
Weighted average discount rate – operating leases	3.15%	2.83%

**Maturity of Leases**

**Finance lease liability**

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

	Amount
Remainder of 2023	\$ 931
2024	1,243
2025	481
2026	481
2027	362
Total undiscounted minimum future lease payments	3,498
Imputed interest	(359)
<b>Total finance lease liability</b>	<b>\$ 3,139</b>

**Disclosed as:**

Current portion	\$ 1,895
Non-Current portion	1,244
	<b>\$ 3,139</b>

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

**6. Leases (continued)**

**Operating lease liability**

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

	<b>Amount</b>
Remainder of 2023	\$ 111,786
2024	416,498
2025	380,444
2026	324,434
2027 and thereafter	263,367
Total undiscounted minimum future lease payments	1,496,529
Imputed interest	(55,120)
<b>Total operating lease liability</b>	<b>\$ 1,441,409</b>

**Disclosed as:**

Current portion	\$ 381,439
Non-Current portion	1,059,970
	<b>\$ 1,441,409</b>

**7. Intangible Assets**

Licenses obtained by the Company in the acquisitions of Multigioco 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.

Intangible assets consist of the following:

	<b>September 30, 2023</b>			<b>December 31, 2022</b>
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	<b>Net book value</b>
Betting platform software	\$ 9,144,884	\$ (2,223,394)	\$ 6,921,490	\$ 6,776,486
Licenses	971,614	(965,953)	5,661	11,864
Location contracts	1,000,000	(1,000,000)	—	—
Customer relationships	3,395,927	(1,420,493)	1,975,434	2,323,905
Trademarks	1,537,205	(386,654)	1,150,551	1,263,269
Non-compete agreements	764,167	(764,167)	—	—
Websites	56,707	(40,000)	16,707	—
	<b>\$ 16,870,504</b>	<b>\$ (6,800,661)</b>	<b>\$ 10,069,843</b>	<b>\$ 10,375,524</b>

The Company recorded \$839,060 and \$1,162,438 in amortization expense for finite-lived assets for the nine months ended September 30, 2023 and 2022, respectively.

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

	<b>Amount</b>
Remainder of 2023	\$ 318,569
2024	1,269,871
2025	1,266,223
2026	1,266,223
2027	1,266,223
Total estimated amortization expense	<b>\$ 5,387,109</b>

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.

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

**8. Goodwill**

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
<b>Cost</b>		
Opening balance as of January 1,	\$ 28,686,661	\$ 28,687,051
Acquisition of Engage IT Services, Srl	1,754,230	—
Rescission of acquisition of Engage IT Services Srl	(1,754,230)	
Foreign exchange movements	(262)	(390)
Closing balance as of period end	<u>28,686,399</u>	<u>28,686,661</u>
<b>Accumulated Impairment charge</b>		
Opening balance as of January 1,	(27,024,383)	(12,522,714)
Impairment charge	—	(14,501,669)
Closing balance as of period end	<u>(27,024,383)</u>	<u>(27,024,383)</u>
<b>Goodwill, net of impairment charges</b>	<u>\$ 1,662,016</u>	<u>\$ 1,662,278</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 reporting unit 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.

**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.

There is no evidence of activity in Zoompass and although the shares are quoted on the Nasdaq OTC market, no financial results have been reported and trading volumes are minimal, therefore the investment in Zoompass has been written off.

**10. Bank Loan Payable**

Included in bank loans is a Small Business Administration Disaster Relief loan (“SBA Loan”) assumed on the acquisition of US Bookmaking with a principal outstanding of \$150,000. The SBA Loan bears interest at 3.75% per annum and is repayable in monthly installments of \$731 which began in June 2021, and matures in May 2050. The SBA Loan is collateralized by all of US Bookmaking’s tangible and intangible assets. The balance outstanding at June 30, 2023 consists of principal outstanding of \$144,430 and interest thereon of \$9,750.

Since the acquisition of US Bookmaking, the Company has repaid principal of \$4,402 and has total accrued and unpaid interest of \$11,200 on this loan as of September 30, 2023.

The maturity of bank loans payable as of September 30, 2023 is as follows:

	<u>Amount</u>
Within 1 year	\$ 2,987
1 to 2 years	3,101
2 to 3 years	3,219
3 to 4 years	3,342
5 years and thereafter	142,981
<b>Total</b>	<u>\$ 155,630</u>
<b>Disclosed as:</b>	
Current portion	\$ 2,987
Non-Current portion	152,643
	<u>\$ 155,630</u>

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

**11. Convertible notes payable**

On January 30, 2023 (the "Closing Date"), the Company closed a private placement offering of up to 2,000 units and entered into Subscription Agreements with a group of accredited investors (the "Investors"), which Investors included Braydon Capital Corp. ("Braydon Capital") a company owned by Claudio Ciavarella, a related party and brother of the Company's Executive Chairman, Michele Ciavarella. Each unit sold to Investors was sold at a per unit price of \$1,000 and was comprised of (i) a 12% convertible debenture in the principal amount of \$1,000 (the "Debentures"), and (ii) warrants to purchase shares of the Company's common stock (the "Warrants").

The Investors purchased a total of 850 units and the Company issued Debentures for the total principal amount of \$85,000 (the "Principal Amount") to the Investors and warrants to purchase 2,179,487 shares of common stock of the Company.

The Debentures mature three years from their date of issuance and bear interest at a rate of 12% per annum compounded annually and payable on the maturity date. Each Debenture is convertible, at the option of the holder, at any time, into such number of shares of common stock of the Company equal to the principal amount of the Debenture plus all accrued and unpaid interest at a price equal to the volume weighted average price per share (calculated to the nearest one-hundredth of one cent) of the Company's common stock on the Nasdaq stock market for the period of twenty consecutive trading days beginning on the twenty-third trading day immediately preceding the Closing Date and concluding at the close of trading on the third trading day immediately preceding the Closing Date, subject to adjustment as provided in the Debenture, at any time up to the Maturity Date. The Debentures are initially convertible into 2,179,487 shares of common stock, subject to anti-dilution adjustment as provided in the Debentures. The holder is guaranteed to receive a minimum of five months of interest in the event of an early repayment ("Redemption") by the Company.

In addition, the Company may accelerate this right of conversion on at least ten (10) business days prior written notice to the Holder if there is an effective Registration Statement registering, or a current prospectus available for, the resale of the common shares issuable on the conversion and (i) the closing price of the Company's common shares exceeds two hundred (200%) percent of the Conversion Price for five (5) trading days in a thirty (30) day period or (ii) the Company wishes to redeem or pre-pay the Debentures prior to the Maturity Date.

If at any time that the common shares issuable to the Investors on conversion of the Debenture in whole or in part would be free trading without resale restrictions or statutory hold periods, the Debenture is redeemable by the Company at any time or times prior to the Maturity Date on not less than ten (10) Business Days prior written notice from the Company to the Investor of the proposed date of Redemption (the "Redemption Date"), without bonus or penalty, provided, however, that prior to the Redemption Date, the Investor has the right to convert the whole or any part of the principal and accrued and unpaid interest of the Debenture into common shares of the Company.

The warrants are exercisable at an exercise price equal to the volume weighted average price per share (calculated to the nearest one-hundredth of one cent) of the Company common stock on the Nasdaq stock market for the period of twenty consecutive trading days beginning on the twenty-third trading day immediately preceding the Closing Date and concluding at the close of trading on the third trading day immediately preceding the Closing Date, subject to adjustment as provided in the Warrant and expire three years after the issuance date. Each warrant is exercisable on a cashless basis in the event that there is not an effective registration statement registering the shares underlying the warrant at the time of exercise. The initial exercise price of the warrant is \$0.39 per share, subject to a down-round adjustment to a floor exercise price of \$0.35 per share.

The Company may accelerate the right to exercise the Warrant on at least ten (10) business days prior written notice to the Holder if there is an effective Registration Statement registering, or a current prospectus available for, the resale of the common shares issuable on exercise of the Warrant and the closing price of the Company's common shares exceeds two hundred (200%) percent of the Exercise Price for five (5) trading days in a thirty (30) day period.

The Warrants and Debentures provide that if the Company issues or sells common stock of securities convertible or exercisable into common stock for a price lower than the exercise price or the conversion price, that the exercise price and conversion price will be reduced to such price, subject to a floor price of \$0.35 and subject to certain exempt issuances set forth in the Debenture and Warrant.

The number of shares of common stock that may be issued upon exercise of the Warrants and Debentures is subject to an Exchange Cap (as defined in the Debentures and Warrants) unless shareholder approval to exceed the Exchange Cap is approved. The parties agree to amend the Debentures and Warrants as necessary in order to comply with the requirements of the Nasdaq Capital Markets.

On March 5, 2023, the Company obtained written consents from holders of shares of Common Stock representing approximately 54.1% of the total issued and outstanding shares of voting stock of the Company on March 1, 2023, the record date, approving for purposes of The Nasdaq Stock Market LLC Rules 5635 (b) and 5635(d), the issuance of all of the outstanding shares of the Company's Common Stock to be issued upon (i) conversion of the Debentures and (ii) exercise of the common stock purchase warrants, dated January 30, 2023, issued to such investors by us pursuant to the Subscription Agreement.

The convertible notes were evaluated in terms of ASC 470, Debt, and is carried at amortized cost. The warrants issued in conjunction with the convertible notes were evaluated in terms of ASC 480, Distinguishing Liabilities from Equity and in terms of ASC 815, Derivatives and Hedging, the Company determined that the warrants met the definition of equity in terms of ASC 480 and did not fall within the scope of ASC 815, therefore the value of the warrants, determined using a Black-Scholes valuation model (see Note 16 below), was recorded as a debt discount which is amortized using the effective interest method over the term of the convertible notes.

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

**11. Convertible notes payable (continued)**

On May 5, 2023 (the “Second Closing Date”), the Company closed a private placement offering of up to 1,500 units and entered into a Subscription Agreement with a single accredited investor, Gold Street Capital Corp. (“Gold Street Capital”) (the “Investor”), which is a company owned by Gilda Pia Ciavarella, a related party and spouse of the Company’s Executive Chairman, Michele Ciavarella. Each unit sold to the Investor was sold at a per unit price of \$1,000 and was comprised of (i) a 12% convertible debenture in the principal amount of \$1,000 (the “Debentures”), and (ii) warrants to purchase shares of the Company’s common stock (the “Warrants”).

The Investor purchased a total of 1,500 units and the Company issued Debentures for the total principal amount of \$1,500,000 (the “Principal Amount”) to the Investor and warrants to purchase 3,138,075 shares of common stock of the Company.

The Debentures mature three years from their date of issuance and bear interest at a rate of 12% per annum compounded annually and payable on the maturity date. Each Debenture is convertible, at the option of the holder, at any time, into such number of shares of common stock of the Company equal to the principal amount of the Debenture plus all accrued and unpaid interest at a price equal to \$0.48 per share or the Nasdaq consolidated closing bid price of the Company common stock on the Nasdaq stock market on the Closing Date, subject to adjustment as provided in the Debenture, at any time up to the Maturity Date. The Debentures are initially convertible into 3,138,075 shares of common stock, subject to anti-dilution adjustment as provided in the Debentures. The holder is guaranteed to receive a minimum of five months of interest in the event of an early repayment by the Company.

In addition, the Company may accelerate this right of conversion on at least ten business days prior written notice to the Holder if there is an effective Registration Statement registering, or a current prospectus available for, the resale of the common shares issuable on the conversion and (i) the closing price of the Company’s common shares exceeds two hundred percent of the Conversion Price for five trading days in a thirty day period or (ii) the Company wishes to redeem or pre-pay the Debentures prior to the Maturity Date.

If at any time that the common shares issuable to the Investor on conversion of the Debentures in whole or in part would be free trading without resale restrictions or statutory hold periods, the Debentures are redeemable by the Company at any time or times prior to the Maturity Date on not less than ten Business Days prior written notice from the Company to the Investor of the proposed date of Redemption (the “Redemption Date”), without bonus or penalty, provided, however, that prior to the Redemption Date, the Investor has the right to convert the whole or any part of the principal and accrued and unpaid interest of the Debentures into common shares of the Company.

The Warrants are exercisable at an exercise price equal to \$0.48 per share or the Nasdaq consolidated closing bid price of the Company common stock on the Nasdaq stock market on the Closing Date, subject to adjustment as provided in the Warrant and expire three years after the issuance date. Each Warrant is exercisable on a cashless basis in the event that there is not an effective registration statement registering the shares underlying the Warrant at the time of exercise.

The Company may accelerate the right to exercise the Warrants on at least ten business days prior written notice to the Holder if there is an effective Registration Statement registering, or a current prospectus available for, the resale of the common shares issuable on exercise of the Warrants and the closing price of the Company’s common shares exceeds two hundred percent of the Exercise Price for five trading days in a thirty (30) day period.

The Warrants and Debentures provide that if the Company issues or sells common stock of securities convertible or exercisable into common stock for a price lower than the exercise price or the conversion price, that the exercise price and conversion price will be reduced to such price, subject to a floor price of \$0.35 and subject to certain exempt issuances set forth in the Debenture and Warrant.

The number of shares of common stock that may be issued upon conversion of the Debentures and exercise of the Warrants is subject to an Exchange Cap (as defined in the Debenture and Warrant) unless shareholder approval to exceed the Exchange Cap is approved. The parties agree to amend the Debentures and Warrants as necessary in order to comply with the requirements of the Nasdaq Capital Markets.

The Debentures are secured by a senior security interest in all of the assets of the Company pursuant to a Security Agreement. The Company’s primary assets consist of certain business operations and licenses in multiple jurisdictions, trademarks and other intellectual property, betting technology and products. Following an event of default under the Debenture, the Investor will have all available rights under the Security Agreement and applicable law to enforce their rights as a secured creditor, including to sell, assign, transfer, pledge, encumber or otherwise dispose of the secured assets, and to exercise any other available rights and remedies upon the occurrence of an event of default as described in the Debenture.



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

**11. Convertible notes payable (continued)**

On July 11, 2023 (the “Third Closing Date”), the Company closed a private placement offering of up to 3,000 units and entered into a Subscription Agreement (the “Agreement”) with a group of accredited investors (the “Investors”), which Investors included Gold Street Capital, which is a company owned by Gilda Ciavarella, a related party and spouse of the Company’s Executive Chairman, Michele Ciavarella, and Braydon Capital, a company owned by Claudio Ciavarella, a related party and brother of the Company’s Executive Chairman, Michele Ciavarella. The amount received from Braydon Capital included the conversion of a promissory note advanced by Braydon Capital of \$360,000 and accrued interest up to the closing date. Each unit sold to the Investors were sold at a per unit price of \$1,000 and were comprised of (i) a 12% convertible debenture in the principal amount of \$1,000 (the “Debentures”), and (ii) warrants to purchase shares of the Company’s common stock (the “Warrants”). The purpose of the private placement is to provide working capital for general corporate purposes in advance of launching the Company’s online channel and mobile app product for U.S. and Canadian markets.

The Investors purchased a total of 2,400 units and the Company issued Debentures for the total principal amount of \$2,400,000, in addition, Braydon Capital converted \$386,000 of promissory notes into 386 units for the total principal amount of \$386,000.

The Debentures mature three years from their date of issuance and bear interest at a rate of 12% per annum compounded annually and payable on the maturity date. Each Debenture is convertible, at the option of the holder, at any time, into such number of shares of common stock of the Company equal to the principal amount of the Debentures plus all accrued and unpaid interest at a price equal to \$0.40 per share by each of the Investors, except that Debentures issued to Gold Street Capital are exercisable at the Nasdaq consolidated closing bid price (calculated to the nearest one-hundredth of one cent) of the Company common stock on the Nasdaq stock market on the Closing Date, or \$0.42 per share, subject to adjustment as provided in the Debenture, at any time up to the Maturity Date. The Debentures are initially convertible into 6,951,905 shares of common stock, subject to anti-dilution adjustment as provided in the Debentures. The holder is guaranteed to receive a minimum of five months of interest in the event of an early repayment (“Redemption”) by the Company.

In addition, the Company may accelerate this right of conversion on at least ten (10) business days prior written notice to the Holder if there is an effective Registration Statement registering, or a current prospectus available for, the resale of the common shares issuable on the conversion and (i) the closing price of the Company’s common shares exceeds two hundred (200%) percent of the Conversion Price for five (5) trading days in a thirty (30) day period or (ii) the Company wishes to redeem or pre-pay the Debentures prior to the Maturity Date.

If at any time that the common shares issuable to the Investors on conversion of the Debentures in whole or in part would be free trading without resale restrictions or statutory hold periods, the Debentures are redeemable by the Company at any time or times prior to the Maturity Date on not less than ten (10) Business Days prior written notice from the Company to the Investor of the proposed date of Redemption (the “Redemption Date”), without bonus or penalty, provided, however, that prior to the Redemption Date, the Investors have the right to convert the whole or any part of the principal and accrued and unpaid interest of the Debentures into common shares of the Company.

The Warrants are exercisable at an exercise price equal to \$0.40 per share by each of the Investors, except that Warrants issued to Gold Street Capital are exercisable at the Nasdaq consolidated closing bid price (calculated to the nearest one-hundredth of one cent) of the Company common stock on the Nasdaq stock market on the Closing Date, or \$0.42 per share, subject to adjustment as provided in the Warrant and expire three years after the issuance date. Each Warrant is exercisable on a cashless basis in the event that there is not an effective registration statement registering the shares underlying the Warrant at the time of exercise.

The Company may accelerate the right to exercise the Warrants on at least ten (10) business days prior written notice to the Holder if there is an effective Registration Statement registering, or a current prospectus available for, the resale of the common shares issuable on exercise of the Warrants and the closing price of the Company’s common shares exceeds two hundred (200%) percent of the Exercise Price for five (5) trading days in a thirty (30) day period.

The Warrants and Debentures provide that if the Company issues or sells common stock of securities convertible or exercisable into common stock for a price lower than the exercise price or the conversion price, that the exercise price and conversion price will be reduced to such price, subject to a floor price of \$0.35 and subject to certain exempt issuances set forth in the Debentures and Warrants.

The number of shares of common stock that may be issued upon conversion of the Debentures and exercise of the Warrants is subject to an Exchange Cap (as defined in the Debenture and Warrant) unless shareholder approval to exceed the Exchange Cap is approved. The parties agree to amend the Debentures and Warrants as necessary in order to comply with the requirements of the Nasdaq Capital Markets.

The Debentures are secured by a senior security interest in all of the assets of Elys Game Technology, Corp. pursuant to a Security Agreement. The Company’s primary assets consist of certain business operations and licenses in multiple jurisdictions, trademarks and other intellectual property, betting technology and products as further described in the Company’s annual report on Form 10-K filed with the SEC on April 17, 2023. Following an event of default under the Debentures, the Investors will have all available rights under the Security Agreement and applicable law to enforce their rights as secured creditors, including to sell, assign, transfer, pledge, encumber or otherwise dispose of the secured assets, and to exercise any other available rights and remedies upon the occurrence of an event of default as described in the Debentures.

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

**11. Convertible notes payable (continued)**

The Debentures can be declared due and payable upon an “Event of Default.” As more fully described in the Purchase Agreement, each of the following, among other things, constitutes an “Event of Default” under the Debentures:

- (a) default in the payment of any principal or interest on the Debentures as and when the same shall become due and payable, and continuance of such default for a period of five (5) Business Days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given by the Holder;
- (b) the institution of bankruptcy or insolvency proceedings against the Company, or the institution of proceedings seeking reorganization or winding-up of the Company or any other bankruptcy, insolvency or analogous laws, or the issuing of sequestration or process of execution against the Company or any substantial part of its property, or the appointment of a receiver or manager of the Company or of any substantial part of its property, and, in each case, the continuance of any such proceedings unstayed, undischarged and in effect for a period of fifteen (15) days from the date thereof;
- (c) or the institution by the Company of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it, or the passing of a resolution authorizing the filing by it, of a petition or answer or consent seeking reorganization or relief under bankruptcy laws or any other bankruptcy, insolvency or analogous laws, or the consent by it to the filing of any such petition or to the appointment of a receiver of the Company or of any substantial part of its property, or the making by it of a general assignment for the benefit of creditors, or the Company’s admitting in writing its inability to pay its debts generally as they become due or taking corporate action in furtherance of any of the aforesaid purposes.

Convertible notes payable to related parties is disclosed under Note 13 below.

Convertible notes payable to non-related parties consists of the following:

	<b>September 30, 2023</b>
<b>Principal outstanding</b>	
Opening balance as of January 1, 2023	\$ —
Advances to the Company	350,000
<b>Closing balance as of September 30, 2023</b>	<b>350,000</b>
<b>Accrued Interest</b>	
Opening balance as of January 1, 2023	—
Accrued interest	28,350
<b>Closing balance as of September 30, 2023</b>	<b>28,350</b>
<b>Debt Discount</b>	
Opening balance as of January 1, 2023	—
Debt discount on relative fair value of warrants	(200,086)
Amortization of debt discount	31,083
<b>Closing balance as of September 30, 2023</b>	<b>(169,003)</b>
<b>Total</b>	<b>\$ 209,347</b>

**12. 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.

Balances of other long-term liabilities were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Severance liability	\$ 577,725	\$ 464,851

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

**13. Related Parties**

**Promissory notes payable – Related Parties**

On July 11, 2023, Braydon Capital, a company owned by the brother of the Company's Executive Chairman converted the promissory note in the principal amount of \$360,000 plus accrued interest thereon of \$26,000 into convertible promissory note, as disclosed under Note 11 above. In conjunction with the promissory note, Braydon Capital was issued a three-year warrant exercisable for 1,965,000 shares of common stock at an exercise price of \$0.40 per share.

The movement on promissory notes payable – Related Parties, consists of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Principal outstanding</b>		
Opening balance as of January 1, 2023 and 2022, respectively.	\$ 715,000	\$ 50,000
Loans advanced – Braydon Capital Corp	—	360,000
Loans advanced – Victor Salerno	—	305,000
Loan converted to convertible note – Braydon Capital	(360,000)	—
<b>Closing balance as of September 30 2023 and December 31, 2022, respectively.</b>	<b>355,000</b>	<b>715,000</b>
<b>Accrued Interest</b>		
Opening balance as of January 1, 2023 and 2022, respectively.	37,000	1,878
Accrued interest	45,939	35,122
Interest converted to convertible note – Braydon Capital	(26,000)	—
<b>Closing balance as of September 30 2023 and December 31, 2022, respectively.</b>	<b>56,939</b>	<b>37,000</b>
<b>Total</b>	<b>\$ 411,939</b>	<b>\$ 752,000</b>

**Convertible notes payable – Related parties**

On January 30, 2023, the Company issued convertible notes payable, as disclosed under Note 11 above. Forte Fixtures subscribed for \$500,000 of the convertible notes. Forte Fixtures is owned by Claudio Ciavarella, the brother of the Company's Executive Chairman, Michele Ciavarella.

On May 4, 2023, the Company issued convertible notes payable as disclosed under Note 11 above. Gold Street Capital subscribed for the full \$1,500,000 of the convertible notes, in addition, on July 11, 2023, the Company issued convertible notes payable, as disclosed under Note 11 above. Gold Street Capital subscribed for \$2,000,000 of the convertible notes. Gold Street Capital is owned by Gilda Ciavarella, the spouse of the Company's Executive Chairman, Michele Ciavarella.

On July 11, 2023, the Company issued convertible notes payable, as disclosed under Note 11 above. Braydon Capital subscribed for \$786,000 of the convertible note, \$400,000 as a cash subscription and an additional \$386,000 by converting a promissory note, as described under Promissory Notes payable – Related Parties, above. Braydon Capital is owned by Claudio Ciavarella, the brother of the Company's Executive Chairman, Michele Ciavarella.

Convertible notes payable – related party, consists of the following:

	<b>September 30, 2023</b>
<b>Principal outstanding</b>	
Opening balance as of January 1, 2023	\$ —
Advances to the Company	4,400,000
Conversion of promissory note into convertible note – Braydon Capital Corp	386,000
<b>Closing balance as of September 30, 2023</b>	<b>4,786,000</b>
<b>Accrued Interest</b>	
Opening balance as of January 1, 2023	—
Accrued interest	189,722
<b>Closing balance as of September 30, 2023</b>	<b>189,722</b>
<b>Debt Discount</b>	
Opening balance as of January 1, 2023	—
Debt discount on relative fair value of warrants	(2,224,241)
Amortization of debt discount	184,568
<b>Closing balance as of September 30, 2023</b>	<b>(2,039,673)</b>
<b>Total</b>	<b>\$ 2,936,049</b>

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

**13. Related Parties (continued)**

**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, 2023	December 31, 2022
<b>Related Party payable</b>		
Engage IT Services, Srl	\$ —	\$ (406,467)
Luca Pasquini	(1,240)	(459)
Michele Ciavarella	(45,676)	(15,203)
	<u>\$ (46,916)</u>	<u>\$ (422,129)</u>
<b>Related Party Receivable</b>		
Victor Salerno	\$ 22,511	\$ 22,511
	<u>\$ 22,511</u>	<u>\$ 22,511</u>

***Engage IT Services, Srl.***

The Company acquired Engage IT with effect from January 29, 2023. Engage IT performed software development work for the Company's wholly owned subsidiary, Gameboard. As of December 31, 2022, Gameboard owed Engage IT \$406,467 for development work performed.

The Company rescinded the acquisition of Engage IT with effect from July 17, 2023, per an agreement reached with the Sellers, see note 4 above.

***Luca Pasquini***

On September 26, 2022, Mr. Pasquini was awarded 500,000 restricted shares of common stock valued at \$226,800 for services rendered to the Company.

On January 29, 2023, the Company acquired Engage IT, Mr. Pasquini owned 34% of Engage IT prior to the acquisition. The purchase price was settled by the issuance of common stock, of which Mr. Pasquini received 1,026,277 shares of common stock which resulted in him becoming an effective 5.7% shareholder of the Company. Effective July 17, 2023, the Company agreed to rescind the acquisition of Engage IT which resulted in the return of the 1,026,277 shares issued to Luca Pasquini, to the Company's control. See Note 4 above.

***Michele Ciavarella***

On September 26, 2022, Mr. Ciavarella was awarded 300,000 restricted shares of common stock valued at \$36,080 for services rendered to the Company.

On February 14, 2023, Mr. Ciavarella, the Company's Executive Chairman and interim CEO, voluntarily offered and agreed to reduce his annual base compensation to \$372,000 for fiscal 2023, subject to a review of his total compensation package.

***Carlo Reali***

On January 5, 2022, the Company promoted Carlo Reali to the role of Interim Chief Financial Officer.

On March 29, 2022, the Company issued Mr. Reali ten-year options exercisable for 100,000 shares of common stock, at an exercise price of \$2.50 per share, vesting equally over a 4-year period commencing on January 1, 2023.

The Company does not have a formal employment with Mr. Reali and awarded him €40,000 (approximately \$42,930) as compensation for the Interim Chief Financial Officer role, Mr. Reali will continue to receive the compensation that he currently receives, which is an annual base salary of €76,632 (approximately \$82,244).

On September 26, 2022, Mr. Reali was awarded 200,000 restricted shares of common stock valued at \$90,720 for services rendered to the Company.

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

**13. Related Parties (continued)**

***Victor Salerno***

Prior to the acquisition of US Bookmaking, Victor Salerno had advanced US Bookmaking \$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 is repayable on October 1, 2022.

Between February 23, 2022 and September 22, 2022, Mr. Salerno advanced US Bookmaking an additional \$305,000 in terms of purported promissory notes, bearing interest at 10% per annum and repayable between June 30, 2022 and November 30, 2022. These purported promissory notes contain a default clause whereby any unpaid principal would attract an additional 25% penalty and additional interest of 5% per annum. These notes were advanced to US Bookmaking without the consent of the Company, which is required as per the terms of the Members Interest Purchase Agreement entered into on July 15, 2021. Therefore, the Company acknowledges the advance of funds to US Bookmaking by Mr. Salerno, however the terms of the advance and the default penalty have not been accepted and are subject to negotiation or dispute. As of September 30, 2023, these notes remain outstanding. Interest has been accrued on these notes, however we intend to dispute the validity of these notes and have accordingly not accrued penalty interest in terms of these notes.

On January 23, 2023, Mr. Salerno voluntarily resigned as a member of the Board.

***Paul Sallwasser***

On February 14, 2023, the Company granted Mr. Sallwasser ten-year options exercisable for 154,132 shares of common stock at an exercise price of \$0.89 per share, of which 77,254 vested immediately and the remaining 76,878 vesting equally over a ten-month period commencing on March 1, 2023.

***Steven Shallcross***

On February 14, 2023, the Company granted Mr. Shallcross ten-year options exercisable for 131,631 shares of common stock at an exercise price of \$0.89 per share, of which 54,753 vested immediately and the remaining 76,878 vesting equally over a ten-month period commencing on March 1, 2023.

On February 14, 2023, the Company issued Mr. Shallcross 22,472 shares of common stock valued at \$20,000 from the 2018 equity incentive plan in lieu of 2022 cash director's fees owing to Mr. Shallcross.

***Andrea Mandel-Mantello***

On February 14, 2023, the Company granted Mr. Mandel-Mantello ten-year options exercisable for 131,631 shares of common stock at an exercise price of \$0.89 per share, of which 54,753 vested immediately and the remaining 76,878 vesting equally over a ten-month period commencing on March 1, 2023.

On February 14, 2023, the Company issued Mr. Mandel-Mantello 44,944 shares of common stock valued at \$40,000 from the 2018 equity incentive plan in lieu of 2022 cash director's fees owing to Mr. Mandel-Mantello.

***Aiden Ciavarella***

The Company recently employed Aiden Ciavarella to train as part of our U.S. project and risk management team lead. Aiden earns an annual salary of \$85,000. The Company does not have a formal employment agreement with Aiden who is the son of our Executive Chairman, Michele Ciavarella.

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

**14. Stockholders' Equity**

Pursuant to the acquisition of Engage IT Srl, as disclosed in Note 4 above, on January 29, 2023, the Company issued 3,018,461 shares of common stock valued at \$1,753,615, in settlement of the purchase price. Effective July 17, 2023, in terms of an agreement entered into with the Sellers of Engage IT, Srl, the 3,018,461 shares of common stock issued to the Sellers were returned to the Company's control. These shares were valued at \$1,938,456.

On January 29, 2023, the Company issued 5,366,155 shares of restricted common stock valued at \$3,085,339 from its 2018 Stock Incentive Plan to certain developers and project managers in its IT subsidiaries. These shares will vest equally and are amortized on a monthly basis over a thirty-six month period to incentivize these employees who are essential to the Company's development efforts.

A summary of the vesting of restricted stock during the period January 1, 2023 to September 30, 2023 is as follows:

	Total restricted shares	Weighted average fair market value per share	Total unvested restricted shares	Weighted average fair market value per share	Total vested restricted shares	Weighted average fair market value per share
<b>Outstanding January 1, 2023</b>	—	\$ —	—	\$ —	—	\$ —
Granted and issued	5,366,155	0.575	5,366,155	0.575	—	—
Forfeited/Cancelled	—	—	—	—	—	—
Vested	—	—	(1,192,488)	(0.575)	1,192,488	0.575
<b>Outstanding September 30, 2023</b>	<u>5,366,155</u>	<u>\$ 0.575</u>	<u>4,173,667</u>	<u>\$ 0.575</u>	<u>1,192,488</u>	<u>\$ 0.575</u>

The restricted stock granted, issued and exercisable at September 30, 2023 is as follows:

<b>Grant date Price</b>	<b>Restricted Stock Granted and Vested</b>	
	<b>Number Granted</b>	<b>Weighted Average Fair Value per Share</b>
<b>\$ 0.575</b>	<u>5,366,155</u>	<u>\$ 0.575</u>

In lieu of \$60,000 of director's fees due and outstanding, the Company approved the issuance of 67,416 shares of common stock, respectively, under the 2018 equity incentive plan.

The Company has recorded a restricted stock expense of \$685,688 for the nine months ended September 30, 2023.

**15. Warrants**

On January 30, 2023, May 5, 2023 and July 11, 2023, as disclosed in Note 11 above, the Company closed a private placement offering of 5,136 units and entered into Subscription Agreements with a group of accredited investors (the "Investors"), which Investors included Braydon Capital, a company owned by Claudio Ciavarella, a related party and brother of the Company's Executive Chairman, Michele Ciavarella and Gold Street Capital, a company owned by Gilda Ciavarella, the spouse of the Company's Executive Chairman, Michele Ciavarella. Each unit sold to Investors was sold at a per unit price of \$1,000 and was comprised of (i) a 12% convertible debenture in the principal amount of \$1,000 (the "Debentures"), and (ii) warrants to purchase shares of the Company's common stock (the "Warrants").

The Investors purchased a total of 5,136 units and the Company issued Debentures for the total principal amount of \$5,136,000 (the "Principal Amount") to the Investors and warrants to purchase 12,044,467 shares of common stock of the Company.

The warrants are exercisable at an exercise price equal to the volume weighted average price per share (calculated to the nearest one-hundredth of one cent) of the Company common stock on the Nasdaq stock market for the period of twenty consecutive trading days beginning on the twenty-third trading day immediately preceding the Closing Date and concluding at the close of trading on the third trading day immediately preceding the Closing Date, subject to adjustment as provided in the Warrant and expire three years after the issuance date. Each warrant is exercisable on a cashless basis in the event that there is not an effective registration statement registering the shares underlying the warrant at the time of exercise. The initial exercise price of the January 30, 2023 warrant is \$0.39 per share, the May 5, 2023 warrant is \$0.48 per share, and the July 11, 2023 warrant is between \$0.40 and \$0.42 per share, all subject to a down-round adjustment to a floor exercise price of \$0.35 per share.

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

**15. Warrants (continued)**

The Company may accelerate the right to exercise the Warrants on at least ten (10) business days prior written notice to the Holder if there is an effective Registration Statement registering, or a current prospectus available for, the resale of the common shares issuable on exercise of the Warrants and the closing price of the Company's common shares exceeds two hundred (200%) percent of the Exercise Price for five (5) trading days in a thirty (30) day period.

The Warrants provide that if the Company issues or sells common stock of securities convertible or exercisable into common stock for a price lower than the exercise price or the conversion price, that the exercise price and conversion price will be reduced to such price, subject to a floor price of \$0.35 and subject to certain exempt issuances set forth in the Debentures and Warrants.

The number of shares of common stock that may be issued upon exercise of the Warrants and Debentures is subject to an Exchange Cap (as defined in the Debentures and Warrants) unless shareholder approval to exceed the Exchange Cap is approved. The parties agree to amend the Debentures and Warrants as necessary in order to comply with the requirements of the Nasdaq Capital Markets.

On February 14, 2023, the Company engaged Shareholder Intelligence Services, LLC ("ShareIntel") to utilize their patented, proprietary service offerings to obtain share trading analytic metrics designed to determine if the Company has been the target of improper and potentially illegal trading activities, including illegal naked short selling, in an effort to allow the Company to better monitor trading activity, including potential violations of SEC Regulation SHO, which governs stock and option share locate, close out and fail to deliver requirements.

The Company issued a warrant to purchase up to 200,000 shares of Common Stock to ShareIntel, as consideration for services provided. The Consultant Warrant is exercisable at a price of \$0.89 per share and vests at a rate of 1,000 warrant shares for each reduction of 10,000 shares of Reduction imbalances (Shorts) and will expire three years from the date of issuance. These warrants only vest upon the attainment of the goals discussed above.

The warrants granted during the nine months ended September 30, 2023 were valued using a Black-Scholes pricing model. The relative fair value of the warrants, exercisable for 12,044,467 Common Shares, issued to the convertible note holders for the nine months ended September 30, 2023 was \$2,424,327, in addition, the warrants issued to ShareIntel were valued at \$136,808.

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

	<b>Nine months ended September 30, 2023</b>
Exercise price	\$ 0.39 to 0.89
Risk free interest rate	3.58 to 4.52 %
Expected life of options	3 years
Expected volatility of underlying stock	126.9 to 133.7%
Expected dividend rate	0%

A summary of all of the Company's warrant activity during the period January 1, 2022 to September 30, 2023 is as follows:

	<b>Number of shares</b>	<b>Exercise price per share</b>	<b>Weighted average exercise price</b>
<b>Outstanding January 1, 2022</b>	<b>546,336</b>	<b>\$ 2.50 to 5.00</b>	<b>\$ 2.66</b>
Granted – pre-funded warrants	541,227	0.0001	0.0001
Granted	3,166,227	0.9475	0.9475
Forfeited/cancelled	(48,395)	3.75	3.75
Exercised – pre-funded warrants	(541,227)	0.0001	0.0001
<b>Outstanding December 31, 2022</b>	<b>3,664,168</b>	<b>\$ 0.9475 to 5.00</b>	<b>\$ 1.17</b>
Granted	12,244,467	0.39 to 0.89	0.43
Forfeited/cancelled	(11,768)	5.00	5.00
Exercised	—	—	—
<b>Outstanding September 30, 2023</b>	<b>15,896,867</b>	<b>\$ 0.39 to 2.50</b>	<b>\$ 0.60</b>

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

**15. Warrants (continued)**

The following tables summarize information about warrants outstanding as of September 30, 2023:

Exercise price	Warrants outstanding			Warrants exercisable	
	Number of shares	Weighted average remaining years	Weighted average exercise price	Number of shares	Weighted average exercise price
\$0.39	2,179,487	2.33		2,179,487	
\$0.40	1,965,000	2.78		1,965,000	
\$0.42	4,761,905	2.78		4,761,905	
\$0.48	3,138,075	2.59		3,138,075	
\$0.89	200,000	2.38		—	
\$0.9475	3,166,227	4.21		3,166,227	
\$2.50	486,173	1.88		486,173	
	<b>15,896,867</b>	<b>2.93</b>	<b>\$ 0.60</b>	<b>15,696,867</b>	<b>\$ 0.60</b>

The outstanding warrants have an intrinsic value of \$657,135 as of September 30, 2023.

**16. Stock Options**

On November 21, 2022, the Board approved an Amendment to the Plan (“Amendment No. 3”) to increase by 9,000,000 the number of shares that may be granted under the Plan. Amendment No. 3 to the 2018 Plan will increase the number of shares of common stock with respect to which awards may be granted under the 2018 Plan from an aggregate of 7,000,000 shares of Common Stock to 16,000,000 shares of common stock.

On December 30, 2022, the Company held its 2022 Annual Meeting of Stockholders. At the Annual Meeting, the Company’s stockholders approved amendment 3 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 9,000,000 shares of common stock.

On February 14, 2023, the Compensation Committee of the Company’s Board granted the Company’s non-executive directors, under the Company’s Stock Incentive Plan; (i) an award of 131,631 stock options to each of Steven Shallcross and Andrea Mandell-Mantello, of which 54,753 vested immediately and the remaining 76,878 vest monthly over a ten-month period; and (ii) an award of 154,132 stock options to Paul Sallwasser, of which 77,254 vested immediately and 76,878 vest monthly over a ten-month period.

The options awarded during the nine months ended September 30, 2023 were valued at \$371,000 on the date of issuance using a Black-Scholes pricing model.

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

	Nine months ended September 30, 2023
Exercise price	\$ 0.89
Risk free interest rate	3.77 %
Expected life of options	10 years
Expected volatility of underlying stock	200.0 %
Expected dividend rate	0%

A summary of all of the Company’s option activity during the period January 1, 2022 to September 30, 2023 is as follows:

	Number of shares	Exercise price per share	Weighted average exercise price
<b>Outstanding January 1, 2022</b>	2,766,438	\$ 1.84 to 5.10	\$ 2.92
Granted	270,000	0.454 to 2.50	1.67
Forfeited/cancelled	(652,375)	1.84 to 2.80	1.85
Exercised	—	—	—
<b>Outstanding December 31, 2022</b>	2,384,063	\$ 0.454 to 5.10	\$ 3.07
Granted	417,394	0.89	0.89
Forfeited/cancelled	(135,000)	0.45 to 4.07	2.03
Exercised	—	—	—
<b>Outstanding September 30, 2023</b>	<b>2,666,457</b>	<b>\$ 0.454 to 5.10</b>	<b>\$ 2.78</b>



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

**16. Stock Options (continued)**

The following tables summarize information about stock options outstanding as of September 30, 2023:

Exercise price	Options outstanding			Options exercisable	
	Number of shares	Weighted average remaining years	Weighted average exercise price	Number of shares	Weighted average exercise price
\$0.45	60,000	8.99		30,000	
\$0.89	417,394	9.38		348,204	
\$2.03	659,000	7.01		659,000	
\$2.50	100,000	8.50		25,000	
\$2.72	25,000	2.75		25,000	
\$2.80	216,250	5.98		213,490	
\$2.96	70,313	5.77		70,313	
\$3.43	25,000	8.22		9,000	
\$4.03	1,020,000	7.76		665,000	
\$4.20	25,000	7.59		17,000	
\$5.10	48,500	7.96		48,500	
	<u>2,666,457</u>	<u>7.65</u>	<u>\$ 2.78</u>	<u>2,110,507</u>	<u>\$ 2.67</u>

As of September 30, 2023, there were unvested options to purchase 555,950 shares of common stock. The total expected unrecognized compensation cost related to such unvested options is \$1,611,244 which is expected to be recognized over a period of 30 months.

As of September 30, 2023, there was an aggregate of 2,666,457 options to purchase shares of common stock granted under the Company's 2018 Equity Incentive Plan, and an aggregate of 9,588,872 restricted shares granted to certain officers, employees, and directors of the Company with 3,744,671 shares available for future grants.

The options outstanding at September 30, 2023 had an intrinsic value of \$1,650.

**17. Revenues**

The following table represents disaggregated revenues from our gaming operations for the three and nine months ended September 30, 2023 and 2022. 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.

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2023	2022	2023	2022
<b>Handle (Turnover)</b>				
Web-based	\$ 155,827,524	\$ 163,563,603	\$ 561,242,461	\$ 565,785,709
Land-based	6,742,498	2,924,866	24,532,148	6,528,054
<b>Total Handle (Turnover)</b>	<b>162,570,022</b>	<b>166,488,469</b>	<b>585,774,609</b>	<b>572,313,763</b>
<b>Winnings/Payouts</b>				
Web-based	146,425,497	152,545,450	525,524,328	527,323,323
Land-based	5,556,267	2,208,100	19,985,902	5,166,387
<b>Total Winnings/Payouts</b>	<b>151,981,764</b>	<b>154,753,550</b>	<b>545,510,230</b>	<b>532,489,710</b>
<b>Gross Gaming Revenues</b>				
Web-based	9,402,027	11,018,153	35,718,133	38,462,386
Land-based	1,186,231	716,766	4,546,246	1,361,667
<b>Total Gross Gaming Revenues</b>	<b>10,588,258</b>	<b>11,734,919</b>	<b>40,264,379</b>	<b>39,824,053</b>
Less: ADM Gaming Taxes	(2,567,470)	(2,822,830)	(9,688,820)	(9,671,040)
<b>Net Gaming Revenues</b>	<b>8,020,788</b>	<b>8,912,089</b>	<b>30,575,559</b>	<b>30,153,013</b>
Add: Service Revenues	443,803	679,202	1,657,820	2,022,002
<b>Revenues</b>	<b>\$ 8,464,591</b>	<b>\$ 9,591,294</b>	<b>\$ 32,233,378</b>	<b>\$ 32,175,015</b>

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

**18. Net Loss per Common Share**

Basic loss per share is based on the weighted-average number of common shares outstanding during each period. Diluted 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” 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. The computation of diluted net loss per share does not assume the issuance of common shares that have an anti-dilutive effect on net loss per share.

For the three and nine months ended September 30, 2023 and 2022, the following restricted shares, 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, 2023	Three and nine months ended September 30, 2022
Restricted shares	4,263,666	—
Convertible notes payable	13,012,176	—
Options	2,666,457	2,384,063
Warrants	15,896,867	3,664,168
	<b>35,839,166</b>	<b>6,048,231</b>

**19. 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.

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

Provider of certified betting Platform software services to leisure betting establishments in the U.S. and 9 other countries.

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

	September 30, 2023			
	Betting establishments	Betting platform software and services	All other	Total
Purchase of Non-Current assets	\$ 565,412	\$ 530,771	\$ 18,971	\$ 1,115,154
<b>Assets</b>				
Current assets	\$ 4,603,773	\$ 3,056,110	\$ 508,937	\$ 8,168,820
Non-Current assets	2,829,148	11,292,675	56,437	14,178,260
<b>Liabilities</b>				
Current liabilities	(8,575,115)	(3,591,448)	(1,149,880)	(13,316,443)
Non-Current liabilities	(1,565,673)	(1,617,009)	(3,145,398)	(6,328,080)
Intercompany balances	7,070,429	(7,481,138)	410,709	—
<b>Net asset position</b>	<b>\$ 4,362,562</b>	<b>\$ 1,659,190</b>	<b>\$ (3,319,195)</b>	<b>\$ 2,702,557</b>

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

**19. Segmental Reporting (continued)**

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

	September 30, 2022			
	Betting establishments	Betting platform software and services	All other	Total
Purchase of non-current assets	\$ 214,805	\$ 64,721	\$ 76,413	\$ 355,939
<b>Assets</b>				
Current assets	\$ 6,002,886	\$ 3,540,566	\$ 205,740	\$ 9,749,192
Non-current assets	2,681,303	30,048,147	115,784	32,845,234
<b>Liabilities</b>				
Current liabilities	(5,904,785)	(2,070,572)	(1,245,773)	(9,221,130)
Non-current liabilities	(1,358,907)	(17,819,917)	—	(19,178,824)
Intercompany balances	5,006,155	(3,887,691)	(1,118,464)	—
<b>Net asset position</b>	<b>\$ 6,426,652</b>	<b>\$ 9,810,533</b>	<b>\$ (2,042,713)</b>	<b>\$ 14,194,472</b>

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

	Nine Months ended September 30, 2023				
	Betting establishments	Betting platform software and services	All other	Adjustments	Total
Net Gaming Revenue	\$ 30,575,558	\$ —	\$ —	\$ —	\$ 30,575,558
Betting platform and services revenue	—	1,657,820	—	—	1,657,820
Intercompany Service revenue	424,340	1,732,034	—	(2,156,374)	—
	<b>30,999,898</b>	<b>3,389,854</b>	<b>—</b>	<b>(2,156,374)</b>	<b>32,233,378</b>
<b>Operating expenses</b>					
Intercompany service expense	1,732,034	—	424,340	(2,156,374)	—
Selling expenses	25,963,591	194,758	—	—	26,158,349
General and administrative expenses	4,835,954	4,507,051	4,155,140	—	13,498,145
Depreciation and amortization	194,093	830,209	19,130	—	1,043,432
<b>Total operating expenses</b>	<b>32,725,672</b>	<b>5,532,018</b>	<b>4,598,610</b>	<b>(2,156,374)</b>	<b>40,699,926</b>
<b>Loss from operations</b>	<b>(1,725,774)</b>	<b>(2,142,164)</b>	<b>(4,598,610)</b>	<b>—</b>	<b>(8,466,548)</b>
<b>Other Income (expenses)</b>					
Interest expense, net	(4,784)	(49,895)	(219,022)	—	(273,701)
Amortization of debt discount	—	—	(215,651)	—	(215,651)
Other income	12,227	1,294	—	—	13,521
Other expense	(2,398)	(2,544)	(2,075)	—	(7,017)
Loss on marketable securities	—	—	(19,999)	—	(19,999)
Total other income (expenses)	<b>5,045</b>	<b>(51,145)</b>	<b>(456,747)</b>	<b>—</b>	<b>(502,847)</b>
<b>Loss before Income Taxes</b>	<b>(1,720,729)</b>	<b>(2,193,309)</b>	<b>(5,055,357)</b>	<b>—</b>	<b>(8,969,395)</b>
Income tax provision	—	67,199	—	—	67,199
<b>Net Loss from continuing operations</b>	<b>\$ (1,720,729)<sup>1)</sup></b>	<b>(2,126,110)<sup>1)</sup></b>	<b>(5,055,357)<sup>1)</sup></b>	<b>—</b>	<b>(8,902,196)<sup>1)</sup></b>
<b>Discontinued operations</b>					
Operating losses	—	(198,335)	—	—	(198,335)
Loss on rescission	—	(42,201)	—	—	(42,201)
	<b>—</b>	<b>(240,536)</b>	<b>—</b>	<b>—</b>	<b>(240,536)</b>
<b>Net Loss</b>	<b>\$ (1,720,729)</b>	<b>(2,366,646)</b>	<b>(5,055,357)</b>	<b>—</b>	<b>(9,142,732)</b>

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

**19. Segmental Reporting (continued)**

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

	Nine months ended September 30, 2022				
	Betting establishments	Betting platform software and services	All other	Adjustments	Total
Revenue	\$ 30,408,624	\$ 1,766,391	\$ —	\$ —	\$ 32,175,015
Intercompany Service revenue	74,584	1,517,807	—	(1,592,391)	—
<b>Total revenue</b>	<b>30,483,208</b>	<b>3,284,198</b>	<b>—</b>	<b>(1,592,391)</b>	<b>32,175,015</b>
<b>Operating expenses</b>					
Intercompany service expense	1,517,807	74,584	—	(1,592,391)	—
Selling expenses	23,896,814	132,718	—	—	24,029,532
General and administrative expenses	4,387,356	5,724,166	5,477,888	—	15,589,410
Restructuring and Severance expenses	—	—	1,205,689	—	1,205,689
<b>Total operating expenses</b>	<b>29,801,977</b>	<b>5,931,468</b>	<b>6,683,577</b>	<b>(1,592,391)</b>	<b>40,824,631</b>
<b>Income (Loss) from operations</b>	<b>681,231</b>	<b>(2,647,270)</b>	<b>(6,683,577)</b>	<b>—</b>	<b>(8,649,616)</b>
<b>Other income (expense)</b>					
Other income	90,781	2	—	—	90,783
Other expense	(47,959)	(8,580)	—	—	(56,539)
Interest expense, net	(1,069)	(21,572)	—	—	(22,641)
Change in fair value of contingent purchase consideration	—	(1,397,833)	—	—	(1,397,833)
Gain on marketable securities	—	—	43,250	—	43,250
<b>Total other income (expense)</b>	<b>41,753</b>	<b>(1,427,983)</b>	<b>43,250</b>	<b>—</b>	<b>(1,342,980)</b>
<b>Income (Loss) before Income Taxes</b>	<b>722,984</b>	<b>(4,075,253)</b>	<b>(6,640,327)</b>	<b>—</b>	<b>(9,992,596)</b>
Income tax provision	(437,042)	236,524	—	—	(200,518)
<b>Net Income (Loss)</b>	<b>\$ 285,942</b>	<b>\$ (3,838,729)</b>	<b>\$ (6,640,327)</b>	<b>\$ —</b>	<b>\$ (10,193,114)</b>

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

**20. Subsequent Events**

On October 7, the Company entered into a market access agreement with Caesars Entertainment that would give the Company immediate access to the Colorado sports betting market, subject to regulatory approval. This agreement is the Company's first entry into the North American mobile sports betting market. The Company introduced the "5D by Elys" mobile app under its SportBet.com brand.

On October 13, 2023, the Company received a letter from the Nasdaq Stock Market ("Nasdaq") formally notifying the Company that the Nasdaq Hearings Panel has determined to delist the Company's common stock from the Nasdaq Capital Market and would suspend trading of Company's common stock on the Nasdaq Capital Market, effective at the open of business on October 17, 2023. The Panel made this determination due to the Company's failure to achieve certain milestones under its plan of compliance, as presented to the Panel on August 1, 2023.

The Company has initiated the process of transferring the quotation of its common stock to one of the over-the-counter markets operated by OTC Markets Group Inc. The shares of the Company's common stock began trading on the OTC Pink market on October 17, 2023 under our original symbol "ELYS."

On November 1, 2023, the Company entered into a Securities Purchase Agreement with certain accredited investors, pursuant to which the Company received net proceeds of \$271,000 after an original issue discount and fees of \$62,000, in exchange for the issuance of a \$333,000 convertible note, bearing interest at 12% per annum, maturing on August 1, 2024. The note is convertible into shares of common stock at a conversion price of \$0.12, upon an event of default as defined in the note. In addition, the Company issued a warrant exercisable for 500,000 shares of common stock at an exercise price of \$0.30 per share and further issued 150,000 shares of common stock as commitment shares and a further 1,500,000 shares as returnable shares, to be returned when the note is repaid in full. The note amortizes in six equal monthly instalment of \$62,100 commencing on February 29, 2024. The issuance of the warrant at an exercise price of \$0.30 per share triggers the price protection adjustment in both the convertible notes and warrants previously issued to convertible note holders. The proceeds will be used for general working capital purposes.

Other than the above, the Company has evaluated subsequent events through the date the financial statements were issued, and did not identify any 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 for the year ended December 31, 2022 filed with the Securities and Exchange Commission on April 17, 2023 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, 2023.*

### 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 offer our B2C gaming services in Italy through our subsidiary, Multigioco. Multigioco operates under both retail and online interactive gaming licenses issued and regulated by the Agenzia delle Dogane e dei Monopoli ("ADM"). The Company's leisure betting offerings, such as sports betting, and virtual sports betting are offered through both physical locations as well as online through our licensed website [www.newgioco.it](http://www.newgioco.it) or commercial webskins and mobile devices. Our management implemented a consolidation strategy in the Italian market by integrating all B2C operations into Multigioco and allowed the Austria Bookmaker license to terminate.

We also offer B2B bookmaking and platform services to our customers in certain regulated states in the U.S. market via our subsidiaries US Bookmaking and Gameboard. We intend to focus on expanding the U.S. market. Currently, the Company operates a sportsbook in Washington D.C. through a Class B Managed Service Provider and Class B Operator license within the Grand Central Restaurant and Sportsbook and the Over Under Sportsbook Rooftop Lounge. In March 2022 the Company began providing platform and bookmaking services at Ocean Casino Resort in Atlantic City, New Jersey. Through its acquisition of US Bookmaking, the Company also provides sportsbook services to tribal casinos in New Mexico, North Dakota and Michigan.

Additionally, we provide B2B gaming technology through our Odissea subsidiary which offers the Elys betting software platform that has been designed with a unique "distributed model" architecture. The Elys platform leverages 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. The omni-channel software design is fully integrated with a built-in player gaming account management system, a built-in sports-book and a virtual sports platform through our Virtual Generation subsidiary. The Platform seamlessly integrates via an application programming interface with third-party supplied products such as online casino, poker, lottery and horse racing. It also has the capability to incorporate e-sports and daily fantasy sports providers. Management is implementing a growth strategy to expand our B2B gaming technology operations in the U.S. and is considering further expansion in Canada and Latin American countries in the near future.

Our corporate group is based in North America, with an executive suite situated in Las Vegas, Nevada and Toronto, Ontario, Canada. Executives and other personnel at these offices carry-out corporate activities, handle day-to-day reporting and U.S. development planning.

For the nine months ended September 30, 2023, Multigioco generated wagering and gaming revenue from: (i) the spread on sports bet wagers, and (ii) fixed rate commissions on casino, poker, lotto and horse racing wagers from online betting web-shops and websites as well as retail betting shops located throughout Italy. Our Service revenue was generated by our Elys Platform primarily derived from bet and wager processing in Italy through Multigioco, and in the U.S., through Gameboard and US Bookmaking.

We believe that our Platform is considered one of the newest betting software platforms in the world. Our plan is to globally expand our Platform offering on a B2B basis through Europe, South America, South Africa and in the United States. During the nine months ended September 30, 2023 and 2022, we also generated revenue from royalties through authorized agents by providing our virtual sports products through our Virtual Generation subsidiary and generated service revenues through the provision of bookmaking and platform services through our subsidiaries, US Bookmaking and Gameboard. We intend to leverage our partnerships in Europe, South America, South Africa and the developing market in the United States to cross-sell our Platform services to expand the global distribution of our betting solutions.

Our revenue is generated from two business segments in the leisure gaming industry:

#### 1. Betting establishments

Transaction revenue through our offering of leisure betting products to retail customers directly through our online distribution on websites or physical betting shop establishments or through third party agents that operate white-label websites and/or retail venues; and

## 2. Betting platform software and services

SaaS based service revenue through the provision of our Platform and virtual sports products to betting operators.

This Management's Discussion and Analysis includes a discussion of our operations for the three and nine months ended September 30, 2023 and 2022, which includes the operations of Engage IT for the eight months ended September 30, 2023.

### Global Issues

#### *Inflation*

Macro-economic conditions could affect consumer spending adversely and consequently our future operating results. The U.S. and Europe has entered a period of increasing inflation, and this may impact consumption of our products and services and may increase our costs overall. However, as of the date of this report, we have not seen a material impact on our business plan related to the recent inflationary concerns in the U.S. or Europe.

#### *Foreign Exchange Risks*

We operate in several foreign countries, including Italy and Colombia. Changes and fluctuations in the foreign exchange rate between the U.S. Dollar and other foreign currencies, including the Euro and the Colombian Peso, may in future have an effect our results of operations.

### Recent Developments

#### *Nasdaq Delisting*

On October 13, 2023, we received a letter from the Nasdaq Stock Market ("Nasdaq") formally notifying the Company that the Nasdaq Hearings Panel (the "Panel") has determined to delist the Company's common stock from the Nasdaq Capital Market. Nasdaq suspended the trading of our common stock on the Nasdaq Capital Market on October 17, 2023. The Panel made this determination due to the Company's failure to achieve certain milestones under its plan of compliance, as presented to the Panel on August 1, 2023. We have transferred the quotation of our common stock to the over-the-counter markets operated by OTC Markets Group Inc. The shares of the Company's common stock are currently trading under the symbol of "ELYS" on OTC Pink.

#### *Convertible debenture issuance*

On July 11, 2023, we closed a private placement offering of up to 3,000 units pursuant to Subscription Agreements with accredited investors. The investors included Gold Street Capital, which is a company owned by Gilda Ciavarella, a related party and spouse of the Company's Executive Chairman, Michele Ciavarella, and Braydon Capital, a company owned by Claudio Ciavarella, a related party and brother of the Company's Executive Chairman, Michele Ciavarella. The amount received from Braydon Capital included the conversion of a promissory note advanced by Braydon Capital of \$360,000 and accrued interest up to the closing date. Each Unit was sold to the Investors at a per unit price of \$1,000 and was comprised of (i) a 12% convertible debenture in the principal amount of \$1,000 (the "Debentures"), and (ii) warrants to purchase shares of the Company's common stock (the "Warrants"). The purpose of the private placement is to provide working capital for general corporate purposes in advance of launching the Company's online channel and mobile app product for U.S. and Canadian markets.

The Investors purchased a total of 2,400 units and the Company issued Debentures for the total principal amount of \$2,400,000 (the "Principal Amount") in addition, Braydon Capital converted \$386,000 of promissory notes into 386 units for the total principal amount of \$386,000.

The Debentures mature three years from their date of issuance and bear interest at a rate of 12% per annum compounded annually and payable on the maturity date. Each Debenture is convertible, at the option of the holder, at any time, into such number of shares of common stock of the Company equal to the principal amount of the Debentures plus all accrued and unpaid interest at a price equal to \$0.40 per share by each of the Investors, except that Debentures issued to Gold Street Capital are exercisable at the Nasdaq consolidated closing bid price (calculated to the nearest one-hundredth of one cent) of the Company common stock on the Nasdaq stock market on the Closing Date, or \$0.42 per share, subject to adjustment as provided in the Debenture, at any time up to the Maturity Date. The Debentures are initially convertible into 6,951,905 shares of common stock, subject to anti-dilution adjustment as provided in the Debentures. The holder is guaranteed to receive a minimum of five months of interest in the event of an early repayment ("Redemption") by the Company.

The Warrants are exercisable at an exercise price equal to \$0.40 per share by each of the Investors, except that Warrants issued to Gold Street Capital are exercisable at the Nasdaq consolidated closing bid price (calculated to the nearest one-hundredth of one cent) of the Company common stock on the Nasdaq stock market on the Closing Date, or \$0.42 per share, subject to adjustment as provided in the Warrant and expire three years after the issuance date. Each Warrant is exercisable on a cashless basis in the event that there is not an effective registration statement registering the shares underlying the Warrant at the time of exercise.

The Warrants and Debentures provide that if the Company issues or sells common stock of securities convertible or exercisable into common stock for a price lower than the exercise price or the conversion price, that the exercise price and conversion price will be reduced to such price, subject to a floor price of \$0.35 and subject to certain exempt issuances set forth in the Debentures and Warrants.

The number of shares of common stock that may be issued upon conversion of the Debentures and exercise of the Warrants is subject to an Exchange Cap (as defined in the Debenture and Warrant) unless shareholder approval to exceed the Exchange Cap is approved. The parties agree to amend the Debentures and Warrants as necessary in order to comply with the requirements of the Nasdaq Capital Markets.

The Debentures are secured by a senior security interest in all of the assets of Elys Game Technology, Corp. pursuant to a Security Agreement. The Company's primary assets consist of certain business operations and licenses in multiple jurisdictions, trademarks and other intellectual property, betting technology and products as further described in the Company's annual report on Form 10-K filed with the SEC on April 17, 2023. Following an event of default under the Debentures, the Investors will have all available rights under the Security Agreement and applicable law to enforce their rights as secured creditors, including to sell, assign, transfer, pledge, encumber or otherwise dispose of the secured assets, and to exercise any other available rights and remedies upon the occurrence of an event of default as described in the Debentures.

#### *Mobile sports betting*

We recently entered into a market access agreement with Caesars Entertainment that would give us immediate access to the Colorado sports betting market, subject to regulatory approval. This agreement is the Company's first entry into the North American mobile sports betting market. The Company introduced the "5D by Elys" mobile app under its SportBet.com brand. We expect to expand our market access with Caesars over the coming months with several significant opportunities in established gaming states.

#### *Critical Accounting Estimates*

The critical accounting policies that involved significant estimation included the following:

Preparation of our consolidated financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") 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. See Note 2 - Summary of Significant Accounting Policies of the Notes to the condensed Consolidated Financial Statements included in Part I, Item I of this Form 10-Q for further information.

#### *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, 2023 and the three months ended September 30, 2022*

#### *Revenues*

The following table represents disaggregated revenues from our gaming operations for the three months ended September 30, 2023 and 2022. Net Gaming Revenues is calculated based on Turnover (also referred to as "Handle") which equals 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.

	<b>Three months ended</b>			
	<b>September 30, 2023</b>	<b>September 30, 2022</b>	<b>Increase (decrease)</b>	<b>Percentage change</b>
<b>Turnover</b>				
Turnover web-based	\$ 155,827,524	\$ 163,563,603	\$ (7,736,079)	(4.7)%
Turnover land-based	6,742,498	2,924,866	3,817,632	130.5%
<b>Total Turnover</b>	<b>162,570,022</b>	<b>166,488,469</b>	<b>(3,918,447)</b>	<b>(2.4)%</b>
<b>Winnings/Payouts</b>				
Winnings web-based	146,425,497	152,545,450	(6,119,953)	(4.0)%
Winnings land-based	5,556,267	2,208,100	3,348,167	151.6%
<b>Total Winnings/payouts</b>	<b>151,981,764</b>	<b>154,753,550</b>	<b>(2,771,786)</b>	<b>(1.8)%</b>
<b>Gross Gaming Revenues</b>				
Gross Gaming Revenues Web-based	9,402,027	11,018,153	(1,616,126)	(14.7)%
Gross Gaming Revenues Land-based	1,186,231	716,766	469,465	65.5%
	<b>10,588,258</b>	<b>11,734,919</b>	<b>(1,146,661)</b>	<b>(9.8)%</b>
Less: Gaming Taxes	(2,567,470)	(2,822,830)	255,360	9.1%
<b>Net Gaming Revenues</b>	<b>8,020,788</b>	<b>8,912,089</b>	<b>(891,301)</b>	<b>(10.0)%</b>
Add: Service Revenues	443,803	679,205	(235,402)	(34.7)%
<b>Total Revenues</b>	<b>\$ 8,464,591</b>	<b>\$ 9,591,294</b>	<b>\$ (1,126,703)</b>	<b>(11.7)%</b>



## **Total Revenues**

The change in total revenues is primarily due to the following:

### **Web-based turnover**

Our web-based turnover was approximately \$155.8 million and \$163.5 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of approximately \$7.7 million or 4.7%.

We highlight the following movements in our web-based Euro turnover: (i) sports and virtual betting turnover decreased by €3.6 million or 12.2%. During the current period we converted several web-based PVR locations into land based locations with the roll out of our acquired licenses; (ii) our casino gaming turnover decreased by approximately €18.6 million or 15.1%, primarily due to lack of suitable igaming offerings on our discontinued platform, which resulted in us switching to a new platform during September which we expect will improve our igaming offerings and user experience in future periods.

For the three months ended September 30, 2023 and 2022, all of our web-based turnover was generated by Multigioco.

### **Currency impact on Web-based turnover**

Our web-based turnover expressed in Euro decreased by approximately €20.4 million or 12.5%, however in U.S dollars we recorded a decrease in turnover of approximately \$7.7 million or 4.7%. We would have realized a decrease in turnover of approximately \$20.4 million or 12.5% on a constant currency basis. The deterioration of the third quarter average exchange rate over the prior year has resulted in a \$14.4 million currency impact in our favor.

### **Land-based turnover**

Our land-based turnover was approximately \$6.7 million and \$2.9 million for the three months ended September 30, 2023 and 2022, respectively, an increase of approximately \$3.8 million or 130.5%.

During the three months ended September 30, 2023, the newly activated land-based locations had a positive impact on our land-based turnover and our GGR, discussed below.

We highlight that our land-based Euro turnover increased by €3.4 million or 118.3%, including an increase in sports betting turnover of €2.0 million or 92.3% and an increase in virtual sports betting of €1.3 million or 243.5%, as a direct result of the increase in our number of land-based locations. We typically earn higher margins on sports and virtual sports betting.

For the three months ended September 30, 2023 and 2022, all of our land-based turnover was generated by Multigioco.

### **Currency impact on land-based turnover**

Our land-based turnover expressed in Euro increased by approximately €3.4 million or 118.3%, however in U.S dollars we recorded an increase in turnover of \$3.8 million or 130.5%. We would have realized turnover growth of approximately \$3.2 million or 109.2% on a constant currency basis. The deterioration of the third quarter average exchange rate over the prior year has resulted in a \$0.6 million currency impact in our favor.

### **Gross Gaming Revenue (“GGR”)**

Gross Gaming Revenue was approximately \$10.6 million (€9.7 million) and \$11.7 million (€11.7 million) for the three months ended September 30, 2023 and 2022, respectively, a decrease of \$1.1 million or 9.8%. The decrease in GGR in Euro was €2.0 million or 17.1%. Refer to Currency Impact on Gross Gaming Revenues below.

The percentage of payouts on web-based turnover increased to 94.0% from 93.3% and on land-based turnover increased to 82.4% from 75.5%, for the three months ended September 30, 2023 and 2022, respectively.

The return on casino type games is typically fixed at a certain percentage while the return on skill games is dependent on the skill of the players but does not vary significantly from year to year, however the return on sports betting is dependent on the outcome of the sporting games which is unpredictable and is managed by our risk management team, generally producing a better return than the other revenue streams.

The turnover mix impacts our Gross Gaming Revenue (“GGR”). Our turnover for the three months ended September 30, 2023, is as follows: sports betting turnover represented 45.2% (compared to September 30, 2022 of 51.0%); casino style games represented 50.0% (compared to September 30, 2022 of 47.3%); and other was 4.8% (compared to September 30, 2022 of 1.7%).

The margin earned on our sports-book averaged 14.5% (compared to September 30, 2022 of 18.8%) and our casino style games averaged 4.2% (compared to September 30, 2022 of 4.1%), resulting in a blended GGR of 6.5% (compared to September 30, 2022 of 7.0%). The overall reduction in turnover, as discussed above, and the lower margin earned on the sportsbook resulted in a negative impact on GGR of \$1.1 million.

### ***Currency impact on Gross Gaming Revenues***

Our GGR expressed in Euro decreased by approximately €2.0 million or 17.1%, however in U.S dollars we recorded a reduction in GGR of \$1.1 million or 9.8%. We would have realized a reduction in GGR of approximately \$2.2 million or 18.5% on a constant currency basis.

### **Gaming Taxes**

Gaming taxes decreased by approximately \$0.3 million or 9.1%. Gaming taxes are a percentage of GGR and increased to 24.3% from 24.1%, for the three months ended September 30, 2023 and 2022, respectively. The decrease is primarily due to the mix of our Gross Gaming Revenues with higher taxes on casino operations and lower taxes on sports betting, with the mix swayed towards casino operations, resulting in a marginal gaming tax rate increase.

### **Service Revenues**

Service revenues decreased by approximately \$0.2 million or 34.7%. This is primarily due to a reduction in service revenues from our U.S. operations as we continue to stabilize the US Bookmaking operation. This revenue remains insignificant to total revenues during the periods presented.

### ***Selling expenses***

Selling expenses includes both commissions that are paid to our sales agents as a percentage of turnover (handle), which is not affected by winnings paid out, and a percentage of GGR which is affected by winnings paid out. We also incur fees paid to third party providers, based on Net Gaming Revenues ("NGR"). Therefore, increases in turnover (handle), correlate with increases in selling expenses and may result in only a slight increase in overall revenue if winnings or payouts, that are subject to the unknown outcome of sports events that we have no control over, are outside of our normal expectations. The percentage of selling expenses to turnover remained stable at 4.1% for the three months ended September 30, 2023 and 2022, respectively. Based on the mix of commissions paid on turnover to commissions paid on GGR and NGR. However, due to the lower margins earned during the current quarter on our sportsbook, the percentage of selling expenses as a percentage of GGR increased from 58.5% to 63.5%.

We incurred selling expenses of approximately \$6.7 million and \$6.9 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of approximately \$0.2 million or 2.9%.

### ***General and administrative Expenses***

General and administrative expenses were approximately \$4.3 million and \$5.4 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of \$1.1 million or 19.8%. The aggregate decrease over the prior year is attributable to the following: (i) a decrease in personnel costs of costs of \$1.5 million, consisting of a decrease in stock-based compensation of \$1.9 million, and (ii) an increase in General and administrative expenses of approximately \$0.4 million. The decrease in stock-based compensation is primarily due to a reduction of restricted stock issued to key IT management offset by a reduction in salaries and wages at the corporate level.

### ***Depreciation and amortization***

Depreciation and amortization was approximately \$0.35 million and \$0.42 million for the three months ended September 30, 2023 and 2022, respectively. The decrease of \$0.07 million was primarily due to the impact on the current year amortization of intangibles, due to the prior year impairment of long-lived intangible assets associated with the acquisition of US Bookmaking.

### ***Loss from Operations***

Loss from operations was approximately \$2.9 million and \$3.1 million for the three months ended September 30, 2023 and 2022, a decrease of \$0.2 million. The decrease in general and administrative expenses and selling expenses was offset by a decrease in Revenue, as discussed above.

### ***Interest expense, net***

Interest expense, net, was approximately \$0.16 million and \$0.01 million for the three months ended September 30, 2023 and 2022, respectively, an increase of approximately \$0.15 million. The increase is primarily due to the convertible debt funding advanced to us during the current year and the promissory note funding advanced to us during the second and third quarters of the prior year.

### ***Amortization of debt discount***

Amortization of debt discount was approximately \$0.1 million and \$0.0 million for the three months ended September 30, 2023 and 2022, respectively. The increase is due to the amortization of debt discount related to the convertible notes issued during the current year.

### ***Other income***

Other income was approximately \$0.01 million and \$0.02 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of approximately \$0.01 million.

### ***Change in fair value of contingent purchase consideration***

Change in fair value of contingent purchase consideration was approximately \$0 and \$0.5 million for the three months ended September 30, 2023 and 2022 respectively, a decrease of approximately \$0.5 million. 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 US Bookmaking. In the prior year, the entire contingent purchase consideration was impaired based on management's estimation that earning the contingent purchase consideration was extremely remote.

### ***Other expense***

Other expense was \$0.0 million and \$0.05 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of \$0.05 million or 100.0%. The amounts are immaterial for the three months September 30, 2023 and 2022.

### ***Gain (Loss) on Marketable Securities***

The loss on marketable securities was approximately \$0.0 million and \$0.05 million for the three months ended September 30, 2023 and 2022.

### ***Loss Before Income Taxes***

Loss before income taxes was approximately \$3.2 million and \$3.7 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of approximately \$0.5 million or 11.7%. The decrease in loss before income taxes was primarily due to a decrease in the changes in fair value of contingent purchase consideration, offset by an increase in interest expense and amortization of debt discount, as discussed above.

### ***Income Tax Provision***

The income tax provision was a credit of approximately \$0.00 million and a charge of \$0.17 million for the three months ended September 30, 2023 and 2022, respectively. The income tax provision included a deferred taxation credit of approximately \$0.00 million and \$0.08 million related to platform development costs which reverse over the life of the platform.

### ***Net Loss from continuing operations***

Net loss from continuing operations was approximately \$3.2 million and \$3.8 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of approximately \$0.6 million or 15.7%, primarily due to the decrease in loss before income taxes as discussed above.

### ***Net loss from discontinued operations***

Net loss from discontinued operations was approximately \$0.08 million and \$0.0 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$0.08 million. Effective July 17, 2023, we rescinded the acquisition of Engage IT, which was originally acquired on January 2023. This resulted in a loss on rescission of \$0.04 million and a loss from operations of \$0.04 million for the three-month period.

### ***Net loss***

Net loss was approximately \$3.3 million and \$3.8 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of \$0.5 million or 13.7%. The decrease is primarily due to the decrease in the loss from continuing operations offset by the loss on discontinued operations, as discussed in detail 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 period-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 approximately \$(0.1) million and \$(0.4) million for the three months ended September 30, 2023 and 2022, respectively. During the current quarter, the U.S. dollar weakened slightly against the year-end Euro closing rate.

*Results of Operations for the nine months ended September 30, 2023 and the nine months ended September 30, 2022*

**Revenues**

The following table represents disaggregated revenues from our gaming operations for the nine months ended September 30, 2023 and 2022. Net Gaming Revenues is calculated based on Turnover (also referred to as “Handle”), which equals 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.

	Nine months ended			
	September 30, 2023	September 30, 2022	Increase (decrease)	Percentage change
<b>Turnover</b>				
Turnover web-based	\$ 561,242,461	\$ 565,785,709	\$ (4,543,248)	(0.8)%
Turnover land-based	24,532,148	6,528,054	18,004,094	275.8%
<b>Total Turnover</b>	<b>585,774,609</b>	<b>572,313,763</b>	<b>13,460,846</b>	<b>2.4%</b>
<b>Winnings/Payouts</b>				
Winnings web-based	525,524,328	527,323,323	(1,798,995)	(0.3)%
Winnings land-based	19,985,902	5,166,387	14,819,515	286.8%
<b>Total Winnings/payouts</b>	<b>545,510,230</b>	<b>532,489,710</b>	<b>13,020,520</b>	<b>2.39%</b>
<b>Gross Gaming Revenues</b>				
Gross Gaming Revenues Web-based	35,718,133	38,462,386	(2,744,253)	(7.1)%
Gross Gaming Revenues Land-based	4,546,246	1,361,667	3,184,579	233.9%
	<b>40,264,379</b>	<b>39,824,053</b>	<b>440,326</b>	<b>1.1%</b>
Less: Gaming Taxes	(9,688,820)	(9,671,040)	17,780	0.2%
<b>Net Gaming Revenues</b>	<b>30,575,559</b>	<b>30,153,013</b>	<b>422,546</b>	<b>1.4%</b>
Add: Service Revenues	1,657,820	2,022,002	(364,182)	(18.0)%
<b>Total Revenues</b>	<b>\$ 32,233,378</b>	<b>\$ 32,175,015</b>	<b>\$ 58,363</b>	<b>0.2%</b>

**Total Revenues**

The change in total revenues is primarily due to the following:

**Web-based turnover**

Our web-based turnover was approximately \$561.2 million and \$565.7 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of approximately \$4.5 million or 0.8%.

We highlight the following movements in our web-based Euro turnover: (i) sports betting turnover increased significantly by approximately €15.8 million or 15.6%; offset by; (ii) a decrease in our casino gaming turnover by approximately €7.9 million or 2.1%; and (iii) a reduction in on-line poker €20.8 million or 37.0%, primarily due to lack of suitable igaming offerings on our discontinued platform, which resulted in us switching to a new platform during September which we expect will improve our igaming offerings and user experience in future periods. In addition, one of our providers, Microgame, had a platform outage for a period of ten days, that affected our operations adversely.

For the nine months ended September 30, 2023 and 2022, all of our web-based turnover was generated by Multigioco.

### ***Currency impact on Web-based turnover***

Our web-based turnover expressed in Euro decreased by approximately €13.2 million or 2.5%, however in U.S dollars we recorded a decrease in turnover of \$4.5 million or 0.8%. We would have realized turnover growth of approximately \$14.1 million or 2.5% on a constant currency basis.

### **Land-based turnover**

Our land-based turnover was approximately \$24.5 million and \$6.5 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of approximately \$18.0 million or 275.8%.

During the nine months ended September 30, 2023, the 63 newly activated land-based locations had a significantly positive impact on our land-based turnover and our GGR, discussed below.

We highlight that our land-based Euro turnover increased by €16.5 million or 269.4%, including an increase in sports betting turnover of €13.1 million or 339.7% and an increase in virtual sports betting of €3.5 million or 197.6%, as a direct result of the increase in our number of land-based locations. We typically earn higher margins on sports and virtual sports betting.

For the nine months ended September 30, 2023 and 2022, all of our land-based turnover was generated by Multigioco.

### ***Currency impact on land-based turnover***

Our land-based turnover expressed in Euro increased by approximately €16.5 million or 269.4%, however in U.S dollars we recorded an increase in turnover of \$18.0 million or 275.8%. We would have realized turnover growth of approximately \$17.6 million or 269.4% on a constant currency basis.

### **Gross Gaming Revenue (“GGR”)**

Gross Gaming Revenue was approximately \$40.3 million (€37.1 million) and \$39.8 million (€37.4 million) for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$0.5 million or 1.1%. The Euro GGR decreased by €0.2 million or 0.6%. Refer to Currency Impact on Gross Gaming Revenues below.

The percentage of payouts on web-based turnover increased to 93.6% from 93.2% and on land-based turnover increased to 81.5% from 79.1%, for the nine months ended September 30, 2023 and 2022, respectively.

The return on casino type games is typically fixed at a certain percentage while the return on skill games is dependent on the skill of the players but does not vary significantly from year to year, however, the return on sports betting is dependent on the outcome of the sporting games which is unpredictable and is managed by our risk management team, generally producing a better return than the other revenue streams.

The turnover mix impacts our Gross Gaming Revenue (“GGR”). Our turnover for the nine months ended September 30, 2023, is as follows: sports betting turnover represented 54.9% (compared to September 30, 2022 of 50.2%); casino style games represented 36.7% (compared to September 30, 2022 of 40.6%); and other was 8.4% (compared to September 30, 2022 of 9.2%).

The margin earned on our sports-book averaged 15.3% (compared to September 30, 2022 of 17.9%) and our casino style games averaged 4.0% (compared to September 30, 2022 of 4.4%), resulting in a blended GGR of 6.9% (compared to September 30, 2022 of 7.0%). The significant decrease in sports betting payout had a negative impact on our blended GGR, also emphasized by the contraction in overall turnover, the dynamics of which show a contraction in online gaming across the board of all games we offered during the period reported.

### ***Currency impact on Gross Gaming Revenues***

Our GGR expressed in Euro decreased by approximately €0.2 million or 0.6%, however in U.S dollars we recorded an increase in GGR of \$0.4 million or 1.1%. We would have realized a reduction in our GGR of approximately \$0.2 million or 0.6% on a constant currency basis.

### **Gaming Taxes**

Gaming taxes increased by approximately \$0.02 million or 0.2%. Gaming taxes are a percentage of GGR decreased to 24.1% from 24.3%, for the nine months ended September 30, 2023 and 2022, respectively. The decrease is primarily due to the mix of our Gross Gaming Revenues with lower overall tax on sports betting operations compared to other casino type products.

### **Service Revenues**

Service revenues decreased by approximately \$0.4 million or 18.0%. This is primarily due to a reduction in service revenues from our US operations due to the loss of some revenue in our US Bookmaking operation. This revenue remains insignificant to total revenues during the periods presented.

### ***Selling expenses***

Selling expenses includes both commissions that are paid to our sales agents as a percentage of turnover (handle), which is not affected by winnings paid out, and a percentage of GGR which is affected by winnings paid out. We also incur fees paid to third party providers, based on Net Gaming Revenues (“NGR”). Therefore, increases in turnover (handle), will mostly result in increases in selling expenses and may result in only a slight increase in overall revenue if winnings or payouts, that are subject to the unknown outcome of sports events that we have no control over, are outside of our normal expectations. The percentage of selling expenses to turnover increased to 4.5% from 4.2% for the nine months ended September 30, 2023 and 2022, respectively, based on the mix of commissions paid on turnover and commissions paid on GGR and NGR.

We incurred selling expenses of approximately \$26.2 million and \$24.0 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of approximately \$2.2 million or 8.9%.

### ***General and Administrative Expenses***

General and administrative expenses were approximately \$13.5 million and \$14.3 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of \$0.8 million or 5.4%. The aggregate decrease over the prior year is attributable to the following: (i) a decrease in personnel costs of \$1.3 million, consisting of a decrease in stock-based compensation of \$2.0 million and an increase in salaries and wages of approximately \$0.7 million. The decrease in stock-based compensation is primarily due to the issuance of restricted stock to key IT management and the salaries and wages associated with the expansion in Multigioco, offset by a reduction in salaries and wages at the corporate level.

### ***Depreciation and amortization***

Depreciation and amortization was approximately \$1.0 million and \$1.3 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of \$0.3 million, primarily due to the impact on the current year amortization of intangibles due to the prior year impairment of long-lived intangible assets associated with the acquisition of US Bookmaking.

### ***Restructuring and severance expenses***

Restructuring and severance expenses were approximately \$0.0 million and \$1.2 million for the nine months ended September 30, 2023 and 2022, respectively. Management has embarked on a cost reduction exercise, streamlining operations and eliminating duplicated effort wherever possible, ensuring that management is lean and efficient. We eliminated a senior role within the corporate office resulting in a severance expense of approximately \$0.4 million and an acceleration of a non-cash stock-based compensation charge of approximately \$0.8 million, for an immediate vesting of options.

### ***Loss from Operations***

The loss from operations was approximately \$8.5 million and \$8.7 million for the nine months ended September 30, 2023 and 2022, a decrease of \$0.2 million, primarily due to an increase in selling expenses, offset by a reduction in general and administrative expenses and restructuring and severance expenses, as discussed above.

### ***Interest expense, net***

Interest expense, net, was approximately \$0.27 million and \$0.02 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of approximately \$0.25 million. The increase is primarily due to the convertible debt funding advanced to us during the current year and the promissory note funding advanced to us during the second and third quarters of the prior year.

### ***Amortization of debt discount***

Amortization of debt discount was approximately \$0.22 million and \$0.0 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of approximately \$0.22 million. The increase is due to the amortization of debt discount on the convertible notes issued during the current year.

### ***Other income***

Other income was approximately \$0.01 million and \$0.09 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of approximately \$0.08 million. The amounts are immaterial for the nine months September 30, 2023 and 2022..

### ***Change in fair value of contingent purchase consideration***

Change in fair value of contingent purchase consideration was approximately \$0.0 million and \$1.4 million for the nine months ended September 30, 2023 and 2022 respectively, a decrease of approximately \$1.4 million. 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 US Bookmaking. In the prior year, the entire contingent purchase consideration was impaired based on management’s estimation that earning the contingent purchase consideration was extremely remote.

### ***Other expense***

Other expense was approximately \$0.01 million and \$0.06 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of \$0.05 million. The amounts are immaterial for the nine months September 30, 2023 and 2022.

### ***Gain (Loss) on Marketable Securities***

The loss on marketable securities was approximately \$0.02 million and the gain on marketable securities was \$0.04 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of approximately \$0.06 million or 146.2%. During the current period, the shares in Zoompass were written down entirely due to the lack of activity at Zoompass.

### ***Loss Before Income Taxes***

Loss before income taxes was approximately \$9.0 million and \$10.0 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of approximately \$1.0 million. The decrease in loss before income taxes was primarily due to a decrease in the changes in fair value of contingent purchase consideration, offset by an increase in loss from operations, interest expense and amortization of debt discount, as discussed above.

### ***Income Tax Provision***

The income tax provision was a credit of approximately \$0.06 million and a charge of \$0.20 million for the nine months ended September 30, 2023 and 2022, respectively. The income tax provision included a deferred taxation credit of approximately \$0.1 million and \$0.2 million related to platform development costs which reverse over the life of the platform.

### ***Net Loss from continuing operations***

Net loss from continuing operations was approximately \$8.9 million and \$10.2 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of approximately \$1.3 million or 12.7%, primarily due to the decrease in loss before income taxes, offset by the decrease in taxation provision as discussed above.

### ***Net loss from discontinued operations***

Net loss from discontinued operations was approximately \$0.24 million and \$0.0 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$0.24 million. Effective July 17, 2023, we rescinded the acquisition of Engage IT, which was originally acquired on January 2023. This resulted in a loss on rescission of \$0.04 million and a loss from operations of \$0.2 million for the nine-month period.

### ***Net loss***

Net loss was approximately \$9.1 million and \$10.2 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of \$1.1 million or 10.3%. The decrease is primarily due to the decrease in the loss from continuing operations offset by the loss on discontinued operations, as discussed in detail 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 period-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 approximately \$0.01 million and \$0.9 million for the nine months ended September 30, 2023 and 2022, respectively. During the current quarter the U.S. dollar weakened slightly against the year-end Euro closing rate.

### ***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 continue our expansion plans in the U.S. 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 operating results and working capital needs, and in the future, we anticipate that we will need to raise additional cash through equity or debt funding.

Recently we have financed our business through convertible debt placements due to unfavorable equity market conditions. Previously we financed our business through registered direct offerings and to a very limited extent, through the sale of shares of our common stock pursuant to the terms of an Open Market Sales Agreement<sup>SM</sup> (“ATM”) that we entered into with Jefferies LLC on November 19, 2021. Due to the delisting off of the Nasdaq Capital Markets, the ATM is no longer available to us.

On January 30, 2023, May 5, 2023 and July 11, 2023 we closed a convertible note funding for gross proceeds of \$5,136,000, and we issued warrants exercisable for 12,044,467 shares of common stock to the convertible note holders as part of the funding arrangement. The funding included gross proceeds of \$4,786,000 from related parties.

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.

Based on our forecasts, we believe that we will have to source additional funding through either debt or equity funding to execute our growth plan and to continue operating for the next twelve months from the date of filing this report. We can make no assurance that such debt or equity will be available at terms that are acceptable to us, if at all. We plan to continue our expansion plans in both the U.S. and Italian markets at a rate of growth that we believe is sustainable and achievable by us.

#### ***Assets***

At September 30, 2023 and December 31, 2022, we had total assets of approximately \$22.3 million and \$21.4 million, respectively, an increase of \$0.9 million. The increase is primarily due to an increase of \$1.7 million in prepaid expenses due to the ongoing costs incurred in developing a newly licensed platform for the regulated U.S. market, an increase in property and equipment of \$0.4 million, offset by a decrease in cash and restricted cash balances of \$1.2 million.

#### ***Liabilities***

At September 30, 2023 and December 31, 2022, we had approximately \$19.6 million and \$14.2 million in total liabilities, respectively, an increase of \$5.4 million. The increase is primarily attributable to an increase in convertible notes payable of \$3.1 million, net of debt discount of \$2.2 million, an increase in accounts payable and accrued liabilities of \$2.1 million an increase in gaming accounts payable of \$1.3 million, gaming accounts payable fluctuate depending upon the timing of weekly settlements with our agents and vendors and the level of activity in our players accounts.

#### ***Working Capital***

The working capital deficit was approximately \$5.1 million and \$3.9 million at September 30, 2023 and December 31, 2022, respectively.

#### ***Accumulated Deficit***

We had an accumulated deficit of \$75.6 million and \$66.5 million as of September 30, 2023 and December 31, 2022, respectively.

#### ***Cash Flows from Operating Activities***

Net cash used in operating activities was approximately \$4.8 million and \$4.6 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of approximately \$0.2 million or 5.1%.

The increase in cash used in operating activities is primarily due to the following:

- A decrease in operating losses of approximately \$1.3 million, as discussed under results of operations above;
- An increase in the movement of changes in operating assets and liabilities of \$1.7 million, primarily due to the following: (i) an increase in the movement of accounts payable and accrued liabilities of \$2.3 million, primarily due to the timing of payments to our suppliers and vendors; (ii) an increase in the movement of gaming account liabilities of \$0.6 million; (iii) a decrease in the movement of prepaid expenses of \$0.3 million, primarily due to lower investment in platform costs during the current period; (iv) a decrease in the movement in accounts receivable balances of \$0.3 million, as we improve our efficiency in collecting commissions due to us; offset by (v) an increase in the movement of gaming accounts receivable of \$1.4 million, which is a function of the timing of funds settlement with our agents; and (vi) a decrease in the movement of taxes payable of \$0.5 million, primarily due to lower taxable income during the current period;
- A decrease of \$3.1 million in non-cash movements, primarily due to the following: (i) the movement of the change in fair value of contingent purchase consideration of \$1.4 million, the contingent purchase consideration was impaired during December 2022 as we believe that the US Bookmaking sellers will not reach their earnout targets; (ii) a reduction in the movement of share based compensation of \$1.3 million, primarily due to restricted stock awarded to certain key members of management in the prior year; (iii) a decrease in the movement of stock option compensation expense of \$0.8 million, primarily due to the acceleration of severance related stock expense in the prior year; and (iv) a decrease in the movement of depreciation and amortization expense of \$0.3 million, primarily due to the impact of the impairment of intangibles relating to US Bookmaking in the prior year.



### **Cash Flows from Investing Activities**

Net cash used in investing activities for the nine months ended September 30, 2023 and 2022 was \$1.0 million and \$0.4 million, an increase of \$0.6 million. The increase is primarily due to the capitalization of platform development expenses of \$0.5 million and the acquisition of computer software to support the Multigioco operations.

### **Cash Flows from Financing Activities**

Net cash provided by financing activities for the nine months ended September 30, 2023 and 2022 was \$4.7 million and \$3.7 million, an increase of \$1.0 million. During the current period, we raised \$4.4 million from convertible note funding and a further \$0.35 million from promissory notes, subsequently converted into convertible debt funding, to support the operations and, in the prior year, we raised approximately \$3.1 million from a registered directed placement and a further advance of \$0.36 million from a related party to fund the US Bookmakers operation.

### **Contractual Obligations**

Contractual obligations consist of short-term funding commitments to acquire kiosks, and operating and finance lease obligations as disclosed in the Notes to the financial statements.

We do not believe that we have any obligations for contingent purchase consideration based on our assessment of US Bookmaking's ability to reach the pre-set earnout targets.

### **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**

#### **Promissory notes payable – Related Parties**

On July 11, 2023, Braydon Capital, a company owned by the brother of the Company's Executive Chairman, converted the promissory note in the principal amount of \$360,000 plus accrued interest thereon of \$26,000 into a convertible promissory note. In conjunction with the promissory note, Braydon Capital was issued a three-year warrant exercisable for 1,965,000 shares of common stock at an exercise price of \$0.40 per share.

The movement on promissory notes payable – Related Parties, consists of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Principal outstanding</b>		
Opening balance as of January 1, 2023 and 2022, respectively.	\$ 715,000	\$ 50,000
Loans advanced – Braydon Capital Corp	—	360,000
Loans advanced – Victor Salerno	—	305,000
Loan converted to convertible note – Braydon Capital	(360,000)	
<b>Closing balance as of September 30 2023 and December 31, 2022, respectively.</b>	<b>355,000</b>	<b>715,000</b>
<b>Accrued Interest</b>		
Opening balance as of January 1, 2023 and 2022, respectively.	37,000	1,878
Accrued interest	45,939	35,122
Interest converted to convertible note – Braydon Capital	(26,000)	—
<b>Closing balance as of September 30 2023 and December 31, 2022, respectively.</b>	<b>56,939</b>	<b>37,000</b>
<b>Total</b>	<b>\$ 411,939</b>	<b>\$ 752,000</b>

### Convertible notes payable – Related parties

On January 30, 2023, we issued convertible notes payable, as disclosed under Note 11 above. Forte Fixtures subscribed for \$500,000 of the convertible notes, Forte Fixtures is owned by Claudio Ciavarella, the brother of our Executive Chairman, Michele Ciavarella.

On May 4, 2023, we issued convertible notes payable as disclosed under Note 11 above. Gold Street Capital subscribed for the full \$1,500,000 of the convertible notes, in addition, On July 11, 2023, we issued convertible notes payable, as disclosed under Note 11 above. Gold Street Capital subscribed for \$2,000,000 of the convertible notes. Gold Street Capital is owned by Gilda Ciavarella, the spouse of our Executive Chairman, Michele Ciavarella.

On July 11, 2023, included in the convertible notes payable, as disclosed under Note 11 above, Braydon Capital Corp subscribed for \$786,000 of the convertible note, \$400,000 as a cash subscription and an additional \$386,000 by converting a promissory note, as described under Promissory Notes payable – Related Parties, above. Braydon Capital is owned by Claudio Ciavarella, the brother of our Executive Chairman, Michele Ciavarella.

Convertible notes payable – related party, consists of the following:

	<b>September 30, 2023</b>
<b>Principal outstanding</b>	
Opening balance as of January 1, 2023	\$ —
Advances to the Company	4,400,000
Conversion of promissory note into convertible note – Braydon Capital Corp	386,000
<b>Closing balance as of September 30, 2023</b>	<b>4,786,000</b>
<b>Accrued Interest</b>	
Opening balance as of January 1, 2023	—
Accrued interest	189,722
<b>Closing balance as of September 30, 2023</b>	<b>189,722</b>
<b>Debt Discount</b>	
Opening balance as of January 1, 2023	—
Debt discount on relative fair value of warrants	(2,224,241)
Amortization of debt discount	184,568
<b>Closing balance as of September 30, 2023</b>	<b>(2,039,673)</b>
<b>Total</b>	<b>\$ 2,936,049</b>

### 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:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Related Party payable</b>		
Engage IT Services, Srl	\$ —	\$ (406,467)
Luca Pasquini	(1,240)	(459)
Michele Ciavarella	(45,676)	(15,203)
	<b>\$ (46,916)</b>	<b>\$ (422,129)</b>
<b>Related Party Receivable</b>		
Victor Salerno	\$ 22,511	\$ 22,511
	<b>\$ 22,511</b>	<b>\$ 22,511</b>

***Engage IT Services, Srl.***

The Company acquired Engage IT with effect from January 29, 2023. Engage IT performed software development work for the Company's wholly owned subsidiary, Gameboard. As of December 31, 2022, Gameboard owed Engage IT \$406,467 for development work performed. The Company rescinded the acquisition of Engage IT with effect from July 17, 2023, per an agreement reached with the Sellers, see Note 4 above.

***Luca Pasquini***

On September 26, 2022, Mr. Pasquini was awarded 500,000 restricted shares of common stock valued at \$226,800 for services rendered to the Company.

On January 29, 2023, the Company acquired Engage IT, Mr. Pasquini owned 34% of Engage IT prior to the acquisition. The purchase price was settled by the issuance of common stock, of which Mr. Pasquini received 1,026,277 shares of common stock which resulted in him becoming an effective 5.7% shareholder of the Company. Effective July 17, 2023, the Company agreed to rescind the acquisition of Engage IT which resulted in the return of the 1,026,277 shares issued to Luca Pasquini, to the Company's control. See Note 4 above.

***Michele Ciavarella***

On September 26, 2022, Mr. Ciavarella was awarded 300,000 restricted shares of common stock valued at \$136,080 for services rendered to us.

On February 14, 2023, Mr. Ciavarella, our Executive Chairman and interim CEO, voluntarily offered and agreed to reduce his annual base compensation to \$372,000 for fiscal 2023, subject to a review of his total compensation package.

***Carlo Reali***

On January 5, 2022, we promoted Carlo Reali to the role of Interim Chief Financial Officer.

On March 29, 2022, we issued Mr. Reali ten-year options exercisable for 100,000 shares of common stock, at an exercise price of \$2.50 per share, vesting equally over a 4-year period commencing on January 1, 2023.

The Company does not have a formal employment with Mr. Reali and awarded him €40,000 (approximately \$42,930) as compensation for the Interim Chief Financial Officer role; Mr. Reali will continue to receive the compensation that he currently receives which is an annual base salary of €76,632 (approximately \$82,244).

On September 26, 2022, Mr. Reali was awarded 200,000 restricted shares of common stock valued at \$90,720 for services rendered to us.

***Victor Salerno***

Prior to the acquisition of US Bookmaking, Victor Salerno had advanced US Bookmaking \$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 is repayable on October 1, 2022.

Between February 23, 2022 and September 22, 2022, Mr. Salerno advanced US Bookmaking an additional \$305,000 in terms of purported promissory notes, bearing interest at 10% per annum and repayable between June 30, 2022 and November 30, 2022. These purported promissory notes contain a default clause whereby any unpaid principal would attract an additional 25% penalty and additional interest of 5% per annum. These notes were advanced to US Bookmaking without our consent, which is required as per the terms of the Members Interest Purchase Agreement entered into on July 15, 2021. Therefore, we acknowledge the advance of funds to US Bookmaking by Mr. Salerno, however the terms of the advance and the default penalty have not been accepted and are subject to negotiation or dispute. As of September 30, 2023, these notes remain outstanding. Interest has been accrued on these notes, however we intend to dispute the validity of these notes and have accordingly not repaid the accrued penalty interest in terms of these notes.

On January 23, 2023, Mr. Salerno voluntarily resigned as a member of the Board.

***Paul Sallwasser***

On February 14, 2023, we granted Mr. Sallwasser ten-year options exercisable for 154,132 shares of common stock at an exercise price of \$0.89 per share, of which 77,254 vested immediately and the remaining 76,878 vesting equally over a ten-month period commencing on March 1, 2023.

***Steven Shallcross***

On February 14, 2023, we granted Mr. Shallcross ten-year options exercisable for 131,631 shares of common stock at an exercise price of \$0.89 per share, of which 54,753 vested immediately and the remaining 76,878 vesting equally over a ten-month period commencing on March 1, 2023.

On February 14, 2023, we issued Mr. Shallcross 22,472 shares of common stock valued at \$20,000 from the 2018 equity incentive plan in lieu of 2022 cash director's fees owing to Mr. Shallcross.

***Andrea Mandel-Mantello***

On February 14, 2023, we granted Mr. Mandel-Mantello ten-year options exercisable for 131,631 shares of common stock at an exercise price of \$0.89 per share, of which 54,753 vested immediately and the remaining 76,878 vesting equally over a ten-month period commencing on March 1, 2023.

On February 14, 2023, we issued Mr. Mandel-Mantello 44,944 shares of common stock valued at \$40,000 from the 2018 equity incentive plan in lieu of 2022 cash director's fees owing to Mr. Mandel-Mantello.

***Aiden Ciavarella***

We recently employed Aiden Ciavarella to train as part of our U.S. project and risk management team lead. Aiden earns an annual salary of \$85,000. The Company does not have a formal employment agreement with Aiden who is the son of our Executive Chairman, Michele Ciavarella.

**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, 2023. 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.

Management has increased its number of staff in accounting functions and currently has a consulting agreement with a seasoned financial expert who, together with senior management will ensure that: (i) a formal accounting policy framework is put in place; (ii) policies and procedures are implemented to ensure that all significant accounting, legal, regulatory and risk management procedures are adequately documented and communicated effectively to all management and staff, as appropriate; and (iii) an approval framework will be implemented and adequately documented to ensure that management responsible for financial reporting is aware of all material aspects of the business that may impact financial reporting.

**Changes in Internal Control Over Financial Reporting**

There were no further changes made to our available personnel during the three months ended September 30, 2023, we continue to address our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) over the next 12 to 24 months. These changes included assigning clear tasks to an outside consultant that occurred during the previous quarter and is reasonably likely to materially affect our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

On November 14, 2022, the Company held a mediation with Messrs. Salerno, Kocienski and Walker. There was no agreed upon outcome at the mediation. On November 17, 2022, the Company (“Plaintiff”) filed suit in the District Court, Clark County, Nevada, Case No. A-22-861452-B against Victor J. Salerno and Robert Kocienski, as “Sellers Representatives” and Robert Walker, John F. Kocienski, Farrell Drozd, William M. Bigelow, Edwin Spaunhurst, Louis Anthony Defilippis and Pennie Bigelow, as “Sellers” together with the Sellers Representatives (collectively the “Defendants”), for Breach of Contract, Breach of Implied Covenant of Good Faith and Fair Dealing, Breach of Fiduciary Duty, Fraudulent Misrepresentation and Inducement, Business Disparagement, Conversion, and Unjust Enrichment. The Company seeks judgment against Defendants for: damages caused by Defendants in an amount in excess of \$15,000 for each claim for relief; exemplary and punitive damages in an amount no less than three times the amount awarded to Plaintiff for compensatory damages; pre-judgment and post-judgment interest as provided by law; an award of attorney’s fees and costs as special damages; an award of Plaintiff’s costs, disbursements, and attorney’s fees incurred in the action; and for such other and further relief as the Court may deem just and proper. On December 5, 2022, the Defendants filed an Answer and Counterclaim wherein they asserted counterclaims against the Company for Breach of Contract, Breach of Implied Covenant of Good Faith and Fair Dealing, Negligent, Misrepresentation, Intentional/Fraudulent Misrepresentation, and Intentional Interference with Contract. The Company and Defendants are currently engaged in discovery and the Company is vigorously disputing the counterclaims asserted by the Defendants.

On December 2, 2022, Messrs. Salerno, Kocienski, Walker, and J. Salerno (“Plaintiffs”) commenced an action against Bookmakers Company US, LLC, dba US Bookmaking in the Eighth Judicial District Court, Clark County, Nevada, Case No. A-22-862001-C. Plaintiffs asserted claims for Breach of Contract, Failure to Repay Promissory Note, Unjust Enrichment, and Breach of Covenant of Good Faith and Fair Dealing. Plaintiffs seek damages against Bookmakers Company US, LLC in an amount in excess of \$15,000 and various other forms of relief. The Company, only on behalf of its subsidiary US Bookmaking, answered the complaint and asserted counterclaims for Breach of Fiduciary Duty, Breach of Loyalty, Breach of Contract, Breach of Implied Covenant of Good Faith and Fair Dealing, Equitable Indemnification, and Contribution. The parties are currently engaged in discovery and the Company, on behalf of US Bookmaking, is vigorously disputing the claims asserted by the Plaintiffs.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are not presently a party to and currently are not aware of any legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

### 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 for the year ended December 31, 2022. Except as disclosed below, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.*

#### Risks related to our financial position

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

We have a history of losses and we anticipate that we will incur additional losses in the development of our business. For the nine months ended September 30, 2023 we had a net loss of \$9.1 million and for the year ended December 31, 2022 we had a net loss of \$18.3 million, after an intangible impairment charge of \$20.6 million and a revised contingent purchase consideration credit of \$12.9 million. We had accumulated deficits of \$75.6 million and \$66.5 million for the periods ended September 30, 2023 and December 31, 2022, 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 the hiring of additional personnel, upgrading our technology and infrastructure and expanding into new geographical markets. Even if we are successful in increasing our customer base, we expect to also incur increased losses in the short term. 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, 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.

***Our financial statements have been prepared assuming a going concern.***

Our financial statements as of September 30, 2023 were prepared under the assumption that we will continue as a going concern for the next twelve months from the date of issuance of these financial statements. Our independent registered public accounting firm has issued a report on our annual financial statements for the year ended December 31, 2022, that includes an explanatory paragraph referring to our losses from operations and expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Our ability to continue as a going concern is dependent upon our ability to obtain additional financing, re-negotiate or extend existing indebtedness, obtain further operating efficiencies, reduce expenditures and ultimately, create profitable operations. We may not be able to raise additional funding or extend our debt or obtain additional capital on reasonable terms, if at all. Our financial statements do not include any adjustments that would result from the outcome of this uncertainty.

***We have material weaknesses and other deficiencies in our internal control and accounting procedures.***

Section 404 of Sarbanes-Oxley requires annual management assessments of the effectiveness of our internal control over financial reporting. Our management assessed the effectiveness of our disclosure controls and procedures as of December 31, 2022 and as of September 30, 2023 and concluded that we had a material weakness in our internal controls due to our limited resources and therefore our disclosure controls and procedures are not effective in providing material information required to be included in our periodic SEC filings on a timely basis and to ensure that information required to be disclosed in our periodic SEC filings is accumulated and communicated to our management to allow timely decisions regarding required disclosure about our internal control over financial reporting. More specifically, our internal control over financial reporting was not effective due to material weaknesses related to a segregation of duties due to our limited resources and small number of employees. Due to limited staffing, we are not always able to detect minor errors or omissions in financial reporting. If we fail to comply with the rules under Sarbanes-Oxley related to disclosure controls and procedures in the future, or, if we continue to have material weaknesses and other deficiencies in our internal control and accounting procedures and disclosure controls and procedures, our stock price could decline significantly and raising capital could be more difficult. If additional material weaknesses or significant deficiencies are discovered or if we otherwise fail to address the adequacy of our internal control and disclosure controls and procedures our business may be harmed. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important in helping to prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our securities could drop significantly.

***Risks Related to our Business***

***Our research and development efforts are costly and subject to international risks and may not contribute significantly to revenues for several years, if at all.***

In order to remain competitive, we must continue to invest in research and development. During the nine months ended September 30, 2023 and 2022, we spent approximately \$1.9 million and \$0.9 million for research and development and during the years ended December 31, 2022 and 2021, we spent approximately \$1.1 million and \$2.0 million for research and development, respectively, this R&D is mainly comprised of salary and wages at Odissea our platform supply company and a third party vendor, Engage IT, which the Company has subsequently acquired. This company is creating a custom-made platform for us. We have made and continue to make significant investments in development and related opportunities, such as our acquisition of US Bookmaking and Engage IT, and these investments could adversely affect our operating results if not offset by increases in revenues. However, we may not receive significant revenue from these investments for several years, if at all.

Further, our competitors may expend a greater amount of funds on their research and development programs. Our failure to maintain adequate research and development resources or to compete effectively with the research and development programs of our competitors could materially and adversely affect our business and results of operations.

***Our common stock was delisted from the Nasdaq Stock Market, which has adversely affected our stock price and the liquidity of our stock and could impact our ability to obtain financing could be impaired.***

On October 13, 2023, we received a letter from the Nasdaq Stock Market (“Nasdaq”) formally notifying the Company that the Nasdaq Hearings Panel (the “Panel”) has determined to delist the Company’s common stock from the Nasdaq Capital Market. Nasdaq suspended the trading of our common stock on the Nasdaq Capital Market on October 17, 2023. The Panel made this determination due to the Company’s failure to achieve certain milestones under its plan of compliance, as presented to the Panel on August 1, 2023. We have transferred the quotation of our common stock to the over-the-counter markets operated by OTC Markets Group Inc. The shares of the Company’s common stock are currently trading under the symbol of “ELYS” on OTC Pink.

The delisting of our common stock from Nasdaq has negatively impact our Company and holders of our common stock, including the willingness of investors to hold our common stock because of the resulting decreased price, liquidity and trading of our common stock, limited availability of price quotations and reduced news and analyst coverage. In addition, since our common stock is traded on the over-the-counter market, the application of the “penny stock” rules may adversely affect the market price of our common stock and increase the transaction costs to sell those shares. The SEC has adopted regulations which generally define a “penny stock” as any equity security not listed on a national securities exchange or quoted on Nasdaq that has a market price of less than \$5.00 per share, subject to certain exceptions. Since our common stock is delisted from Nasdaq and is traded on the over-the-counter market at a price of less than \$5.00 per share, our common stock is considered a penny stock. Unless otherwise exempted, the SEC’s penny stock rules require a broker-dealer, before a transaction in a penny stock, to deliver a standardized risk disclosure document that provides information about penny stock and the risks in the penny stock market, the current bid and offer quotations for the penny stock, the compensation of the broker-dealer and the salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer’s account. Further, prior to a transaction in a penny stock, the penny stock rules require the broker-dealer to provide a written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s agreement to the transaction. The delisting from Nasdaq has or may further adversely impact the perception of our financial condition, cause reputational harm with investors, our employees and business partners, and limit our access to debt and equity financing.

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

On November 1, 2023, we entered into a Securities Purchase Agreement with certain accredited investors, pursuant to which we received net proceeds of \$271,000 after an original issue discount and fees of \$62,000, in exchange for the issuance of a \$333,000 convertible note, bearing interest at 12% per annum, maturing on August 1, 2024. The note is convertible into shares of common stock at a conversion price of \$0.12 per share, upon an event of default as defined in the note. In addition, we issued a warrant exercisable for 500,000 shares of common stock at an exercise price of \$0.30 per share and further issued 150,000 shares of common stock as commitment shares and a further 1,500,000 shares as returnable shares, to be returned when the note is repaid in full. The note amortizes in six equal monthly instalments of \$62,100 commencing on February 29, 2024. The proceeds will be used for general working capital purposes.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information.**

None.

## Item 6. Exhibits

<b>Exhibit Number</b>	<b>Description</b>
<a href="#">3.1</a>	<a href="#">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)</a>
<a href="#">3.2</a>	<a href="#">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)</a>
<a href="#">3.3</a>	<a href="#">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)</a>
<a href="#">3.4</a>	<a href="#">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)</a>
<a href="#">3.5</a>	<a href="#">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)</a>
<a href="#">4.1</a>	<a href="#">Form of Consultant Warrant (Incorporated by reference to Exhibit 4.1 the Registrant's Form 8-K, File No. 001-39170, filed with the Securities and Exchange Commission on February 22, 2023)</a>
<a href="#">10.1</a>	<a href="#">Form of Subscription Document between the Company and the Investors (Incorporated by reference to Exhibit 10.1 the Registrant's Form 8-K, File No. 001-39170, filed with the Securities and Exchange Commission on February 7, 2023)</a>
<a href="#">10.2</a>	<a href="#">Form of Debenture (Incorporated by reference to Exhibit 10.2 the Registrant's Form 8-K, File No. 001-39170, filed with the Securities and Exchange Commission on February 7 2023)</a>
<a href="#">10.3</a>	<a href="#">Form of Warrant (Incorporated by reference to Exhibit 10.2 the Registrant's Form 8-K, File No. 001-39170, filed with the Securities and Exchange Commission on February 7 2023)</a>
<a href="#">31.1*</a>	<a href="#">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</a>
<a href="#">31.2*</a>	<a href="#">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</a>
<a href="#">32.1*</a>	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.2*</a>	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*

\* Filed herewith



**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 20, 2023

**Elys Game Technology, Corp.**

By: /s/ Michele Ciavarella

---

Michele Ciavarella  
Interim Chief Executive Officer and President  
(Principal Executive Officer)

By: /s/ Carlo Reali

---

Carlo Reali  
Interim Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED 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 15d-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 20, 2023

By: /s/ Michele Ciavarella  
Name: Michele Ciavarella  
Title: Interim Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Carlo Reali, 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 15d-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 20, 2023

By: /s/ Carlo Reali  
Name: Carlo Reali  
Title: Interim Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

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, the Interim Chief Executive Officer of Elys Game Technology, Corp. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (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 20, 2023

By: /s/ Michele Ciavarella  
Name: Michele Ciavarella  
Title: Interim Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

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, Carlo Reali, the Interim Chief Financial Officer of Elys Game Technology, Corp. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (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 20, 2023

By: /s/ Carlo Reali  
Name: Carlo Reali  
Title: Interim Chief Financial Officer  
(Principal Financial Officer)