

**Playmaker Capital Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2023**

The following management discussion and analysis ("MD&A") dated August 10, 2023 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Playmaker Capital Inc. (the "Company", "Playmaker", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's results of operations and financial position for the three and six months ended June 30, 2023. This MD&A should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2023 (the "Interim Financial Statements").

**Basis of Presentation**

The Interim Financial Statements and related financial information presented herein have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). This MD&A should be read in conjunction with our MD&A for the years ended December 31, 2022 and 2021. All references in this MD&A to (i) "Q2 2023" are to the Company's three months ended June 30, 2023, and (ii) "Q2 2022" are to the Company's three months ended June 30, 2022. The Interim Financial Statements and this MD&A were approved by the Company's board of directors. All figures contained in this MD&A are presented in United States dollars unless otherwise stated herein.

**Cautionary Statement Regarding Forward Looking-Statements**

This MD&A contains certain statements that may be deemed "forward-looking statements", including statements regarding developments in the Company's operations in future periods, adequacy of financial resources and future plans and objectives of the Company. All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, among other things, continued availability of capital and financing, market or business conditions, and the factors discussed in the "Risk Factors" section of this MD&A. To the extent any forward-looking statements in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Readers are cautioned not to place undue reliance on this forward-looking information. The Company undertakes no obligation to update these forward-looking statements in the event that Management's beliefs, estimates, opinions or other factors should change except as required by law.

## **Non-IFRS Measures**

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under International Financial Reporting Standards (“IFRS”), do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including “EBITDA”, “Adjusted EBITDA” or “aEBITDA”, “working capital”, and metrics that are presented on a “Pro Forma” basis.

“EBITDA” is earnings before interest, taxes, depreciation and amortization.

“Adjusted EBITDA” or “aEBITDA” is earnings of the Company’s operating subsidiaries before interest, taxes, depreciation and amortization excluding the impact of head office costs and any one-time costs.

“working capital” is the Company’s current assets minus its current liabilities.

“Pro Forma” is an adjustment to incorporate the results of any acquisitions or exclude the results of any dispositions made through June 30, 2023, assuming they occurred on the first day of the periods being presented.

These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures including industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures, including industry metrics, in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

## **Description of the Business**

Playmaker (formerly, Apolo III Acquisition Corp.) was incorporated under the Business Corporations Act (Ontario) on January 19, 2018. The registered head office of the Company is 2 St Clair Ave W, Suite 601, Toronto, Ontario, M4V 1L5. The Company is a publicly traded company, listed on the TSX Venture Exchange (“TSXV”) under the symbol “PMKR” and on the OTCQX Best Market under the symbol “PMKRF”.

### ***General Description of the Business***

Playmaker Capital Inc. is a digital sports media company that acquires and integrates premier fan-centric media brands, curated to deliver highly engaged audiences of sports fans to tier-one advertisers, online sports betting operators, and sports federations and leagues. Leveraging its in-house technology stack, Bench, and with a 360-degree view of sports fans, Playmaker delivers authentic digital content experiences for sports fans and best-in-class results for its partners across the Americas.

The team at Playmaker has global experience in the gambling, sports, technology and media industries. This wide range of experience provides Playmaker insight into markets around the world, and a strong understanding of what is required to scale businesses in this sector. The mandate for target acquisitions is global with a core focus on the United States, Latin America, and Canada. The team’s combined experience and network provide a unique and proprietary source of deal flow that will assist the company in accessing opportunities in markets all around the world.

Sports betting regulation is changing globally. The repeal of the Professional and Amateur Sports Protection Act (“PASPA”) in the US in 2018 led to the opening of online gambling and sports betting in many US states, with several more anticipated in the coming years. During the second quarter of 2021, Canada lifted its ban

on single-event wagering by passing Bill C-218, and in April of 2022, sports betting was officially live in the province of Ontario, with other provinces expected to launch in the coming months and years. Argentina passed iGaming legislation in December 2018, as did Brazil. Regulated online gambling presents a significant opportunity for Playmaker, as iGaming companies have consistently spent significant marketing dollars to acquire customers. Playmaker will look to leverage its team's global experience to get first-mover positions in these emerging markets in addition to the US.

Playmaker is acquiring companies that fit into one of four key categories of focus. These four categories will provide Playmaker with the assets necessary to engage and acquire fans to ensure we create a full-service ecosystem. The four key categories are as follows:

1. Large, Diverse, Engaged Fanbases: The need for qualified users that are engaged by great content.
2. Variety of Content, Distribution and Revenue Channels: The need for a variety of content and distribution channels to capture the widest audience possible whenever and however they want it in addition to a diversified revenue model to maximize all revenue opportunities and de-risk concentration on any one particular area.
3. Influencer Networks and Strong Social Presence: The need for influencer networks that are selected carefully to ensure authenticity and relevance to Playmaker's fans and partners. A strong social presence will provide a stronger community amongst Playmaker's audience.
4. Tools to Acquire and Retain Users: The need for strong products, acquisition and retention tools to enhance engagement and promote brand loyalty to achieve Playmaker's partners' monetization.

### ***Principal Products and Services***

The Playmaker ecosystem is comprised of four principal customer categories: (i) sports betting and iGaming operators, (ii) traditional advertisers, (iii) syndication, and (iv) direct to consumer.

1. Sports Betting and iGaming Operators: Revenue from sports betting and iGaming clients is earned via programmatic advertising, direct campaigns, through agencies specializing in gambling clients, and by delivering customers to clients.
2. Traditional Advertisers: Advertising revenue is generated from traditional blue-chip direct clients and agencies including via programmatic advertising, direct campaigns, and sponsorships.
3. Syndication: Advertising revenue that is generated via an extensive network of syndication partners.
4. Direct to Consumer: Revenue is generated directly from consumers via eCommerce and streaming revenue sharing with holders of various media rights in Chile and Mexico.

## ***Growth and Acquisitions***

Since inception, the Company has executed its M&A strategy by making fifteen acquisitions, including platform businesses such as Futbol Sites, Wedge, Yardbarker and The Nation Network, as well as various asset acquisitions throughout the Americas.

In addition to a plan focused on strong organic growth for the Company's existing subsidiaries, Playmaker has a robust and growing proprietary pipeline that will continue to generate value. In seeking out additional acquisition targets, Playmaker will emphasize (i) significant strategic benefits and synergies, (ii) financial accretion, (iii) equity and/or earn-out sale mechanics and (iv) proven and aligned management teams, and (v) profitability or a clear path to profitability.

## **Subsequent Events**

On July 25, 2023, the Company completed an amendment to its existing credit facility agreement with a Schedule 1 bank (the "Credit Agreement"), extending the maturity date of its existing operating line and revolving term facilities by an additional 12 months to November 2, 2025. The revolving term interest-only period under the Credit Agreement has been adjusted to 12 months from the amendment date, and then is repayable based on 48-month amortization with a balloon payment at the end of the term. The Credit Agreement was also amended to add a third credit facility, a \$10,000,000 delayed draw term facility (the "Delayed Draw Facility") that bears an interest rate at the Schedule 1 bank's prime lending rate plus 1.75% per annum, with a maturity date of July 25, 2025. The Delayed Draw Facility has an interest-only period of 12 months from the amendment date and then is repayable based on 36-month amortization with a balloon payment at the end of the term. All the facilities have an option to extend for an additional 12 months, subject to the bank's approval.

On August 8, 2023, Playmaker acquired 100% of La Poche Bleue Inc. ("LPB"), a Quebec-based sports media and entertainment group with a robust portfolio of video-podcast series as well as a diversified line of branded lifestyle and consumer products, for aggregate consideration of up to CAD \$8.8 million. The purchase price consideration consisted of (i) a closing cash payment of CAD \$2.25 million, (ii) the issuance of 1,666,667 Playmaker common shares (the "Playmaker Shares") on closing, priced at CAD \$0.75 per Playmaker Share, (iii) two separate earn-out payments of up to a maximum of CAD \$5.0 million in the aggregate, payable to the sellers upon LPB achieving EBITDA targets of CAD \$1.0 million in the first 12-month period post-closing and CAD \$1.2 million in the subsequent 12-month period, and (iv) deferred cash payments of CAD \$0.3 million, payable to the sellers over the first two years following closing. The earn-out consideration is payable through a combination of cash and Playmaker common shares, subject to the approval of the TSXV, and provided that the issue price of the earn-out shares is equal to the greater of (i) CAD \$0.75 or (ii) the 20-day average volume-adjusted share price of the earn-out shares, provided that such issue price shall not be lower than the market price at time of acquisition.

## Quarterly Highlights

<i>In 000s</i>	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Revenue	\$ 12,637	\$ 6,694	\$ 28,325	\$ 12,055
Operating (loss) income	(855)	(484)	1,962	(1,103)
Net income (loss) from continuing operations	(330)	(905)	153	(4,250)
Net income (loss)	(1,264)	(1,113)	(1,103)	(4,512)
aEBITDA	3,266	2,026	9,171	3,752
Pro Forma revenue	12,637	8,282	28,325	17,553
Pro Forma aEBITDA	3,266	2,642	9,171	5,992

- Q2 2023 Pro Forma revenue and aEBITDA increased by 53% and 24% over Q2 2022, respectively, driven by strong organic growth across our businesses due to increased traffic, more direct sales campaigns and strong affiliate segment performance.
- On an IFRS basis, Q2 2023 revenue increased by 89% over Q2 2022 driven by the acquisition of our affiliate segment and strong organic growth due to the above noted traffic increases and direct sales initiatives.
- The Company had an operating loss of \$0.9 million in Q2 2023 compared to an operating loss of \$0.5 million in Q2 2022. The decrease was driven by an \$0.7 million increase in depreciation and amortization.

## Discussion of Results of Operations

### Summary of Pro Forma results

<i>In 000s</i>	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Pro Forma revenue	\$ 12,637	\$ 8,282	\$ 28,325	\$ 17,553
Pro Forma aEBITDA	3,266	2,642	9,171	5,992

The Company's Q2 2023 Pro Forma revenue increased by \$4.4 million or 53% compared to Q2 2022 due to strong organic growth. Our digital media segment benefitted from strong direct sales campaigns and growth in session traffic over Q2 2022. Our affiliate segment performed well even with a quieter sports calendar as we continued to deliver new customers to our partners.

For the six months ended June 30, 2023, the Company's Pro Forma revenue increased by \$10.8 million or 61% over the prior year. Our digital media segment was driven by the above noted session growth and direct sales focus for the first half of the year. Our affiliate segment benefitted from the launch of legalized sports betting in Ohio and Massachusetts in January and March of 2023, respectively, in addition to the above-noted strong performance in states in which we have done business historically.

The Company's Q2 2023 Pro Forma aEBITDA increased by \$0.6 million or 24% compared to Q2 2022 driven by the above-mentioned growth in revenue. Our digital media segment produced \$2.2 million of aEBITDA, compared to \$1.1 million in our affiliate segment.

For the six months ended June 30, 2023, the Company's Pro Forma aEBITDA increased by \$3.2 million or 53% due to the above-mentioned growth in revenue. Our digital media segment produced \$3.9 million of aEBITDA, compared to \$5.3 million in our affiliate segment.

The following table shows the trailing 8 quarters of Pro Forma revenue and aEBITDA:

<i>In 000s</i>	<b>Pro Forma Revenue</b>		<b>Pro Forma aEBITDA</b>	
Q2 2023	\$	12,637	\$	3,266
Q1 2023		15,689		5,905
Q4 2022		18,797		7,331
Q3 2022		9,795		3,009
Q2 2022		8,282		2,642
Q1 2022		9,271		3,350
Q4 2021		9,065		3,617
Q3 2021		7,647		2,924

The Company's digital media segment revenue is driven primarily by two factors: the number of user sessions on our websites (traffic) and the revenue earned per session. Both factors are impacted by seasonality during the year, which follows the seasonality in advertiser spend. Advertiser spend is impacted by many factors, including the timing of each advertiser's fiscal year-end and the timing of significant events such as the Olympics or the FIFA World Cup, but it generally increases in Q4, which includes Black Friday and the Christmas shopping season. Therefore, the digital media segment's revenue is typically highest in Q4 and lowest in Q1 each year.

The Company's affiliate segment revenue has historically seen its highest levels of revenue in Q1 and Q4 each year due to the timing of major sporting events, particularly in the United States.

Due to this seasonality, the Company's results in any given quarter are not necessarily indicative of the results for the entire year.

### **Summary of Financial Results**

Financial results in the section below include the results of each acquired business from the date of the closing of their respective acquisitions.

<i>In 000s, except per share information</i>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Revenue	\$ 12,637	\$ 6,694	\$ 28,325	\$ 12,055
Gross profit	10,383	6,339	24,053	11,319
Operating expenses	11,238	6,823	22,091	12,422
Operating (loss) income	(855)	(484)	1,962	(1,103)
Net (loss) income from continuing operations	(330)	(905)	153	(4,250)
Net (loss) income per share from continuing operations	-	-	-	(0.02)

### **Revenue and gross profit**

Revenue increased by \$5.9 million or 89% and gross profit increased by \$4.0 million or 64% in Q2 2023 as compared to Q2 2022 driven by the acquisition of the affiliate segment and strong organic growth in our digital media segment. Our digital media segment benefitted from strong session traffic growth as well execution of direct sales campaigns.

During the six months ended June 30, 2023, revenue increased by \$16.3 million or 135% and gross profit increased by \$12.7 million or 113% compared to the prior year driven by the acquisition of the affiliate segment and strong organic growth in our digital media segment. Our digital media segment benefitted from continued execution of direct sales campaigns even with a reduced major sports calendar.

Costs of sales impacting gross profit includes the cost of acquiring paid traffic in our affiliate segment, syndication publisher costs, and the merchandise cost of inventory sold through e-commerce stores.

### Operating Expenses

<i>In 000s</i>	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Salary and wages	\$ 5,243	\$ 3,199	\$ 9,423	\$ 6,073
Advertising, commissions and fees	2,511	1,199	5,801	1,677
Web services and publishing	470	268	950	492
General and administration	475	462	935	869
Professional fees	443	211	801	673
Stock-based compensation	314	371	619	584
Depreciation and amortization	1,782	1,113	3,562	2,054
<b>Total operating expenses</b>	<b>\$ 11,238</b>	<b>\$ 6,823</b>	<b>\$ 22,091</b>	<b>\$ 12,422</b>

Salary and wages consist of salaries, benefits and bonuses, along with wages paid to independent contractors. Salary and wages increased by \$2.0 million or 64% in Q2 2023 compared to Q2 2022 driven by the organic growth of our digital media segment as we continue to build out our content production teams and grow session traffic. During the six months ended June 30, 2023, salaries and wages increased \$3.4 million or 55% compared to the prior period due to the above-mentioned organic growth as well as the acquisition of our affiliate segment.

Advertising, commissions and fees consists primarily of paid advertising expenses focused on user acquisition. Advertising, commissions and fees increased \$1.3M or 109% in Q2 2023 compared to Q2 2022 driven by our increased focus on direct sales campaigns and the growth of our paid advertising business. During the six months ended June 30, 2023, advertising, commissions and fees increased \$4.1M or 246% due to the growth and execution of our direct sales campaigns and increase in paid advertising since Q2 2022.

Web services and publishing mainly includes the cost of hosting and other technology costs required to maintain the Company's sites. Web services and publishing increased \$0.2 million or 75% in Q2 2023 compared to Q2 2022 due to maintenance and improvements to our existing websites. During the six months ended June 30, 2023, web services and publishing increased \$0.5M or 93% driven by the above-mentioned maintenance and improvements on our websites to be able to handle our increased session traffic and newly acquired sites.

General and administration costs consist of rent, insurance, and other general and office expenses. General and administration for Q2 2023 were consistent with the prior period.

Professional fees are primarily corporate activities and are comprised of legal, audit, tax, accounting and other consulting fees. Professional fees increased \$0.2 million or 110% in Q2 2023 compared to Q2 2022 and increased \$0.1 million or 19% during the six months ended June 30, 2023, compared to the prior period due to growth from the acquisition of the affiliate segment in late 2022.

Stock-based compensation in Q2 2023 was consistent with the prior period.

Depreciation and amortization relate to the depreciation on the Company's fixed and intangible assets. Depreciation and amortization increased in both cases for Q2 2023 compared to the prior period due the acquisition of our affiliate segment and other asset acquisitions made in 2022.

Net loss

<i>In 000s</i>	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
<b>Operating (loss) income</b>	\$ (855)	\$ (484)	\$ 1,962	\$ (1,103)
Transaction costs	(1)	(100)	(66)	(749)
Interest expense	(627)	(93)	(1,155)	(103)
Listing and filing fees	(6)	(6)	(12)	(11)
Other income	24	5	46	12
Other expenses	(10)	(60)	(22)	(72)
Change in fair value of consideration	-	-	(167)	(1,897)
Change in fair value of convertible debt	(280)	-	(884)	-
Foreign exchange gain (loss)	1,347	(140)	1,551	(277)
<b>(Loss) income before taxes</b>	<b>(408)</b>	<b>(878)</b>	<b>1,253</b>	<b>(4,200)</b>
<b>Net (loss) income from continuing operations</b>	<b>(330)</b>	<b>(905)</b>	<b>153</b>	<b>(4,250)</b>

The Company produced an operating loss of \$0.9 million for Q2 2023 compared to an operating loss of \$0.5 million for Q2 2022, a decrease of \$0.4 million driven by an \$0.7 million increase in depreciation and amortization.

During the six months ended June 30, 2023, the Company produced operating income of \$2.0 million compared to an operating loss of \$1.1 million in the prior year. The increase was driven by the acquisition of our affiliate segment.

During the three and six months ended June 30, 2023, the differences between the Company's consolidated operating loss and its net loss were primarily the result of the following factors:

- Interest expense of \$0.6 million and \$1.2 million, respectively, related to the interest payments on the Company's long-term debt and convertible debt facilities.
- Change in fair value of consideration of \$nil and \$0.2 million, respectively. This is a non-cash expense relating to the increase in fair value of contingent consideration associated with our acquisitions.
- Change in fair value of convertible debt of \$0.3 million and \$0.9 million, respectively, driven by changes in market conditions and assumptions used in the valuation of the instrument. This is a non-cash expense.
- Foreign exchange gains of \$1.3 million and \$1.6 million, respectively, driven by movements in foreign exchange rates.



## Quarterly Results of Operations

<i>In \$000s, except per share information</i>	Revenue		Net (loss) income		Net (loss) income per share – basic and diluted	
Q2 2023	\$	12,637	\$	(1,264)	\$	-
Q1 2023		15,689		161		-
Q4 2022		18,742		(785)		-
Q3 2022		8,812		(2,452)		(0.01)
Q2 2022		6,978		(1,113)		(0.01)
Q1 2022		5,817		(3,399)		(0.02)
Q4 2021		7,005		(2,977)		(0.01)
Q3 2021		4,776		893		-

Since the second quarter of 2021, the Company's revenue has grown steadily due to organic growth in existing assets and acquisitions of new companies over the course of 2021 and 2022. Revenue increased significantly in Q4 2022 primarily due to the acquisition of Wedge in October 2022 and the impact of the 2022 FIFA World Cup on our digital media segment.

### Reconciliation of Adjusted EBITDA

The following table reconciles Adjusted EBITDA to net loss:

<i>In 000s</i>	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
<b>Adjusted EBITDA</b>	\$ 3,266	\$ 2,026	\$ 9,171	\$ 3,752
Corporate costs	(1,103)	(1,026)	(2,106)	(2,218)
Restructuring costs	(213)	-	(213)	-
Acquisition-related costs	(709)	-	(709)	-
Depreciation and amortization	(1,782)	(1,113)	(3,562)	(2,054)
Stock-based compensation	(314)	(371)	(619)	(584)
Transaction costs	(1)	(100)	(66)	(749)
Interest expense	(627)	(93)	(1,155)	(103)
Listing and filing fees	(6)	(6)	(12)	(11)
Other income	24	5	46	12
Other expenses	(10)	(60)	(22)	(72)
Change in fair value of consideration	-	-	(167)	(1,897)
Change in fair value of convertible debenture	(280)	-	(884)	-
Foreign exchange gain (loss)	1,347	(140)	1,551	(277)
Taxes	78	(27)	(1,100)	(49)
<b>Net (loss) income from continuing operations</b>	\$ (330)	\$ (905)	\$ 153	\$ (4,250)

The restructuring costs noted above relate to the reorganization of the content and technology teams to align with our business needs following the World Cup. The acquisition-related costs of \$0.7 million noted above relate to a management bonus plan entered into with certain employees at The Nation Network Inc. ("TNN") upon acquisition of that business in November 2021, pursuant to which those employees can earn bonuses of up to CAD \$1.5 million in each of the second and third years following the closing of the TNN acquisition based on the achievement of defined revenue & EBITDA targets in those years.

## Liquidity and Financial Position

The following table is selected information from the Company's financial position as at the indicated dates:

<i>In 000s</i>	<b>June 30, 2023</b>		<b>Dec 31, 2022</b>	
Cash	\$	9,689	\$	8,876
Accounts receivable		6,462		12,755
<b>Total current assets</b>		<b>17,285</b>		<b>23,450</b>
Intangible assets		54,996		58,539
Goodwill		45,351		46,099
<b>Total assets</b>		<b>120,288</b>		<b>130,796</b>
Accounts payable		1,698		3,433
Accrued expenses and other current liabilities		3,187		4,281
Current portion of long-term debt		1,667		417
Current deferred consideration		1,591		2,000
Consideration payable		17,566		11,804
<b>Total current liabilities</b>		<b>26,260</b>		<b>23,259</b>
Long-term debt		8,333		9,583
Deferred consideration		914		2,438
Contingent consideration		8,114		17,957
Convertible debenture		16,318		15,425
<b>Total liabilities</b>		<b>67,509</b>		<b>76,385</b>
<b>Net working (deficiency) capital</b>		<b>(8,975)</b>		<b>191</b>

The Company's objective in managing liquidity risk is to maintain sufficient liquidity to meet operational needs and maintain an ability to continue investing in its business and assets. The Company intends to acquire companies and assets that are profitable or that have a clear path to profitability. The Company has historically financed these endeavours through the issuance of share capital and strategic debt financing.

As at June 30, 2023, the Company had cash of \$9.7 million (December 31, 2022: \$8.9 million), a working capital deficit of \$9.0 million (December 31, 2022: working capital of \$0.2 million), and \$10.0 million available to be drawn from its debt facilities. The subsequent refinancing of the Company's long-term debt facility in July 2023 made available an additional \$10.0 million, which means the Company now has \$20.0 million available to be drawn to meet its cashflow needs.

The Company's working capital deficit of \$9.0 million is primarily driven by the current portion of purchase consideration payable in connection with acquisitions made by the Company. During Q2 2023, the Company agreed with the vendors of Futbol Sites to extend the settlement of their consideration over the next 18 months in equal installments.

The Company's earn-outs include profitability targets; therefore, the acquired companies have to produce positive aEBITDA before the payment date in order for the liabilities to become payable. Additionally, the Company has the option to settle approximately 25% of the current portion of contingent consideration and approximately 26% of the total remaining contingent consideration, with shares instead of cash.

The Company produces positive cash flow from operating segments that contributes to its working capital each quarter. During the three and six months ended June 30, 2023, the Company's operating segments produced operating income of \$1.3 million and \$5.4 million, respectively, and aEBITDA of \$3.3 million and \$9.2 million, respectively.

## Cash Flow

<i>In 000s</i>	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Cash flows from (used in) operations	2,603	(171)	6,920	(777)
Cash flows used in investing	(4,437)	(8,277)	(6,049)	(9,651)
Cash flows from financing	(47)	5,968	(93)	5,954
Foreign exchange impact	180	(107)	34	(160)

During the six months ended June 30, 2023, the Company's cash and cash equivalents increased by \$0.8 million, which can be attributed to the following:

- Cash flows provided by operations of \$6.9 million (2022: cash flows used in operations of \$0.8 million). Those cash inflows were primarily driven by strong performance during the first half of the year and the collection of accounts receivable balances.
- Cash flows used in investing activities of \$6.0 million (2022: \$9.7 million) included \$5.9 million for the settlement of consideration amounts arising from acquisitions.
- Cash flows used in financing activities of \$0.1 million (2022: cash flows provided by financing activities of \$6.0 million) related to cash payments for leases the Company holds for office space.
- An increase of less than \$0.1 million (2022: decrease of \$0.2 million) arising from the impact of foreign exchange on cash.

## Capital Resources

At June 30, 2023, the Company's capital resources consisted primarily of cash and accounts receivable.

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Commitments

The following is a schedule which summarizes our undiscounted lease payment commitments:

Less than 1 year	\$	190,138
1 to 2 years		182,026
2 to 3 years		160,344
3 to 4 years		30,573
4 to 5 years		-
5 and more years	\$	-

## Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and initially recorded at fair value.

During the three and six months ended June 30, 2023, the Company incurred \$247,647 and \$472,081, respectively (2022: \$316,525 and \$519,242, respectively) in share-based compensation issued to executives and board members of the Company (Jordan Gnat, Jake Cassaday, Michael Cooke, Maryann Turcke, Sebastian Siseles, Mark Trachuk, Mark Harrison, Sara Slane and John Albright).

During the three and six months ended June 30, 2023, the Company incurred \$173,527 and \$539,477, respectively (2022: \$625,897 and \$960,104, respectively) in salary and wages expense payable to executives of the Company (Jordan Gnat, Jake Cassaday, Michael Cooke and Federico Grinberg).

During the three and six months ended June 30, 2023, the Company incurred professional fees of \$12,340 and \$24,590, respectively (2022: \$10,800 and \$28,606, respectively) which were paid to Sebastian Siseles, a member of the Company's board, for services rendered.

Federico Grinberg, an executive of the Company, has the opportunity to receive 27% (his proportionate share) of the contingent consideration associated with the acquisition of Futbol Sites.

## **Financial Instruments**

The Company, as part of its operations, carries financial instruments consisting of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities, long-term debt, convertible debenture and deferred consideration and contingent consideration.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities, and long-term debt approximates their fair value due to the maturities of these items. The fair value of deferred consideration, contingent consideration and the convertible debenture are determined using Level 3 valuation techniques.

## **Outstanding Share Data**

The Company is authorized to issue an unlimited number of Common Shares. As of the date of this MD&A, the Company has 229,504,472 Common Shares outstanding. The Company also has 8,360,000 stock options, and 4,056,366 restricted share units issued and outstanding.

## **Risk Factors**

The following information is a summary of certain risk factors only and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

For a detailed description of risk factors associated with the Company, refer to the section titled "Risk Factors" contained in the Company's most recent annual information form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Financial Instruments and Financial Risk Exposures**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, income tax receivable, accounts payable, accrued expenses and other current liabilities, long-term debt, convertible debt, deferred consideration and contingent consideration. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company's risk exposure and the manner in which such exposure is managed is as follows:

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash and/or stock. The Company is expected to be able to satisfy its obligations in the near term with its cash balances and/or the issuance of stock. As at June 30, 2023, the Company had a working capital deficit of \$9.0 million (December 31, 2022: working capital of \$0.2 million). Overall, the Company sees itself having limited liquidity risk due to the fact that it generated positive operating income and cash flow from operations during the six months ended June 30, 2023. Additionally, the Company is entitled to settle approximately 26% of the remaining total contingent consideration owing by it pursuant to historical acquisitions, and approximately 25% of the current portion of contingent consideration owing in respect of such transactions, in shares. Finally, as of the date of this MD&A, the Company has access to an operating facility of \$5.0 million, a delayed draw facility of \$10.0 million as part of its long-term debt facility, and up to \$5.0 million of additional capital available under its \$20.0 million convertible loan facility.

#### *Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Refer to the Company's Interim Financial Statements for further discussion on credit risk.

#### *Interest Rate Risk*

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt and convertible debenture obligations. The Company manages its interest rate risk by having fixed interest rates on a significant portion of its credit portfolio and limiting its exposure to variable interest rates where possible. Management believes the Company's sensitivity on interest payments is economically limited due to the mixture of fixed versus variable rate debt. The Company does not hedge its floating interest rate on its long-term debt as it feels the current rate to be reasonable, however the Company monitors market conditions on an ongoing basis.

#### *Foreign Exchange and Currency Risk*

Foreign exchange risk is the potential loss from exposure to foreign exchange rate fluctuation. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries. Exposure to foreign currency risk is evaluated continuously by management. Management believes the Company's sensitivity to variations in foreign exchange rates is economically limited due to the fact that majority of its contracts are denominated in U.S. Dollars.

The Company does not utilize any financial instruments to hedge this risk, but it will re-evaluate this position should circumstances change over time.

### **Critical Accounting Estimates**

The Company's significant accounting estimates and assumptions are summarized in Note 4 to the Company's consolidated annual financial statements for the year ended December 31, 2022.

### **Significant Accounting Policies**

The Company's significant accounting policies are summarized in Note 3 to the consolidated annual financial statements for the year ended December 31, 2022.

### **Changes in Accounting Policies**

There are no new standards issued by the IASB that were not effective at June 30, 2023 that are expected to have a significant impact on the Company.