

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 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: **001-38508**

Lottery.com Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

81-1996183

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

20808 State Hwy 71 W, Unit B, Spicewood, Texas

(Address of principal executive offices)

78669

(zip code)

(737) 309-4500

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.001 par value	LTRY	The Nasdaq Stock Market LLC
Warrants to purchase one share of common stock, each at an exercise price of \$230.00	LTRYW	The Nasdaq Stock Market LLC

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, 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 August 21, 2023, 2,546,264 shares of common stock, par value \$0.001 per share were issued and outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”) 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”), including statements about the financial condition, results of operations, earnings outlook and prospects of Lottery.com Inc. (“Lottery.com”, the “Company”, “we” or “us”). Forward-looking statements appear in a number of places in this Report, including, without limitation, under the heading in Part I, “*Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.*” In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Forward-looking statements are typically identified by words such as “plan,” “believe,” “expect,” “anticipate,” “intend,” “outlook,” “estimate,” “forecast,” “project,” “continue,” “could,” “may,” “might,” “possible,” “potential,” “predict,” “should,” “would” and other similar words and expressions, but the absence of these words does not mean that a statement is not forward-looking.

Forward-looking statements are based on the current expectations of the management of Lottery.com and are inherently subject to uncertainties and changes in circumstances and their potential effects and speak only as of the date of such statement. There can be no assurance that future developments will be those that have been anticipated. These forward-looking statements involve a number of risks, uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors discussed and identified in the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022 (the “Annual Report”) and in this Report, as such factors may be updated in our periodic reports filed with the Securities and Exchange Commission (the “SEC”), as well as the following:

- The findings of the previously disclosed Internal Investigation (as defined herein) and other matters have exposed us to a number of legal proceedings, investigations and inquiries, resulted in significant legal and other expenses, required significant time and attention from our senior management, among other adverse impacts.
- We and certain of our former officers are, and in the future, we or our officers and directors may become, the subject of legal proceedings, investigations and inquiries by governmental agencies with respect to the findings of the Internal Investigation and other matters, which could have a material adverse effect on our reputation, business, financial condition, cash flows and results of operations, and could result in additional claims and material liabilities.
- We have been named as a defendant in a number of lawsuits filed by purchasers of our securities, including class action lawsuits that could have a material adverse impact on our business, financial condition, results of operation and cash flows, and our reputation.
- Matters relating to or arising from the restatement and the Internal Investigation, including adverse publicity and potential concerns from our users, customers or others with whom we do business, have had and could continue to have an adverse effect on our business and financial condition.
- In July 2022, we furloughed the majority of our employees and suspended our lottery game sales operations after determining that we did not have sufficient financial resources to fund our operations or pay certain existing obligations, including our payroll and related obligations. As a result, we may not be able to continue as a going concern.
- We need additional capital to, among other things, support and restart our operations, re-hire employees and pay our expenses. Such capital may not be available on commercially acceptable terms, if at all. If we do not receive the additional capital, we may be forced to curtail or abandon our plans to recommence our operations and we may need to permanently cease our operations.

- If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud, and investor confidence and the trading price of our common stock and warrants may be materially and adversely affected.
- The circumstances that led to the failure to file our annual report and quarterly reports on time, and our efforts to investigate, assess and remediate those matters have caused and may continue to cause substantial delays in our SEC filings.
- Our inability to compete with other forms of entertainment for consumers' discretionary time and income.
- Economic downturns, inflation, geopolitical and political and market conditions beyond our control.
- Negative events or media coverage relating to our business, our management and directors, the lottery, lottery games or online gaming or betting.
- Our inability to attract and retain users, including as a result of failing to appear in Internet search engine results.
- Our continued ability to use domain names to promote and increase the value of our brand.
- Scrutiny by stakeholders with respect to responsible gaming and ethical conduct.
- Our ability to achieve profitability and growth in the newly-developed market for online lottery games.
- Our inability to profitably expand into new markets or capitalize on new gaming and lottery industry trends and changes, such as by developing successful new product offerings.
- The effectiveness of our marketing efforts in developing and maintaining our brand and reputation.
- Failure to offer high-quality user support.
- Adverse impacts to user relationships resulting from disruptions to our information technology.
- The vulnerability of our information systems to cyberattacks and disruptions caused with respect thereto, including an inability to securely maintain personal and other proprietary user information.
- Our inability to adapt to changes or updates in the Internet, mobile or personal devices, or new technology platforms or network infrastructures.
- The exposure of our online infrastructure to risks relating to new and untested distributed ledger technology.
- Our inability to comply with complex, ever-changing and multi-jurisdictional regulatory regimes and other legal requirements applicable to the gaming and lottery industries.
- Geopolitical shifts and changes in applicable laws or regulations or the manner in which they are interpreted.
- Our inability to successfully expand geographically and acquire and integrate new operations.
- Our dependence on third-party service providers to timely perform services or software component products for our gaming platforms, product offerings and the processing of user payments and withdrawals.
- Our inability to maintain successful relationships and/or agreements with lottery organizations and other third-party marketing or service provider affiliates.

- Failure of third-party service providers to protect, enforce, or defend intellectual property rights required to fulfill contractual obligations required for the operation of our business.
- The effectiveness of our transition and compliance with the regulatory and other requirements of being a newly public company.
- We are currently not in compliance with the continued listing standards of Nasdaq and may not be able to regain compliance with Nasdaq's continued listing standards in the future.
- Limited liquidity and trading of our securities.
- Woodford and/or UCIL may not loan us the amounts they agreed to under their Loan Agreement.
- Our obligations under the Woodford Loan Agreement (as defined herein) are secured by a first priority security interest in substantially all of our assets and if we were to default, they could force us to curtail or abandon our business plans and operations.
- The issuance and sale of common stock upon conversion of the amounts owed or upon exercise of the warrants issued to Woodford and UCIL (as defined herein) under the Loan Agreements may depress the market price of our common stock and cause substantial dilution
- We currently owe a significant amount of money under our Loan Agreements, which we may not be able to repay.

The risks described herein or in the "Risk Factors" sections of our other public filings referenced above are not exhaustive. Other sections of this Report describe additional factors that could adversely affect our business, financial condition or results of operations. New risk factors emerge from time to time and it is not possible to predict all such risk factors, nor can we assess the impact of all such risk factors on our business, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements, which speak only as of the date hereof. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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LOTTERY.COM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash	\$ 54,359	\$ 102,766
Restricted cash	-	-
Accounts receivable	169,482	208,647
Prepaid expenses	19,392,165	19,409,323
Other current assets	760,180	718,550
Total current assets	20,376,186	20,439,286
Notes receivable	2,000,000	2,000,000
Investments	250,000	250,000
Goodwill	19,590,758	19,590,758
Intangible assets, net	21,220,422	23,982,445
Property and equipment, net	73,583	108,078
Other long term assets	12,884,686	13,009,686
Total assets	\$ 76,395,635	\$ 79,380,253
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	\$ 7,794,292	\$ 7,607,633
Deferred revenue	410,714	464,286
Notes payable - current	4,431,582	3,755,676
Accrued interest	483,644	484,172
Accrued and other expenses	7,266,377	4,626,973
Other liabilities	1,242,584	625,028
Total current liabilities	21,629,193	17,563,768
Long-term liabilities:		
Convertible debt, net - non current	-	-
Other long term liabilities	-	-
Total long-term liabilities	-	-
Commitments and contingencies (Note 13)	-	-
Total liabilities	21,629,193	17,563,768
Equity		
Controlling Interest		
Preferred Stock, par value \$0.001, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, par value \$0.001, 500,000,000 shares authorized, 2,527,045 issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	2,527	2,527
Additional paid-in capital	268,314,069	267,597,370
Accumulated other comprehensive loss	(144,729)	3,622
Accumulated deficit	(215,665,735)	(208,187,210)
Total Lottery.com Inc. stockholders' equity	52,506,132	59,416,309
Noncontrolling interest	2,260,310	2,400,176
Total Equity	54,766,442	61,816,485
Total liabilities and stockholders' equity	\$ 76,395,635	\$ 79,380,253

The accompanying notes are an integral part of these condensed consolidated financial statements.

LOTTERY.COM INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue	\$ 655,344	\$ 1,885,171	\$ 1,275,573	\$ 5,515,863
Cost of revenue	95,683	1,577,239	130,830	3,961,981
Gross profit	559,661	307,932	1,144,743	1,553,882
Operating expenses:				
Personnel costs	1,306,007	9,512,356	2,563,441	33,915,222
Professional fees	1,112,310	1,219,509	1,852,238	4,357,459
General and administrative	964,502	3,904,421	1,301,830	6,939,962
Depreciation and amortization	1,392,158	1,297,394	2,797,638	2,671,319
Total operating expenses	4,774,977	15,933,680	8,515,147	47,883,962
Income (loss) from operations	(4,215,316)	\$ (15,625,748)	(7,370,404)	\$ (46,330,080)
Other expenses				
Interest (income) expense	41,142	71,045	41,165	75,026
Other (income) expense	(399)	(247,851)	58,472	3,941,293
Total other expenses (income), net	40,743	(176,806)	99,637	4,016,319
Net loss before income tax	\$ (4,256,059)	\$ (15,448,942)	\$ (7,470,041)	\$ (50,346,399)
Income tax expense (benefit)	-	-	-	-
Net loss	(4,256,059)	(15,448,942)	(7,470,041)	(50,346,399)
Other comprehensive loss				
Foreign currency translation adjustment, net	(34,256)	(10,001)	(148,351)	(11,065)
Comprehensive loss	(4,290,315)	(15,458,943)	(7,618,392)	(50,357,464)
Net income attributable to noncontrolling interest	72,227	102,520	139,867	250,777
Net loss attributable to Lottery.com Inc.	(4,218,088)	(15,356,423)	(7,478,525)	(50,107,387)
Net loss per common share				
Basic and diluted	\$ (1.67)	\$ (6.09)	\$ (2.97)	\$ (19.90)
Weighted average common shares outstanding				
Basic and diluted	2,518,822	2,520,649	2,518,822	2,517,332

The accompanying notes are an integral part of these condensed consolidated financial statements.

LOTTERY.COM INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
For the Six Months Ended June 30, 2023 and 2022

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total AutoLotto Inc. Stockholders' Equity</u>	<u>Noncontrolling Interest</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>						
Balance as of December 31, 2021	50,256,317	\$ 50,256	\$ 239,358,644	\$ -148,188,138	\$ -655	\$ 91,220,107	\$ 2,780,092	\$ 94,000,199
Issuance of common stock upon stock option exercise	60,116	60	-60	-	-	-	-	-
Issuance of common stock for legal settlement	60,000	60	241,680	-	-	241,740	-	241,740
Stock based compensation	-	-	20,880,655	-	-	20,880,655	-	20,880,655
Other comprehensive loss	-	-	-	-	-1,064	-1,064	-	-1,064
Net loss	-	-	-	-34,750,964	-	-34,750,964	-147,557	-34,898,521
Balance as of March 31, 2022	<u>50,376,433</u>	<u>\$ 50,376</u>	<u>\$ 260,480,919</u>	<u>\$ -182,939,102</u>	<u>\$ -1,719</u>	<u>\$ 77,590,474</u>	<u>\$ 2,632,535</u>	<u>\$ 80,223,008</u>
Stock based compensation	164,473	164	6,710,089	-	-	6,710,253	-	6,710,253
Other comprehensive loss	-	-	-	-	-10,001	-10,001	-	-10,001
Net loss	-	-	-	-15,356,423	-	-15,356,423	-102,520	-15,458,943
Balance as of June 30, 2022	<u>50,540,906</u>	<u>\$ 50,540</u>	<u>\$ 267,191,008</u>	<u>\$ -198,295,525</u>	<u>\$ -11,720</u>	<u>\$ 68,934,303</u>	<u>\$ 2,530,015</u>	<u>\$ 71,464,317</u>
Balance as of December 31, 2022	50,540,906	50,540	267,549,357	-208,187,210	3,622	59,416,309	2,400,176	61,816,485
Stock based compensation	-	-	358,349	-	-	358,349	-	358,349
Other comprehensive loss	-	-	-	-	-114,095	-114,095	-	-114,095
Net loss	-	-	-	-3,260,437	-	-3,260,437	-67,640	-3,328,077
Balance as of March 31, 2023	<u>50,540,906</u>	<u>\$ 50,540</u>	<u>\$ 267,907,706</u>	<u>\$ -211,447,647</u>	<u>\$ -110,473</u>	<u>\$ 56,400,126</u>	<u>\$ 2,332,536</u>	<u>\$ 58,732,662</u>
Stock based compensation	-	-	358,350	-	-	358,350	-	358,350
Other comprehensive loss	-	-	-	-	-34,256	-34,256	-	-34,256
Net loss	-	-	-	-4,218,088	-	-4,218,088	-72,226	-4,290,314
Balance as of June 30, 2023	<u>50,540,906</u>	<u>\$ 50,540</u>	<u>\$ 268,266,056</u>	<u>\$ -215,665,735</u>	<u>\$ -144,729</u>	<u>\$ 52,506,132</u>	<u>\$ 2,260,310</u>	<u>\$ 54,766,442</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

LOTTERY.COM INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
For the Six Months Ended June 30, 2022 and 2021

	Six Months Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (7,478,525)	\$ (50,107,387)
Adjustments to reconcile net income to net cash used in operating activities:		
Loss Attributable to noncontrolling interest	(139,866)	(250,077)
Depreciation and amortization	2,796,518	2,707,239
Issuance of common stock for legal settlement	-	241,740
Stock based compensation	716,699	27,590,908
Changes in assets and liabilities:		
Accounts receivable	39,165	(122,883)
Prepaid expenses	17,158	2,269,527
Other current assets	(41,630)	(33,247)
Other long-term assets	125,000	(13,009,686)
Note receivable	-	(2,000,000)
Trade payables	186,659	3,722,305
Accounts payable and accrued expenses	2,639,404	(1,152,940)
Deferred revenue	(53,572)	(644,478)
Other liabilities	616,556	-
Accrued interest	(528)	189,116
Other long term liabilities	-	353
Commitments and contingencies	-	30,000,000
Net cash (used in) provided by operating activities	(575,962)	(599,509)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(18,305)
Purchase of intangibles	-	(1,161,673)
Net cash used in investing activities	-	(1,179,978)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible debt	675,906	-
Payments on notes payable - related parties	-	(479,096)
Principal payments on debt	-	-
Net cash (used in) provided by financing activities	675,906	(479,096)
Net effect of exchange rate changes on Cash	(148,351)	(11,065)
NET CHANGE IN NET CASH AND RESTRICTED CASH	(48,407)	(2,269,648)
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	102,766	32,638,970
CASH AND RESTRICTED CASH - END OF PERIOD	\$ 54,359	\$ 30,369,321
Supplemental Disclosure of Cash Flow Information:		
Interest paid in cash	\$ -	\$ -
Taxes paid in cash	\$ -	\$ -

The accompanying notes are an integral part of these condensed consolidated financial statements.

LOTTERY.COM INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE AND SIX MONTHS ENDED JUNE 30, 2023

1. Nature of Operations

Description of Business

Lottery.com Inc. (formerly Trident Acquisitions Corp) (“TDAC”, “Lottery.com” or “the Company”), was formed as a Delaware corporation on March 17, 2016. On October 29, 2021, we consummated a business combination (the “Business Combination”) with AutoLotto, Inc. (“AutoLotto”) pursuant to the terms of a Business Combination Agreement, dated February 21, 2021 (“Business Combination Agreement”). Following the closing of the Business Combination (the “Closing”) we changed our name from “Trident Acquisitions Corp.” to “Lottery.com Inc.” and the business of AutoLotto became our business. In connection with the Business Combination, we moved our headquarters from New York, New York to AutoLotto’s offices in Spicewood, Texas.

We are a provider of domestic and international lottery products and services. As an independent third-party lottery game service, we offer a platform developed and operated by us to enable the remote purchase of legally sanctioned lottery games in the U.S. and abroad (the “Platform”). Our revenue generating activities are focused on (i) offering the Platform via the Lottery.com app and our websites to users located in the U.S. and international jurisdictions where the sale of lottery games is legal and our services are enabled for the remote purchase of legally sanctioned lottery games (our “B2C Platform”); (ii) offering an internally developed, created and operated business-to-business application programming interface (“API”) of the Platform to enable commercial partners in permitted U.S. and international jurisdictions to purchase certain legally operated lottery games from us and resell them to users located within their respective jurisdictions (“B2B API”); and (iii) delivering global lottery data, such as winning numbers and results, to commercial digital subscribers and providing access to other proprietary, anonymized transaction data pursuant to multi-year contracts (“Data Service”).

We have been a provider of lottery products and services and our business has been and continues to be subject to regulation in each jurisdiction in which we offer the B2C Platform, or a commercial partner offers users access to lottery games through the B2B API. In addition, we must also comply with the requirements of federal and other domestic and foreign regulatory bodies and governmental authorities in jurisdictions in which we operate or with authority over our business. Our business is also subject to multiple other domestic and international laws, including those relating to the transmission of information, privacy, security, data retention, and other consumer focused laws, and, as such, may be impacted by changes in the interpretation of such laws.

On June 30, 2021, we acquired an interest in Medios Electronicos y de Comunicacion, S.A.P.I de C.V. (“Aganar”) and JuegaLotto, S.A. de C.V. (“JuegaLotto”). Aganar is authorized to operate in the licensed iLottery market in Mexico since 2007 as an online retailer of Mexican National Lottery draw games, instant digital scratch-off games and other games of chance. JuegaLotto is authorized by the Mexican federal regulatory authorities to sell international lottery games in Mexico.

On July 28, 2022, the Board of Directors determined that the Company did not currently have sufficient financial resources to fund its operations or pay certain existing obligations, including its payroll and related obligations and effectively ceased its operations furloughing certain employees effective July 29, 2022 (the “Operational Cessation”). Subsequently, the Company has had minimal day-to-day operations and has primarily focused its operations on restarting certain aspects of its core business (the “Plans for Recommencement of Company Operations”).

On November 15, 2022, the Company formed a new wholly-owned subsidiary, Sports.Com, Inc., as a Texas corporation (the “New Subsidiary”). The New Subsidiary will share the same principal address as the Company. In connection therewith, on November 19, 2022, the Company filed in the State of Texas a “doing business as” assumed name registration under the name, “Sports.Com”, and intends to file additional assumed name registrations under this name in other U.S. and foreign jurisdictions.

On April 25, 2023, as part of the Plans for Recommencement of Company Operations, the Company resumed its ticket sales operations to support an affiliate partner through its Texas retail network.

2. Liquidity and Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and classification of liabilities and commitments in the normal course of business. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classifications of liabilities that might result if the Company is unable to continue as a going concern.

Pursuant to the requirements of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 205-40, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date these financial statements are issued. This evaluation does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented or are not within control of the Company as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued.

The Company has experienced recurring net losses and negative cash flows from operations and has an accumulated deficit of approximately \$216 million and a working capital of approximately negative \$1.3 million at June 30, 2023. For the three months ended June 30, 2023, the Company sustained a net loss of \$4.2 million. The Company had loss from operations of \$4.2 million for the three months ended June 30, 2023.

The Company has historically funded its activities almost exclusively from debt and equity financing. Management's plans in order to meet its operating cash flow requirements include financing activities such as private placements of its common stock, preferred stock offerings, and issuances of debt and convertible debt. Although Management believes that it will be able to continue to raise funds by sale of its securities to provide the additional cash needed to meet the Company's obligations through borrowings under the Woodford Loan Agreement and/or the UCIL Loan Agreement (see Note 8. Notes Payable), the Plans for Resumption of Company Operations require substantial funds to implement and there is no assurance that the Company will be able to continue raising the required capital.

The Company's ability to continue as a going concern for the next twelve months from the issuance of these financial statements depends on its ability to execute its business plan, increase revenues, and reduce expenditures. Such conditions raise substantial doubt about the Company's ability to continue as a going concern.

We will require additional financing to continue to execute on our business plan. However, there can be no assurances that we will be successful in raising the additional capital necessary to continue operations and execute on our business plan.

3. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X. Certain footnotes and other financial information normally required by accounting principles generally accepted in the United States of America, or GAAP, have been condensed or omitted in accordance with such rules and regulations. In management's opinion, these condensed consolidated financial statements have been prepared on the same basis as our annual consolidated financial statements and notes thereto and include all adjustments, consisting of normal recurring items, considered necessary for fair presentation. The operating results for the three months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

The condensed consolidated balance sheet as of June 30, 2023 has been derived from our unaudited financial statements at that date but does not include all disclosures and financial information required by GAAP for complete financial statements. The information included in this quarterly report on Form 10-Q should be read in conjunction with our consolidated financial statements and notes thereto for the year ended December 31, 2022, which were included in our Annual Report on Form 10-K that was filed with the Securities and Exchange Commission on June 15, 2023 (the "Annual Report").

Impact of Trident Acquisition Corp. Business Combination

We accounted for the October 29, 2021 Business Combination as a reverse recapitalization whereby AutoLotto was determined as the accounting acquirer and TDAC as the accounting acquiree. This determination was primarily based on:

- former AutoLotto stockholders having the largest voting interest in Lottery.com;
- the Board of Directors of Lottery.com having not less than 5 members, and TDAC only having the ability under the Business Combination Agreement to nominate one member to the Board of Directors for an initial two year term;
- AutoLotto management continuing to hold executive management roles for the post-Business Combination entity and being responsible for the day-to-day operations;
- the post-Business Combination entity assuming the Lottery.com name, which was the assumed name under which AutoLotto conducted business;
- Lottery.com maintaining the pre-existing AutoLotto headquarters; and
- the intended strategy of Lottery.com being a continuation of AutoLotto's strategy.

Accordingly, the Business Combination was treated as the equivalent of AutoLotto issuing stock for the net assets of TDAC, accompanied by a recapitalization. The net assets of TDAC are stated at historical cost, with no goodwill or other intangible assets recorded.

While TDAC was the legal acquirer in the Business Combination, because AutoLotto was determined to be the accounting acquirer, the historical financial statements of AutoLotto became the historical financial statements of the combined company, upon the consummation of the Business Combination. As a result, the financial statements included in the accompanying condensed consolidated financial statements reflect (i) the historical operating results of AutoLotto prior to the Business Combination; (ii) the combined results of the Company and AutoLotto following the Closing; (iii) the assets and liabilities of AutoLotto at their historical cost; and (iv) our equity structure for all periods presented.

In connection with the Business Combination transaction, we have converted the equity structure for the periods prior to the Business Combination to reflect the number of shares of our common stock issued to AutoLotto's stockholders in connection with the recapitalization transaction. As such, the shares, corresponding capital amounts and earnings per share, as applicable, related to AutoLotto convertible preferred stock and common stock prior to the Business Combination have been retroactively converted by applying the exchange ratio established in the Business Combination.

Non-controlling Interests

Non-controlling interests represent the proportionate ownership of Aganar and JuegaLotto, held by minority members and reflect their capital investments as well as their proportionate interest in subsidiary losses and other changes in members' equity, including translation adjustments.

Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by our management in deciding how to allocate resources and in assessing operating performance. Under the provisions of ASC 280-10, "Segment Reporting" ("ASC 280"), we are not organized around specific services or geographic regions. We operate in one service line, providing lottery products and services.

Our management uses financial information, business prospects, competitive factors, operating results and other non-U.S. GAAP financial ratios to evaluate our performance, which is the same basis on which our results and performance are communicated to our Board of Directors. Based on the information described above and in accordance with the applicable literature, management has concluded that we are organized and operated as one operating and reportable segment on a condensed consolidated basis for each of the periods presented.

Concentration of Credit Risks

Financial instruments that are potentially subject to concentrations of credit risk are primarily cash. Cash is placed with major financial institutions deemed to be of high-credit-quality in order to limit credit exposure. Cash is regularly maintained in excess of federally insured limits at the financial institutions. Management believes that we are not exposed to any significant credit risk related to cash deposits.

Significant customers are those which represent more than 10% of our revenues for each period presented, or our accounts receivable balance as of each respective balance sheet date. For each significant customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total net accounts receivable are as follows:

Customer	Revenue for the Six Months Ended June 30,	
	2023	2022
Customer A	100%	24%
Customer B	-%	8%
Customer C	-%	-%
Customer D	-%	-%

The customers above had no outstanding receivables as of June 30, 2023 and 2022.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions to determine the reported amounts of assets, liabilities, revenue and expenses. Although management believes these estimates are reasonable, actual results could differ from these estimates. We evaluate our estimates on an ongoing basis and prepare our estimates on the basis of historical experience using assumptions we believe to be reasonable under the circumstances.

Foreign currency translation

The financial statements of the Company's significant non-U.S. subsidiaries are translated into United States dollars in accordance with ASC 830, "Foreign Currency Matters", 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. Resulting foreign currency translation adjustments are recorded directly in accumulated other comprehensive loss as a separate component of shareholders' deficit. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in general and administrative expenses in the accompanying consolidated statement of operations and comprehensive loss when realized.

Cash

As of June 30, 2023 and December 31, 2022, cash and cash equivalents were comprised of cash deposits. Certain deposits with some banks exceeded federally insured limits with the majority of cash held in one financial institution. Management believes all financial institutions holding its cash are of high credit quality and does not believe we are subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

The Company had no marketable securities as of June 30, 2023 and December 31, 2022.

Accounts Receivable

Through the various merchant providers used by us, we pre-authorize forms of payment prior to the sale of digital representation of lottery games to minimize exposure to losses related to uncollected payments and we do not extend credit to the user of the B2C Platform or the commercial partner of the B2B API, or its customers, in the normal course of business. We estimate our bad debt exposure each period and record a bad debt provision for accounts receivable we believe may not be collected in full. The Company had an allowance for uncollectible receivables of \$84,520 as of June 30, 2023 and December 31, 2022.

Prepaid Expenses

Prepaid expenses consist of payments made on contractual obligations for services to be consumed in future periods. The Company entered into an agreement with a third party to provide advertising services and issued equity instruments as compensation for the advertising services. The Company expenses the service as it is performed. The value of the services provided was used to value these contracts. The current portion of prepaid expenses is included in current assets on the condensed consolidated balance sheets.

Investments

On August 2, 2018, AutoLotto purchased 186,666 shares of Class A-1 common stock of a third-party business development partner representing 4% of the total outstanding shares of such company. As this investment resulted in less than 20% ownership, it was accounted for using the cost basis method.

Property and equipment, net

Property and equipment are stated at cost. Depreciation and amortization are generally computed using the straight-line method over estimated useful lives ranging from three to five years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset. Routine maintenance and repair costs are expensed as incurred. The costs of major additions, replacements and improvements are capitalized. Gains and losses realized on the sale or disposal of property and equipment are recognized or charged to other expense in the condensed consolidated statement of operations.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Computers and equipment	3 years
Furniture and fixtures	5 years
Software	3 years

Notes Receivable

Notes receivable consist of contracts where the Company has loaned funds to outside parties. The Company accrues interest receivable over the term of the outstanding notes and reviews for doubtful collectability periodically but in no instance less than annually.

Leases

Right-of-use assets ("ROU assets") represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Variable lease payments are not included in the calculation of the right-of-use asset and lease liability due to uncertainty of the payment amount and are recorded as lease expense in the period incurred. As most of the leases do not provide an implicit rate, the Company used its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Otherwise, the implicit rate was used when readily determinable. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Under the available practical expedient, the Company accounts for the lease and non-lease components as a single lease component for all classes of underlying assets as both a lessee and lessor. Further, management elected a short-term lease exception policy on all classes of underlying assets, permitting the Company to not apply the recognition requirements of this standard to short-term leases (i.e. leases with terms of 12 months or less).

Internal Use Software Development

Software development costs incurred internally to develop software programs to be used solely to meet our internal needs and applications are capitalized once the preliminary project stage is complete and it is probable that the project will be completed and the software will be used to perform the intended function. Additionally, we capitalize qualifying costs incurred for upgrades and enhancements to existing software that result in additional functionality. Costs related to preliminary project planning activities, post-implementation activities, maintenance and minor modifications are expensed as incurred. Internal-use software development costs are amortized on a straight line basis over the estimated useful life of the software.

Software License

Software license represents the Company's license agreements for third party software, which are amortized over their estimated economic lives.

Customer relationships

Customer relationships are finite-lived intangible assets, which are amortized over their estimated economic lives. Customer relationships are generally recognized as the result of business combinations.

Gaming Licenses

The Company incurs fees in connection with applying for and maintaining good standing in jurisdictions via business licenses. Fees incurred in connection with the application and subsequent renewals are capitalized and amortized using the straight-line method over an estimated useful life. These fees are capitalized and amortized over the shorter of their expected benefit under the partnership agreement or estimated useful life.

Trademarks and Tradenames

The Company incurs fees in connection with applying for and maintaining trademarks and tradenames as well as trademarks and tradenames resulting from acquisitions. Fees incurred in connection with the application and subsequent renewals are capitalized and amortized using the straight-line method over an estimated useful life.

Domain Name

Domain name represents the cost incurred to purchase website domain names which are being amortized on a straight-line method over estimated useful lives.

Impairment of Long-Lived Assets

Long-lived assets, except for goodwill, consist of property and equipment and finite-lived acquired intangible assets, such as internal-use software, software licenses, customer relationships, gaming licenses, trademarks, tradenames and customer relationships. Long-lived assets, except for goodwill and indefinite-lived assets, are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the asset may not be fully recoverable. Impairment expense is recognized to the extent an asset's expected undiscounted future cash flows are less than the asset's carrying amount.

Goodwill

The Company's business is classified into one reporting unit. In testing goodwill for impairment, the Company has the option to begin with a qualitative assessment, commonly referred to as "Step 0," to determine whether it is more likely than not that the fair value of a reporting unit containing goodwill is less than its carrying value. This qualitative assessment may include, but is not limited to, reviewing factors such as macroeconomic conditions, industry and market considerations, cost factors, entity-specific financial performance and other events, such as changes in the Company's management, strategy and primary user base. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company performs a quantitative goodwill impairment analysis by comparing the carrying amount to the fair value of the reporting unit. If the carrying amount exceeds the fair value, goodwill will be written down to the fair value and recorded as impairment expense in the consolidated statements of operations. The Company performs its impairment testing annually and when circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

Revenue Recognition

Under the new standard, ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*" ("ASC 606"), the Company recognizes revenues when the following criteria are met: (i) persuasive evidence of a contract with a customer exists; (ii) identifiable performance obligations under the contract exist; (iii) the transaction price is determinable for each performance obligation; (iv) the transaction price is allocated to each performance obligation; and (v) when the performance obligations are satisfied. Revenues are recognized when control of the promised goods or services is transferred to the customers in an amount that reflects the consideration expected to be entitled to in exchange for those goods or services.

Lottery game revenue

Items that fall under this revenue classification include:

Lottery game sales

The Company's performance obligations of delivering lottery games are satisfied at the time in which the digital representation of the lottery game is delivered to the user of the B2C Platform or the commercial partner of the B2B API, therefore, revenue is recognized at a point in time. The Company receives consideration for lottery game sales at the time of delivery to the customer, either the user or commercial partner, as applicable. There is no variable consideration related to lottery game sales. As each individual lottery game delivered represents a distinct performance obligation and consideration for each game sale is fixed, representing the standalone selling price, there is no allocation of consideration necessary.

In accordance with ASC 606, the Company evaluates the presentation of revenue on a gross versus net basis dependent on if the Company is a principal or agent. In making this evaluation, some of the factors that are considered include whether the Company has control over the specified good or service before it is transferred to the customer. The Company also assesses if it is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk, and has discretion in establishing the price. For all of the Company's transactions, management concluded that gross presentation is appropriate, as the Company is primarily responsible for providing the performance obligation directly to the customers and assumes fulfillment risk of all lottery game sales as it retains physical possession of lottery game sales tickets from time of sale until the point of redemption. The Company also retains inventory risk on all lottery game sales tickets as they are responsible for any potential winnings related to lost or unredeemable tickets at the time of redemption. Finally, while each jurisdiction establishes the face value of the lottery ticket, representing the game sales prices, the Company charges a separate and additional fee for the services it provides.

Affiliate marketing credit revenue

The Company's performance obligation in agreements with certain customers is to transfer previously acquired affiliate marketing credits ("credits"). Customers' payment for these credits is priced on a per-contract basis. The performance obligation in these agreements is to provide title rights of the previously acquired credits to the customer. This transfer is point-in-time when the revenue is recognized, and there are no variable considerations related to this performance obligation.

Arrangements with multiple performance obligations

The Company's contracts with customers may include multiple performance obligations. For such arrangements, management allocates revenue to each performance obligation based on its relative standalone selling price. Management generally determines standalone selling prices based on the prices charged to customers.

Deferred Revenue

The Company records deferred revenue when cash payments are received or due in advance of any performance, including amounts which are refundable.

Payment terms vary by the type and location of the customer and the products or services offered. The term between invoicing and when payment is due is not significant. For certain products or services and customer types, management requires payment before the products or services are delivered to the customer.

Contract Assets

Given the nature of the Company's services and contracts, it has no contract assets.

Taxes

Taxes assessed by a governmental authority that are both imposed on and concurrent with specific revenue-producing transactions, that are collected by us from a customer, are excluded from revenue.

Cost of Revenue

Cost of revenue consists primarily of variable costs, comprising (i) the cost of procurement of lottery games, minus winnings to users, additional expenses related to the sale of lottery games, including, commissions, affiliate fees and revenue shares; and (ii) payment processing fees on user fees, including, chargebacks imposed on the Company. Non-variable costs included in cost of revenue include affiliate marketing credits acquired on a per-contract basis.

Stock-based Compensation

Effective October 1, 2019, the Company adopted ASU 2018-07, *Compensation – “Stock Compensation (Topic 718): Improvements to Nonemployee Share-based Payment Accounting”* (“ASC 718”), which addresses aspects of the accounting for nonemployee share-based payment transactions and accounts for share-based awards to employees in accordance with ASC 718. Under this guidance, stock compensation expense is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the estimated service period (generally the vesting period) on the straight-line attribute method.

Net Loss per Share

Basic net loss per share is calculated by dividing the net loss for the period by the weighted-average number of common shares outstanding during the period. Diluted loss per share includes potentially dilutive securities such as outstanding options and warrants, using various methods such as the treasury stock or modified treasury stock method in the determination of dilutive shares outstanding during each reporting period. As of June 30, 2023, the Company excluded 10,456 stock options, 23,417 restricted awards, 24,415 warrants, 100,000 earn out shares and 87,500 unit purchase options respectively in the calculation of diluted loss per share, as the effect would be anti-dilutive due to losses incurred.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that may have an impact on our accounting and reporting. We believe that such recently issued accounting pronouncements and other authoritative guidance for which the effective date is in the future either will not have an impact on our accounting or reporting or that such impact will not be material to our financial position, results of operations and cash flows when implemented.

4. Business Combination

TDAC Combination

On October 29, 2021, the Company and AutoLotto consummated the transactions contemplated by the Business Combination Agreement. At the Closing, each share of common stock and preferred stock of AutoLotto that was issued and outstanding immediately prior to the effective time of the Business Combination (other than excluded shares as contemplated by the Business Combination Agreement) was canceled and converted into the right to receive approximately 3.0058 shares (the “Exchange Ratio”) of Lottery.com. common stock.

The Business Combination closing was a triggering event for the Series B convertible notes, of which \$63.8 million was converted into 162,426 shares of AutoLotto that were then converted into 488,226 shares of Lottery.com common stock using the Exchange Ratio.

At the Closing, each option to purchase AutoLotto’s common stock, whether vested or unvested, was assumed and converted into an option to purchase a number of shares of Lottery.com common stock in the manner set forth in the Business Combination Agreement.

The Company accounted for the Business Combination as a reverse recapitalization whereby AutoLotto was determined as the accounting acquirer and TDAC as the accounting acquiree. Refer to *Note 3, Significant Accounting Policies*, for further details. Accordingly, the Business Combination was treated as the equivalent of AutoLotto issuing stock for the net assets of TDAC, accompanied by a recapitalization. The net assets of TDAC are stated at historical cost, with no goodwill or other intangible assets recorded.

The accompanying condensed consolidated financial statements and related notes reflect the historical results of AutoLotto prior to the merger and do not include the historical results of TDAC prior to the consummation of the Business Combination.

Upon the Closing, AutoLotto received total net proceeds of approximately \$42,794,000 from TDAC’s trust and operating accounts. Total transaction costs were approximately \$9,460,000, which principally consisted of advisory, legal and other professional fees and were recorded in additional paid in capital. Cumulative debt repayments of approximately \$11,068,000, inclusive of accrued but unpaid interest, were paid in conjunction with the close, which included approximately \$5,475,000 repayment of notes payable to related parties, and approximately \$5,593,000 payment of accrued underwriter fees.

Pursuant to the terms of the Business Combination Agreement, the holders of issued and outstanding shares of AutoLotto prior to the Closing (the “Sellers”) were entitled to receive up to 300,000 additional shares of common stock (the “Seller Earnout Shares”) and Vadim Komissarov, Ilya Ponomarev and Marat Rosenberg (collectively the “TDAC Founders”) were also entitled to receive up to 200,000 additional shares of common stock (the “TDAC Founder Earnout Shares” and, together with the Seller Earnout Shares, the “Earnout Shares”). None of the earnout criteria had not been met by the December 31, 2021 and 2022 deadlines set forth in the Business Combination Agreement, thus no Seller Earnout Shares or TDAC Founder Earnout Shares were granted. As of June 30, 2023, none of the Seller Earnout Shares and TDAC Founder Earnout Shares were still eligible to be earned.

5. Property and Equipment, net

Property and equipment, net as of June 30, 2023 and December 31, 2022, consisted of the following:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Computers and equipment	\$ 125,555	\$ 124,199
Furniture and fixtures	16,898	16,898
Software	2,026,200	2,026,200
Property and equipment	2,168,653	2,167,297
Accumulated depreciation	(2,095,070)	(2,059,219)
Property and equipment, net	<u>\$ 73,583</u>	<u>\$ 108,078</u>

Depreciation expense was \$11,825 for the three months ended June 30, 2023, and was \$36,277 for the three months ended June 30, 2022.

6. Intangible assets, net

Gross carrying values and accumulated amortization of intangible assets:

	<u>June 30, 2023</u>				<u>December 31, 2022</u>		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortizing intangible assets							
Customer relationships	6 years	\$ 1,350,000	\$ (893,836)	\$ 456,164	\$ 1,350,000	\$ (781,385)	\$ 568,615
Trade name	6 years	2,550,000	(854,723)	1,695,277	2,550,000	(642,222)	1,907,778
Technology	6 years	3,050,000	(1,691,944)	1,358,056	3,050,000	(1,437,778)	1,612,222
Software agreements	6 years	14,450,000	(7,380,278)	7,069,722	14,450,000	(5,968,611)	8,481,389
Gaming license	6 years	4,020,000	(1,340,000)	2,680,000	4,020,000	(1,005,000)	3,015,000
Internally developed software	2 - 10 years	2,904,423	(555,304)	2,349,119	2,904,423	(350,232)	2,554,191
Domain name	15 years	6,935,000	(1,322,916)	5,612,084	6,935,000	(1,091,750)	5,843,250
		<u>\$35,259,423</u>	<u>\$ (14,039,001)</u>	<u>\$21,220,422</u>	<u>\$35,259,423</u>	<u>\$ (11,276,978)</u>	<u>\$23,982,445</u>

Amortization expense with respect to intangible assets for the three months ended June 30, 2023 and 2022 totaled \$1,381,536 and \$1,209,465, respectively, and for the six months ended June 30, 2023 and 2022 totaled \$2,762,571 and \$2,664,928, respectively, which is included in depreciation and amortization in the Statements of Operations.

Estimated amortization expense for years of useful life remaining is as follows:

Years ending December 31 ,	Amount
Remainder of 2023	\$ 2,647,946
2024	4,876,562
2025	4,556,562
2026	2,570,332
2027	1,178,167
Thereafter	5,390,853
	<u>\$ 21,220,422</u>

The Company had software development costs of \$476,850 related to projects not placed in service as of June 30, 2023 and December 31, 2022, respectively, which is included in intangible assets in the Company's consolidated balance sheets. Amortization will be calculated using the straight-line method over the appropriate estimated useful life when the assets are put into service.

7. Notes Receivable

On March 22, 2022, the Company entered into a three year secured promissory note agreement with a principal amount of \$2,000,000. The note bears simple interest at the rate of approximately 3.1% annually, due upon maturity of the note. The note is secured by all assets, accounts, and tangible and intangible property of the borrower and can be prepaid any time prior to its maturity date. As of June 30, 2023, the entire \$2,000,000 in principal was outstanding.

This note was received in consideration for a portion of the development work that the Company performed for the borrower who had intended to use the Company's technology to launch its own online game in a jurisdiction outside the U.S., where the Company is unlikely to operate.

8. Notes Payable and Convertible Debt

Series A Notes

From August to October 2017, the Company entered into seven Convertible Promissory Note Agreements with unaffiliated investors for an aggregate amount of \$821,500. The notes bear interest at 10% per year, are unsecured, and were due and payable on June 30, 2019. The parties verbally agreed to extend the maturity of the notes to December 31, 2022. The Company cannot prepay the loans without consent from the noteholders. As of June 30, 2023, there have been no Qualified Financing events that trigger conversion. As of June 30, 2023, the remaining outstanding balance of \$771,500 is no longer convertible and has been reclassified to Notes Payable as per the agreement. Accrued interest on the notes payable was \$138,822 at June 30, 2023. These Notes Payable are in default .

Series B Notes

From November 2018 to December 2020, the Company entered into multiple Convertible Promissory Note agreements with unaffiliated investors for an aggregate amount of \$8,802,828. The notes bear interest at 8% per year, are unsecured, and were due and payable on dates ranging from December 2020 to December 2021. For those notes maturing on or before December 31, 2020, the parties entered into amendments in February 2021 to extend the maturity of the notes to December 21, 2021. The Company cannot prepay the loans without consent from the noteholders.

During the year ended December 31, 2021, the Company entered into multiple Convertible Promissory Note agreements with unaffiliated investors for an aggregate amount of \$38,893,733. The notes bear interest at 8% per year, are unsecured, and are due and payable on dates ranging from December 2021 to December 2022. The Company cannot prepay the loans without consent from the noteholders. As of December 31, 2021, the Series B Convertible Notes had a balance of \$0.

During the year ended December 31, 2021, the Company entered into amendments with six of the Series B promissory noteholders to increase the principal value of the notes. The additional principal associated with the amendments totaled \$3,552,114. The amendments were accounted for as a debt extinguishment, whereby the old debt was derecognized and the new debt was recorded at fair value. The Company recorded loss on extinguishment of \$71,812 as a result of the amendment which is included in "Other expenses" on the condensed consolidated statements of operations and comprehensive loss .

As of October 29, 2021, all except \$185,095 of the series B convertible notes were converted into 488,226 shares of Lottery.com common stock. As of June 30, 2023, the remaining outstanding balance of \$185,095 is no longer convertible and has been reclassified to notes payable (See Note 3). Accrued interest on this note as of June 30, 2023 was \$57,334.

Woodford Funding

The Company received funding that became available through Woodford Eurasia Assets, Ltd. ("Woodford"), which entered into a loan agreement with the Company on December 7, 2022 (the "Woodford Loan Agreement"). Pursuant to the Woodford Loan Agreement, Woodford agreed to fund up to \$2.5 million, subject to certain conditions and requirements, of which approximately \$976,000 has been received to date. The parties may also mutually agree to increase the amount of the funding to \$52.5 million (i.e., an additional \$50 million). Amounts borrowed accrue interest at the rate of 12% per annum (22% per annum upon the occurrence of an event of default) and are due within 12 months of the date of each loan. Amounts borrowed can be repaid at any time without penalty.

Amounts borrowed pursuant to the Woodford Loan Agreement are convertible into the Company's common stock, beginning 60 days after the first loan date, at the option of the lender, at the rate of 80% of the lowest publicly available price per share of Company common stock within 10 business days of the date of the agreement (which was equal to \$0.28 per share), subject to a 4.99% beneficial ownership limitation and a separate limitation preventing the holder from holding more than 19.99% of the issued and outstanding common stock of the Company, without the Company obtaining shareholder approval for such issuance.

Conditions to the loan included the resignation of four of the then members of the Board of Directors (Lisa Borders, Steven M. Cohen, Lawrence Anthony DiMatteo and William Thompson, all of which persons subsequently resigned from the Board of Directors), and the appointment of two new directors (who have been appointed). Subsequent loans under the Woodford Loan Agreement also require our compliance with all listing requirements, unless waived by Woodford. The Woodford Loan Agreement also allows Woodford to nominate another director to the Board of Directors, in the event any independent member of the Board of Directors resigns.

Proceeds of the loans can only be used by us for restarting our operations, and for general corporate purposes agreed to by Woodford.

The Woodford Loan Agreement includes confidentiality obligations, representations, warranties, covenants, and events of default, which are customary for a transaction of this size and nature. Included in the Woodford Loan Agreement are covenants prohibiting us from (a) making any loan in excess of \$1 million or obtaining any loan in amount exceeding \$1 million without the consent of Woodford, which may not be unreasonably withheld; (b) selling more than \$1 million in assets; (c) maintaining less than enough assets to perform our obligations under the Woodford Loan Agreement; (d) encumbering any assets, except in the normal course of business, and not in an amount to exceed \$1 million; (e) amending or restating our governing documents; (f) declaring or paying any dividend; (g) issuing any shares which negatively affects Woodford; and (h) repurchasing any shares.

We also agreed to grant warrants to Woodford to purchase 15% of the 2,546,264 issued and outstanding shares of the company's common stock, with an exercise price equal to the average of the Nasdaq Official Closing Price for each of the ten days prior to the first amount being debited from the bank account of Woodford, which equates to an exercise price of \$5.60 per share. In the event we fail to repay the amounts borrowed when due or Woodford fails to convert the amount owed into shares, the exercise price of the warrants may be offset by amounts owed to Woodford, and in such case, the exercise price of the warrants will be subject to a further 25% discount (i.e., will equal \$4.20 per share).

As discussed in more detail in *Note 14. Subsequent Events*, on July 26, 2023, the Company entered into a credit facility (the "UCIL Credit Facility"), which is represented by a loan agreement, which was initially entered into on July 26, 2023 and was amended and restated on August 8, 2023 (as amended and restated, the "UCIL Loan Agreement"), with United Capital Investments London Limited ("UCIL"), an entity in which each of Matthew McGahan, the Company's interim Chief Executive Officer and Chair of the Company's Board, and Barney Battles, a member of the Board, have a direct or indirect interest. The decision by the Company to enter into the UCIL Loan Agreement follows an acknowledgment by the Company that it had not received the requisite funding on a timely basis that it expected from Woodford, despite the Company making several requests to Woodford for said funding under the Woodford Loan Agreement. Moreover, the Board of Directors determined that it was in the best interest of the Company and its stockholders to enter into the UCIL Loan Agreement with UCIL, as an alternative lender to Woodford, upon receiving an event of default notice on July 21, 2023 (the "Default Notice") and an event of default and crystallization notice on July 25, 2023 (the "Crystallization Notice") from Woodford under the Woodford Loan Agreement. On July 24, 2023, the Company responded to the Default Notice disputing that an event of default had occurred given the Company's earlier announcement that UCIL had agreed to enter into a funding arrangement with the Company. On July 27, 2023, the Company replied to the Crystallization Notice denying that an event of default occurred or continued, and further asserted that Woodford's attempt for crystallization was inappropriate and unlawful under the Woodford Loan Agreement. Given the uncertainty of the continued financing under the Woodford Loan Agreement, the Board of Directors sought to secure and formalize the Company's alternative funding by entering into the UCIL Loan Agreement.

Short term loans

On June 29, 2020, the Company entered into a Promissory Note with the U.S. Small Business Administration ("SBA") for \$150,000. The loan has a thirty-year term and bears interest at a rate of 3.75% per annum. Monthly principal and interest payments were deferred for twelve months after the date of disbursement. The loan may be prepaid at any time prior to maturity with no prepayment penalties. The Promissory Note contains events of default and other provisions customary for a loan of this type. As of June 30, 2023 and December 31, 2022, the balance of the loan was \$150,000. As of June 30, 2023, the accrued interest on this note was \$4,497.

In August 2020, the Company entered into three separate note payable agreements with three individuals for an aggregate amount of \$37,199. The notes bear interest at variable rates, are unsecured, and the parties verbally agreed the notes will be due upon a qualifying financing event. As of June 30, 2023 and December 31, 2022 the balance of the loans totaled \$13,000.

Notes payable

On August 28, 2018, in connection with the purchase of the entire membership interest of TinBu, the Company entered into several notes payable totaling \$12,674,635 with the sellers of the TinBu and a broker involved in the transaction. The notes had an initial interest rate of 0%, and original maturity date of January 25, 2022. The notes payable were modified during 2021 to extend the maturity to June 30, 2022 and the interest rate was modified to include simple interest of 4.1% per annum effective October 1, 2021. Each of the amendments were evaluated and determined to be loan modifications and accounted for accordingly. As of June 30, 2023 and December 31, 2022, the balance of the notes was \$2,336,081, respectively. These notes payable are in default .

9. Stockholders' Equity

Reverse Split

On August 9, 2023, the Company amended its Charter to implement, effective at 5:30 p.m., Eastern time, a 1-for-20 Reverse Stock Split. At the effective time of the Reverse Stock Split, every 20 shares of common stock either issued and outstanding or held as treasury stock were automatically combined into one issued and outstanding share of common stock, without any change in the par value per share. Stockholders who would have otherwise been entitled to fractional shares of common stock as a result of the Reverse Stock Split received a cash payment in lieu of receiving fractional shares. In addition, as a result of the Reverse Stock Split, proportionate adjustments will be made to the number of shares of common stock underlying the Company's outstanding equity awards, the number of shares issuable upon the exercise of the Company's outstanding warrants and the number of shares issuable under the Company's equity incentive plans and certain existing agreements, as well as the exercise, grant and acquisition prices of such equity awards and warrants, as applicable. The Reverse Stock Split was approved by the Company's stockholders at the Company's 2023 Annual Meeting of Stockholders on August 7, 2023 and was subsequently approved by the Board of Directors on August 7, 2023.

The effects of the Reverse Stock Split have been reflected in this Quarterly Report on Form 10-Q for all periods presented.

Preferred Stock

Pursuant to the Company's charter, the Company is authorized to issue 1,000,000 shares of preferred stock, par value \$0.001 per share. Our Board of Directors has the authority without action by the stockholders, to designate and issue shares of preferred stock in one or more classes or series, and the number of shares constituting any such class or series, and to fix the voting powers, designations, preferences, limitations, restrictions and relative rights of each class or series of preferred stock, including, without limitation, dividend rights, conversion rights, redemption privileges and liquidation preferences, which rights may be greater than the rights of the holders of the common stock. As of June 30, 2023, there were no shares of preferred stock issued and outstanding.

Common Stock

Our Certificate of Incorporation, as amended, authorizes the issuance of an aggregate of 500,000,000 shares of common stock, par value \$0.001 per share. The shares of common stock are duly authorized, issued, fully paid and non-assessable. Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the DGCL. Unless our Board determines otherwise, we will issue all shares of our common stock in uncertificated form. Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a

vote of stockholders. The holders of common stock do not have cumulative voting rights in the election of directors. Upon our liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common stock will be entitled to receive pro rata our remaining assets available for distribution.

As of June 30, 2023 and December 31, 2022, 2,527,045 shares of common stock, respectively, were outstanding. During the three months ended June 30, 2023, the Company did not issue any additional shares of common stock.

Public Warrants

The Public Warrants became exercisable 30 days after the Closing as the Company has an effective registration statement under the Securities Act covering the shares of common stock issuable upon exercise of the Public Warrants and a current prospectus relating to them is available (or the Company permits holders to exercise their Public Warrants on a cashless basis and such cashless exercise is exempt from registration under the Securities Act). The S-1 registration became effective November 24, 2021. The Public Warrants will expire five years after October 29, 2021, which was the completion of the TDAC Combination or earlier upon redemption or liquidation.

The Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of \$0.20 per warrant;
- upon a minimum of 30 days' prior written notice of redemption;
- if, and only if, the last sale price of the Company's common stock equals or exceeds \$320.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the shares of common stock underlying such warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. These warrants cannot be net cash settled by the Company in any event.

After giving effect to the Business Combination, there were 1,006,250 warrants to purchase shares of Common stock outstanding, 1,006,250 of which are Public Warrants and two of which were previously granted warrants of AutoLotto, which are now warrants of Lottery.com and are exercisable to purchase an aggregate of 19,784 shares of common stock.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding at December 31, 2022	24,415	\$ 30.40	3.6
Granted	-	-	-
Exercised	-	-	-
Forfeited/cancelled	-	-	-
Outstanding at June 30, 2023	<u>24,415</u>	<u>30.40</u>	<u>3.3</u>
Exercisable at June 30, 2023	<u>24,415</u>	<u>\$ 30.40</u>	<u>3.3</u>

Private Warrants

Private warrants of TDAC issued before the business combination were forfeited and did not transfer to the surviving entity.

Unit Purchase Option

On June 1, 2018, the Company sold to the underwriter (and its designees), for \$100, an option to purchase up to a total of 87,500 Units exercisable at \$240.00 per Unit (or an aggregate exercise price of \$21,000,000) commencing on the consummation of the Business Combination. The 87,500 Units represents the right to purchase 87,500 shares of common stock and 87,500 warrants to purchase 87,500 shares of common stock. The unit purchase option may be exercised for cash or on a cashless basis, at the holder's option, and expired on May 29, 2023. The Units issuable upon exercise of this option are identical to those offered by Lottery.com. The Company accounted for the unit purchase option, inclusive of the receipt of \$100 cash payment, as an expense of the Business Combination resulting in a charge directly to stockholders' equity. As of June 30, 2023, the 87,500 Units are no longer exercisable or outstanding.

Common Stock Warrants

On February 15, 2022, the Company issued warrants to purchase an aggregate 4,631 shares of the Company's common stock at an exercise price of \$151.20 per share. The warrants were valued at \$194,695 using a Black-Scholes pricing model.

The Company has classified the warrants as having Level 2 inputs, and used the Black-Scholes option-pricing model to value the warrants. The fair value at the issuance dates for the above warrants was based upon the following management assumptions:

	<u>Issuance dates</u>
Risk-free interest rate	1.80%
Expected dividend yield	0%
Expected volatility	113.17%
Term	3 years
Fair value of common stock	\$ 3.75

The Company did not issue any other warrants during the six months ended June 30, 2023 or the year ended December 31, 2022. All outstanding warrants are fully vested and have a weighted average remaining contractual life of 3.6 years. The Company incurred expenses related to outstanding warrants of \$0 and \$194,695 for the six months ended June 30, 2023 and 2022, respectively.

Beneficial Conversion Feature – Convertible Debt

As detailed in Note 8 – Notes Payable and Convertible Debt, the Company has issued two series of convertible debt. Both issuances resulted in the recognition of the beneficial conversion features contained within both of the instruments. The Company recognized the proceeds allocable to the beneficial conversion feature of \$8,480,697 as additional paid in capital and a corresponding debt discount of \$2,795,000. This additional paid in capital is reflected in the condensed consolidated Statements of Equity for the three months ended June 30, 2023 and the year ended December 31, 2022.

Earnout Shares

As detailed in Note 3 – as part of the TDAC Combination which occurred in October of 2021 a total of 5,000,000 Earnout Shares were eligible for issuance, subject to the occurrence of certain conditions, until December 31, 2022. Conditions required for earning those shares were not met. As a result no Earnout Shares were eligible for issuance as of June 30, 2023.

10. Stock-based Compensation Expense

2015 Stock Option Plan

Prior to the Closing, AutoLotto had the AutoLotto, Inc. 2015 Stock Option/Stock Issuance Plan (the “2015 Plan”) in place. Under the 2015 Plan, incentive stock options could be granted at a price not less than fair market value of the AutoLotto common stock (the “AutoLotto Common Stock”). If the AutoLotto common stock was at the time of grant listed on any stock exchange, then such fair market value would be the closing selling price per share of AutoLotto common stock on the date in question on such stock exchange, as such price is officially quoted in the composite tape of transactions on such stock exchange and published in The Wall Street Journal. If there was no closing selling price for the common stock on the date in question, then the fair market value would be the closing selling price on the last preceding date for which such quotation exists. If the common stock is at the time not listed on any Stock Exchange, then the fair market value would be determined by the Board of Directors or the Committee acting in its capacity as administrator of the Plan after taking into account such factors as the Plan Administrator shall deem appropriate. The maximum number of shares of common stock that could have been issued over the term of the Plan could not exceed Twenty Two Thousand Five Hundred (22,500). Options are exercisable over periods not to exceed 10 years (five years for incentive stock options granted to holders of 10% or more of voting stock) from the date of grant. Shares of AutoLotto common stock issued under the 2015 Plan could, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or vest in one or more installments over the Participant’s period of service or upon attainment of specified performance objectives. The Plan Administrator could not impose a vesting schedule upon any option grant or the shares of common stock subject to that option which is more restrictive than twenty percent (20%) per year vesting, with the initial vesting to occur not later than one (1) year after the option grant date. However, such limitation shall not be applicable to any option grants made to individuals who are officers of the Corporation, non-employee Board members or independent consultants.

2021 Equity Incentive Plan

In connection with the Business Combination, our Board of Directors adopted, and our stockholders approved, the Lottery.com 2021 Incentive Plan (the “2021 Plan”) under which 656,518 shares of Class A common stock were initially reserved for issuance. The 2021 Plan allows for the issuance of incentive and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock or cash based awards. The number of shares of the Company’s Class A common stock available for issuance under the 2021 Plan increases annually on the first day of each calendar year, beginning on and including January 1, 2022 and ending on and including January 1, 2031 by a number of shares of Company common stock equal to five percent of the total outstanding shares of Company common stock on the last day of the prior calendar year. The maximum number of incentive stock options which can be granted under the 2021 Plan is 656,518. Notwithstanding the foregoing, the Board of Directors may act prior to January 1st of a given year to provide that there will be no such increase in the share reserve for such year or that the increase in the share reserve for such year will be a lesser number of shares of Company common stock than would otherwise occur pursuant to the preceding sentence.

Stock Options

As of June 30, 2023, there were 10,456 stock options outstanding. The Company did not issue any new stock options during the three months ended June 30, 2023.

There was no stock-based compensation expense related to the employee options for the three months ended June 30, 2023 and 2022.

Restricted awards

The Company awarded restricted stock to employees on October 28, 2021, which was granted with various vesting terms including, service-based vesting, and performance-based vesting. In accordance with ASC 718, the Company has classified the restricted stock as equity.

For employee issuances, the measurement date is the date of grant, and the Company recognizes compensation expense for the grant of the restricted shares, over the service period for the restricted shares that vest over a period of multiple months or years and for performance-based vesting awards, the Company recognizes the expense when management believes it is probable the performance condition will be achieved. As of December 31, 2021, the Company had granted 191,622 shares with vesting to begin April 2022.

On April 29, 2022, restricted stock awards for certain employees vested and resulted in withholding tax for those employees. Given the limited trading liquidity of the Company's common shares, the Company withheld 6,527 shares, valued at \$47.60 per share (the closing price on April 29, 2022) from the employees, and paid the withholding tax on the employees' behalf.

For the three months ended June 30, 2023, the Company recognized \$358,349 of stock compensation expense related to the employee restricted stock grants. As of June 30, 2023, unrecognized stock-based compensation associated with the restricted stock awards is \$4,061,294 which will be expensed over the next 2.83 years.

The Company had restricted stock activity summarized as follows:

	Number of Shares	Weighted Average Grant Fair Value
To Outstanding at December 31, 2022	191,622	\$ 295.00
Granted	-	-
Vested	-	-
Forfeited/canceled	-	-
Restricted shares unvested at June 30, 2023	191,622	\$ 295.00

11. Income Taxes

We are required to file federal and state income tax returns in the United States. The preparation of these tax returns requires us to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by us. In consultation with our tax advisors, we base our tax returns on interpretations that are believed to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various federal and state taxing authorities in the jurisdictions in which we file tax returns. As part of these reviews, a taxing authority may disagree with respect to the income tax positions taken by us (“uncertain tax positions”) and, therefore, may require us to pay additional taxes. As required under applicable accounting rules, we accrue an amount for our estimate of additional income tax liability, including interest and penalties, which we could incur as a result of the ultimate or effective resolution of the uncertain tax positions. We account for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 and carry-forwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

12. Commitments and Contingencies

Indemnification Agreements

The Company enters into indemnification provisions under its agreements with other entities in its ordinary course of business, typically with members of its Board of Directors, Officers, business partners, customers, landlords, lenders and lessors. Under these provisions, the Company generally indemnifies and holds harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of the Company’s activities or, in some cases, as a result of the indemnified party’s activities under the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of June 30, 2023 and December 31, 2022.

Digital Securities

In 2018, the Company commenced an offering (the “LDC Offering”) of 285 million revenue participation interests (the “Digital Securities”) of net sweepstakes revenue of a wholly-owned entity of the Company, LDC Crypto Universal Public Company Limited (“LDC”); in February 2022, LTRY WinTogether, Inc. (“LTRY WinTogether”), a wholly-owned subsidiary of the Company assumed the obligations and liabilities of LDC, including, without limitation, with respect to the Digital Securities. The Digital Securities do not have any voting rights, redemption rights, or liquidation rights, nor are they tied in any way to other equity securities of any other subsidiary of the Company or of the Company nor do they otherwise hold any rights that a holder of equity securities of LTRY WinTogether or the Company may have or that a holder of traditional equity securities or capital stock may have. Rather, each of the holders of the Digital Securities has a pro rata right to receive 7% of the net sweepstakes revenue. If the net sweepstakes revenue is zero for a given period, holders of the Digital Securities are not eligible to receive any cash distributions from any sweepstakes of LTRY WinTogether for such period. For the year ended December 31, 2021, the Company incurred an obligation to pay an aggregate amount of approximately \$5,632 to holders of the outstanding Digital Securities. No additional obligations related to the holders of outstanding Digital Securities were incurred during the year ended December 31, 2022. The Company has not satisfied the outstanding obligation for 2021 as of June 30, 2023.

The Company leases office space in Spicewood, Texas (the “Spicewood Lease”), under an agreement which expires January 21, 2024. For the three months ended June 30, 2023 and 2022, the Company’s total rent expense for the Spicewood Lease was approximately \$6,000 each quarter.

The Company leases space to facilitate its business in Waco, Texas (the “Waco Lease”). On or about April 6, 2022, the Company remitted payment in the amount of \$40,221, which included any offsets and rent payment obligations through March 31, 2022, and rent payment obligations without offsets under the Waco Lease through June 30, 2022. The Waco lease expires on December 31, 2024. The Company additionally leased space in Dallas, Texas (the “Dallas Lease”). On or about April 6, 2022, the Company remitted payment in the amount of \$204,725 for rent payment obligations from November 11, 2016, through March 31, 2022. Upon remitting said payment the Dallas Lease terminated by agreement as of March 31, 2022.

Litigation and Other Loss Contingencies

On March 13, 2023, John Brier, Bin Tu and JBBT, LLC (collectively, the “TinBu Plaintiffs”) filed its original complaint against Lottery.com, Inc. f/k/a AutoLotto, Inc. and its wholly-owned subsidiary TinBu, LLC (“TinBu”) in the Circuit Court of the 13th Judicial District in and for Hillsborough County, Florida (the “TinBu Complaint”). The Complaint alleges breach of contract(s) and misrepresentation with alleged damages in excess of \$4.6 million. The parties agreed to extend the Company and its subsidiary’s deadline to respond until May 1, 2023. On May 2, 2023, the Company and its subsidiary retained local counsel who filed a Notice of Appearance on behalf of the Company and TinBu and filed a Motion for Enlargement requesting the Court to extend its deadline to file its initial response to the Complaint by an additional 30 days (the “Motion for Enlargement”). The Motion has not been set for a hearing. On May 5, 2023, Plaintiffs filed their Motion for Court Default (“Plaintiffs’ Motion for Default”), despite Company’s Motion for Enlargement. Plaintiffs’ Motion for Default has not been set for a hearing. The Company intends to oppose Plaintiffs’ Motion for Default. On May 9, 2023, Plaintiffs served Plaintiffs’ First Request for Admissions (the “RFA”) to the Company. The parties have agreed to an extension of time to respond to the RFA. The Company intends to respond in a timely manner or make necessary objections to the RFA. On June 5, 2023, each of the Company and TinBu filed its original Answer and Affirmative Defenses to the Complaint. On July 27, 2023, the Court granted Company’s and Tibu’s counsel of record’s request to withdraw. The Company and Tibu have until August 26, 2023 to retain new counsel and cause an appearance in the matter.

Restricted Cash and Letter of Credit

In the first quarter of 2022, the Company entered an agreement with a lending institution whereby the company pledged \$30,000,000 as security for a line of credit. Under that agreement, \$30,000,000 of company cash became restricted and remained restricted until the fourth quarter of 2022 when the bank took the \$30,000,000 from the Company and extinguished the debt related to the line of credit. This was presented on the company’s Balance Sheet as a Contingent Liability from March 31, 2022 until the obligation was satisfied in October of 2022.

J. Streicher Financial

On July 29, 2022, the Company filed an original *Verified Complaint for Breach of Contract and Specific Performance* (the “Complaint”) against J. Streicher Financial, LLC (“Streicher”) in the Court of Chancery of the State of Delaware (the “Chancery Court”). In its Complaint, the Company alleged that Streicher breached a contract entered into by the parties on March 9, 2022, and demanded that Streicher return \$16,500,000 it owes to the Company. On September 26, 2022, the Chancery Court entered an order in favor of the Company, *Granting with Modifications Company’s Motion for Partial Summary Judgment* in the amount of \$16,500,000 (the “Judgment”). On October 27, 2022, the Chancery Court further awarded the Company \$397,036.94 in attorney’s fees (the “Fee Order”). On November 15, 2022, the Company initiated efforts against Streicher to seek collections on the Judgment and Fee Order. The Company subsequently engaged a collection firm to pursue Streicher as a judgment debtor on behalf of Company. Since being engaged, the collection firm has sought collections on Streicher by noticing Judgment-Debtor for Deposition by Oral Examination in Aid of Judgment and seeking post-judgment discovery, including interrogatories and requests for production.

In an effort to avoid post-judgment discovery, Streicher has indicated a willingness to pay the judgment over time with interest and is attempting to negotiate a settlement and forbearance agreement with the Company. Streicher’s original deadline to produce documents and respond to the post-judgment discovery was January 16, 2023, and the Deposition was scheduled to take place on January 19, 2023. On January 20, 2023, faced with post-judgment discovery and depositions, Streicher remitted a partial payment towards the Judgment in the amount of \$75,000. On February 13, 2023, Streicher made another payment towards the Judgment in the amount of \$50,000 and agreed to make another payment in the amount of \$75,000 on February 28, 2023. Streicher failed to remit the payment on February 28, 2023, and as a result, the Company is proceeding with the post-judgment discovery and depositions, which was scheduled for March 16, 2023, provided that Streicher did not appear at such hearing. The Company intends to fully collect on the Judgment and intends to pursue all legal and equitable means to enforce the Judgment against Streicher until the Judgment is fully satisfied.

13. Related Party Transactions

The Company has entered into transactions with related parties. The Company regularly reviews these transactions; however, the Company’s results of operations may have been different if these transactions were conducted with nonrelated parties.

During the year ended December 31, 2020, the Company entered into borrowing arrangements with the individual founders to provide operating cash flow for the Company. The Company paid \$4,700 during the year ended December 31, 2020 and has an outstanding balance for these loans at March 31, 2023 of \$13,000.

Services Agreement with Master Goblin Games, LLC

In March 2020, the Company entered into a service agreement (as amended, the “Service Agreement”), with Master Goblin Games, LLC (“Master Goblin”), an entity that is wholly-owned by our former CFO and President, Ryan Dickinson. Master Goblin leases retail locations in certain U.S. jurisdictions from which it operates tabletop game retail stores and, ancillary to such retail operations, acts as sales agent or retailer licensed by the state lottery commission of such jurisdiction to sell lottery game tickets from such retail stores. The Company acquires lottery games as requested by users from Master Goblin on a non-exclusive basis in such jurisdictions.

Pursuant to the Service Agreement, Master Goblin was authorized and approved by the Company to incur up to \$100,000 in initial expenses per location for the commencement of operations at each location, including, without limitation, tenant improvements, furniture, inventory, fixtures and equipment, security and lease deposits, and licensing and filing fees. Similarly, pursuant to the Service Agreement, during each month of operation, Master Goblin was authorized to submit to the Company for reimbursement on-going expenses of up to \$5,000 per location for actually incurred lease expenses. The initial expenses were to be submitted by Master Goblin to the Company upon Master Goblin securing a lease, and leases were only secured by Master Goblin in any location upon request of the Company. On-going expenses were submitted by Master Goblin to the Company for reimbursement on a monthly basis, subject to offset, and were recorded by the Company as an expense. To the extent Master Goblin has a positive net income in any month, exclusive of the sale of lottery games, such net income reduces or eliminates such reimbursable expenses for that month. In addition, from time to time Master Goblin might incur certain additional reimbursable expenses for the benefit of the Company. The Company paid Master Goblin an aggregate of approximately \$440,000 and \$800,000, including expense reimbursements under the Service Agreement and additional reimbursable expenses, during the years ended December 31, 2022 and 2021, respectively. In January of 2023, the company paid \$53,000 to Master Goblin Games for settlement of outstanding obligations of \$316,919 and the parties mutually agreed to terminate the business relationship.

Credit Facility with United Capital Investments London Limited

On July 26, 2023, the Company entered into a credit facility (the “UCIL Credit Facility”) with United Capital Investments London Limited (“UCIL”). Each of Matthew McGahan, the Company’s interim Chief Executive Officer and Chair of the Board, and Barney Battles, a member of the Board, have a direct or indirect interest in UCIL. *See Note 14. Subsequent Events* for additional information regarding the UCIL Credit Facility.

14. Subsequent Events

On April 22, 2023, the Company signed an exclusive affiliate agreement with International Gaming Alliance (IGA), to supply official Texas lottery tickets in the Dominican Republic. The Company began supplying these tickets in the Dominican Republic in July 2023.

UCIL Loan Agreement

On July 26, 2023, the Company entered into a credit facility (the “UCIL Credit Facility”) with United Capital Investments London Limited (“UCIL”). Each of Matthew McGahan, the Company’s interim Chief Executive Officer and Chair of the Board, and Barney Battles, a member of the Board, have a direct or indirect interest in UCIL. The UCIL Credit Facility consists of (a) funding in the principal amount of up to \$1,000,000 to be paid in tranches over time and as requested by the Company (the “Initial Loan”), wherein in return for the Initial Loan the Company shall issue to UCIL a number of warrants to purchase shares of the Company’s common stock in an amount representing at least 4.5% but not exceeding 15% of the Company’s issued and outstanding common stock on the date of such issuance; and (b) an additional credit facility, at the Company’s written request and at UCIL’s sole discretion for an amount up to a total of \$49,000,000 in additional financing (the “Accordion”) in subsequent funding tranches. The interest rate on the Initial Loan and the Accordion is 10% per annum. The UCIL Credit Facility provides that UCIL may elect, in its sole discretion, to convert an amount of the Initial Loan and the Accordion, together with accrued interest, into shares of common stock at a conversion price calculated in accordance with the terms of the UCIL Loan Agreement (as defined below). In addition, the UCIL Credit Facility includes certain customary representations, warranties and events of default subject to customary notice and cure rights. The UCIL Credit Facility is represented by a loan agreement, which was initially entered into on July 26, 2023. On August 8, 2023, the loan agreement was amended and restated (such agreement as so amended and restated, the “UCIL Loan Agreement”) to remove an option to purchase up to 100% of the shares of Sports.com, a wholly-owned subsidiary of the Company, initially granted by the Company to UCIL. As of the date of this Report, UCIL has provided \$340,000 of funding to the Company as part of the \$1.2 million Initial Loan. The \$49 million accordion under the UCIL Loan Agreement will become available to the Company starting in September 2023..

The decision by the Company to enter into the UCIL Loan Agreement follows an acknowledgment by the Company that it had not received the requisite funding on a timely basis that it expected from Woodford, despite the Company making several requests to Woodford for said funding under the Woodford Loan Agreement. Moreover, the Board determined that it was in the best interest of the Company and its stockholders to enter into the UCIL Loan Agreement, as an alternative lender to Woodford, upon receiving an event of default notice on July 21, 2023 (the “Default Notice”) and an event of default and crystallization notice on July 25, 2023 (the “Crystallization Notice”) from Woodford under the Woodford Loan Agreement. On July 24, 2023, the Company responded to the Default Notice disputing that an event of default had occurred given the Company’s earlier announcement that UCIL had agreed to enter into a funding arrangement with the Company. On July 27, 2023, the Company replied to the Crystallization Notice denying that an event of default occurred or continued, and further asserted that Woodford’s attempt for crystallization was inappropriate and unlawful under the Woodford Loan Agreement. Given the uncertainty of the continued financing under the Woodford Loan Agreement, the Board sought to secure and formalize the Company’s alternative funding by entering into the UCIL Loan Agreement on July 26, 2023.

Reverse Stock Split

On August 9, 2023, the Company amended its Charter to implement, effective at 5:30 p.m., Eastern time, a 1-for-20 Reverse Stock Split. At the effective time of the Reverse Stock Split, every 20 shares of common stock either issued and outstanding or held as treasury stock were automatically combined into one issued and outstanding share of common stock, without any change in the par value per share. Stockholders who would have otherwise been entitled to fractional shares of common stock as a result of the Reverse Stock Split received a cash payment in lieu of receiving fractional shares. In addition, as a result of the Reverse Stock Split, proportionate adjustments will be made to the number of shares of common stock underlying the Company’s outstanding equity awards, the number of shares issuable upon the exercise of the Company’s outstanding warrants and the number of shares issuable under the Company’s equity incentive plans and certain existing agreements, as well as the exercise, grant and acquisition prices of such equity awards and warrants, as applicable. The Reverse Stock Split was approved by the Company’s stockholders at the Company’s 2023 Annual Meeting of Stockholders on August 7, 2023 and was subsequently approved by the Board of Directors on August 7, 2023.

The effects of the Reverse Stock Split have been reflected in this Quarterly Report on Form 10-Q for all periods presented.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations together with the condensed consolidated financial statements and the related notes appearing elsewhere in this Report contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of events may differ materially from those expressed or implied in such forward-looking statements as a result of various factors, including those set forth in the section entitled “Cautionary Note Regarding Forward-Looking Statements” included herein and the sections entitled “Risk Factors” included in this Report and in our Annual Report on Form 10-K for the year ended December 31, 2022 (our “Annual Report”).

Recent Developments

UCIL Agreement

On July 26, 2023, the Company entered into a credit facility (the “UCIL Credit Facility”) with United Capital Investments London Limited (“UCIL”). Each of Matthew McGahan, the Company’s interim Chief Executive Officer and Chair of the Board, and Barney Battles, a member of the Board, have a direct or indirect interest in UCIL. The UCIL Credit Facility consists of (a) funding in the principal amount of up to \$1,000,000 to be paid in tranches over time and as requested by the Company (the “Initial Loan”), wherein in return for the Initial Loan the Company shall issue to UCIL a number of warrants to purchase shares of the Company’s common stock in an amount representing at least 4.5% but not exceeding 15% of the Company’s issued and outstanding common stock on the date of such issuance; and (b) an additional credit facility, at the Company’s written request and at UCIL’s sole discretion for an amount up to a total of \$49,000,000 in additional financing (the “Accordion”) in subsequent funding tranches. The interest rate on the Initial Loan and the Accordion is 10% per annum. The UCIL Credit Facility provides that UCIL may elect, in its sole discretion, to convert an amount of the Initial Loan and the Accordion, together with accrued interest, into shares of common stock at a conversion price calculated in accordance with the terms of the UCIL Loan Agreement (as defined below). In addition, the UCIL Credit Facility includes certain customary representations, warranties and events of default subject to customary notice and cure rights. The UCIL Credit Facility is represented by a loan agreement, which was initially entered into on July 26, 2023. On August 8, 2023, the loan agreement was amended and restated (such agreement as so amended and restated, the “UCIL Loan Agreement”) to remove an option to purchase up to 100% of the shares of Sports.com, a wholly-owned subsidiary of the Company, initially granted by the Company to UCIL. As of the date of this Report, UCIL has provided \$340,000 of funding to the Company as part of the \$1.2 million Initial Loan. The \$49 million accordion under the UCIL Loan Agreement will become available to the Company starting in September 2023.

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Overview

Internal Investigation and Operational Cessation

On July 6, 2022, the Company announced that the Audit Committee (the “Audit Committee”) of the board of directors of the Company (the “Board”) had retained outside counsel to conduct an independent investigation that revealed instances of non-compliance with state and federal laws concerning the states in which lottery tickets were procured as well as order fulfillment. The investigation also identified issues pertaining to the Company’s internal accounting controls (the “Internal Investigation”). Following a report on the findings of the Internal Investigation, on June 30, 2022, the Board terminated the employment of Ryan Dickinson as the Company’s President, Treasurer and Chief Financial Officer, effective July 1, 2022. Subsequently, the Company initiated a review of its cash balances and related disclosures as well as its revenue recognition processes and other internal accounting controls.

On July 20, 2022, Armanino LLP (“Armanino”), the Company’s registered independent public accountant for the fiscal years ended December 31, 2021 and 2022, advised the Company that its audited financial statements of for the year ended December 31, 2021 (the “2021 Audit”) and the unaudited financial statements for the quarter ended March 31, 2022 (the “March 2022 Financials”), should no longer be relied upon. Armanino advised that it had determined, subsequent to the 2021 Audit and review of the March 2022 Financials, that the Company had entered into a line of credit in January 2022 that was not disclosed in the footnotes to the 2021 Audit and was not properly recorded in the March 2022 Financials (see Note 4 to our consolidated financial statements for more details).

On July 28, 2022, the Board determined that the Company did not have sufficient financial resources to fund its operations or pay certain existing obligations, including its payroll and related obligations, due to a significant misstatement of our cash balances.

The following day, on July 29, 2022, the Company effectively ceased operations (the “Operational Cessation”), when it furloughed the majority of its employees and generally suspended its lottery game sales. The Company’s remaining employees were limited to the heads of the product, information technology and human resources teams as well as the entire legal and compliance team. Within one week, several additional employees were recalled from furlough. All non-furloughed employees were retained, at the discretion of the Company’s then Chief Operating Officer and Chief Legal Officer, to provide the minimal business functions needed to address the Company’s legal and compliance issues and to secure necessary funding to resume the Company’s operations. Less than half of these non-furloughed employees remain active in the efforts to restore Company operations and as of June 30, 2023, approximately \$1.86 million in outstanding payroll obligations remain unpaid.

On September 27, 2022, Armanino resigned as the independent registered public accounting firm of the Company, effective immediately.

On October 7, 2022, the Audit Committee approved the engagement of Yusufali & Associates, LLC, (“Yusufali”) as the Company’s new independent registered public accounting firm.

Since the Operational Cessation, the Company has had minimal day-to-day operations and has primarily focused its operations on restarting certain of its core businesses (as described in more detail under “—Plans for Resumption of Company Operations” below), completing the restatement of the Company’s audited financial statements for the year ended December 31, 2021 (which was included in Amendment No. 1 to the Annual Report on Form 10-K/A, filed by the Company with the SEC on May 10, 2023 (the “Amended Annual Report”)) and the unaudited financial statements for the quarter ended March 31, 2022 (which was included in Amendment No. 1 to the Quarterly Report on Form 10-Q/A, filed by the Company with the SEC on May 15, 2023), and preparing and filing its other delinquent periodic reports, including this Report.

AutoLotto \$30,000,000 Business Loan

On January 4, 2022, AutoLotto entered into a Business Loan Agreement (the “Business Loan”) with The Provident Bank (“Provident”), pursuant to which the Company borrowed \$30,000,000 from Provident, which was evidenced by a \$30,000,000 Promissory Note. The Promissory Note accrued interest at the rate of 2.750% per annum (7.750% upon the occurrence of an event of default) and had a maturity date of January 4, 2024. Monthly interest payments were due under the Promissory Note beginning February 4, 2022. The Promissory Note could be repaid at any time without penalty. The Promissory Note included customary events of default for a debt obligation of the size of the Promissory Note. The Business Loan included representations and warranties of AutoLotto and covenants (both positive and negative) which were customary of a customary for a transaction of this nature and size, including rights to set off. Upon the occurrence of an event of default, Provident could declare the entire amount owed immediately due and payable. We were required to pay a 1% commitment fee at the time of our entry into the Business Loan, and another 1% annual loan fee on the first year anniversary thereof.

In accordance with the terms of the Business Loan, upon entering into the agreement, \$30,000,000 in a separate account with Provident was pledged as security for the amount outstanding under the loan (“Collateral Security”). The \$30,000,000 Collateral Security became restricted and remained restricted until October 12, 2022, when AutoLotto defaulted on its obligations under the Business Loan and Provident foreclosed on the \$30,000,000 of Collateral Security. The Collateral Security, which was in the form of restricted cash, was presented as a contingent liability on the Company’s balance sheet from March 31, 2022 until the obligation was satisfied in October of 2022. See Note 4 to our consolidated financial statements for additional information. Interest expense paid to Provident Bank in connection with the line of credit for January through the end of July of 2022 was \$412,500. Interest totaling \$167,000 for August 1 until the foreclosure occurred in mid October is owed to the bank and has been accrued in the company’s financial statements.

Loan Agreement with Woodford

On December 7, 2022, the Company entered into a loan agreement (the “Woodford Loan Agreement”) with Woodford Eurasia Assets, Ltd. (“Woodford”), pursuant to which Woodford agreed to provide the Company with up to \$2.5 million, subject to certain conditions and requirements, of which approximately \$1.6 million has been received to date and \$900 thousand is currently available pursuant to the terms of the Woodford Loan Agreement. The parties may also mutually agree to increase the amount of the loan to \$52.5 million (i.e., an additional \$50 million). Amounts borrowed accrue interest at the rate of 12% per annum (or 22% per annum upon the occurrence of an event of default) and are due within 12 months of the date of each loan. Amounts borrowed can be repaid at any time without penalty.

Amounts borrowed pursuant to the Woodford Loan Agreement are convertible, at Woodford’s option, into shares of the Company’s common stock, beginning 60 days after the first loan date at the rate of 80% of the lowest publicly available price per share of common stock within 10 business days of the date of the Woodford Loan Agreement (which was equal to \$0.28 per share), subject to a 4.99% beneficial ownership limitation and a separate limitation preventing Woodford from holding more than 19.99% of the issued and outstanding common stock of the Company, without the Company obtaining shareholder approval for such issuance.

Conditions to the Woodford Loan Agreement included the resignation of four prior members of the Board (Lisa Borders, Steven M. Cohen, Lawrence Anthony DiMatteo and William Thompson, all of whom resigned from the Board in September 2022), and the appointment of two new independent directors. Subsequent loans under the Woodford Loan Agreement also require the Company to comply with all listing requirements, unless waived by Woodford. The Woodford Loan Agreement also allows Woodford to nominate another director to the Board, in the event any independent member of the Board resigns.

Proceeds of the loans can only be used by to restart the Company’s operations and for general corporate purposes agreed to by Woodford.

The Woodford Loan Agreement includes confidentiality obligations, representations, warranties, covenants, and events of default, which are customary for a transaction of this size and nature. Included in the Woodford Loan Agreement are covenants prohibiting us from (a) making any loan in excess of \$1 million or obtaining any loan in amount exceeding \$1 million without the consent of Woodford, which consent may not be unreasonably withheld; (b) selling more than \$1 million in assets; (c) maintaining less than enough assets to perform our obligations under the Woodford Loan Agreement; (d) encumbering any assets, except in the normal course of business, and not in an amount to exceed \$1 million; (e) amending or restating our governing documents; (f) declaring or paying any dividend; (g) issuing any shares which negatively affects Woodford; and (h) repurchasing any shares.

The Company also agreed to grant warrants to purchase shares of common stock to Woodford (the “Woodford Warrants”) in an amount equal to 15% of the Company’s 2,539,735 issued and outstanding shares of common stock. Each Woodford Warrant has an exercise price equal to the average of the closing price of the Company’s common stock for each of the ten days prior to the first amount being debited from the bank account of Woodford, which equates to an exercise price of \$5.60 per share. In the event the Company fails to repay the amounts borrowed when due or Woodford fails to convert the amount owed into shares, the exercise price of the warrants may be offset by amounts owed to Woodford, and in such case, the exercise price of the warrants will be subject to a further 25% discount (i.e., will equal \$4.20 per share). As of the date of this Report, the Company has not granted any shares of common stock or warrants to Woodford under the Woodford Loan Agreement.

In connection with our entry into the Woodford Loan Agreement, the Company also entered into a Loan Agreement Deed, Debenture Deed and Securitization, with Woodford (the “Security Agreement”), which provides Woodford with a first floating charge security interest over all present and future assets of the Company in order to secure the repayment of amounts owed under the Woodford Loan Agreement. The floating charge may be converted into a fixed charge upon the occurrence of certain events including: an event of default; if Woodford reasonably believes that any secured property may be in jeopardy or danger of being seized or sold; or if Woodford reasonably considers that it is desirable to protect its security interest. The floating charge may be automatically converted into a fixed charge upon the occurrence of certain other events. The Security Agreement prohibits the Company from providing any other security interest over our assets, even if secondary to Woodford, while the amounts borrowed under the Woodford Loan Agreement remain unpaid.

Operations Prior to Operational Cessation

Prior to the Operational Cessation, the Company was a provider of domestic and international lottery products and services. As an independent third-party lottery game service, we offered a platform that we developed and operated to enable the remote purchase of legally sanctioned lottery games in the U.S. and abroad (the “Platform”). Our revenue generating activities included (i) offering the Platform via our Lottery.com app and our websites to users located in the U.S. and international jurisdictions where the sale of lottery games was legal and our services were enabled for the remote purchase of legally sanctioned lottery games (our “B2C Platform”); (ii) offering an internally developed, created and operated business-to-business application programming interface (“API”) of the Platform, which enabled our commercial partners, in permitted U.S. and international jurisdictions, to purchase certain legally operated lottery games from us and to resell them to users located within their respective jurisdictions (“B2B API”); and (iii) delivering global lottery data, such as winning numbers and results, and subscriptions to data sets of our proprietary, anonymized transaction data pursuant to multi-year contracts to commercial digital subscribers (“Data Service”).

Mobile Lottery Game Platform Services

Both our B2C Platform and our B2B API provided users with the ability to purchase legally sanctioned draw lottery games via a mobile device or computer, securely maintain their acquired lottery game, automatically redeem a winning lottery game, as applicable, and receive support, if required, for the claims and redemption process. Our registration and user interfaces were designed to be easy to use, provide for the creation of an account and purchase of a lottery game with minimum friction and without the creation of a mobile wallet or requirement to pre-load minimum funds and — importantly — to provide instant confirmation of the user’s lottery game numbers, whether selected at random or picked by the user. Users of our B2C Platform services paid a service fee and, in certain non-U.S. jurisdictions, a mark-up on the purchase price. Prior to the Operational Cessation, we generated revenue from this service fee and mark-up. Our B2B API Platform resumed limited operations in April 2023. As of the date of this Report, our B2C Platform is not currently operational. We anticipate that our B2C Platform will become operational in the fourth quarter of 2023.

The WinTogether Platform

Prior to the Operational Cessation, we operated and administered of all sweepstakes offered by WinTogether, a registered 501(c)(3) charitable organization (“WinTogether”), which was formed in April 2020 to support charitable, educational, and scientific causes. In consideration of our operation of the WinTogether platform and administration of the sweepstakes, we received a percentage of the gross donations to a campaign, from which we paid certain dividends and all administration costs.

The WinTogether platform continued operating after the Operational Cessation, until all sweepstakes campaigns were completed and all prizes awarded. On March 29, 2023, the board of directors of WinTogether voted to suspend its relationship with the Company.

Current Operations

Despite the Operational Cessation, certain of the Company’s wholly-owned subsidiaries have continued to operate under the direction of the leadership teams that were in place prior to the Company’s acquisition of such companies. While the operational activities of these subsidiaries vary, from the Operational Cessation through the date of this Report, each of TinBu, Aganar and JuegaLotto has decreased its expenses and has had its revenue remain consistent or decrease moderately from pre Cessation of Operations levels.

Data Services

In 2018, we acquired TinBu, LLC (“TinBu”), a digital publisher and provider of lottery data results, jackpots, results, and other data, as a wholly-owned subsidiary. Through TinBu, our Data Service delivers daily results of over 800 domestic and international lottery games from more than 40 countries, including the U.S., Canada, and the United Kingdom, to over 400 digital publishers and media organizations.

Our technology pulls real time primary source data, and, in some instances, we acquire data from dedicated data feeds from the lottery authorities. Our data is constantly monitored to ensure accuracy and timely delivery. We are not required to obtain licenses or approvals from the lottery authorities to pull this primary source data or to acquire the data from such dedicated feeds. Commercial acquirers of our Data Service pay a subscription for access to the Data Service and, for acquisition of certain large data sets, an additional per record fee.

We additionally enter into multi-year contracts pursuant to which we sell proprietary, anonymized transaction data pursuant to multi-year agreements and in accordance with our Terms of Service in consideration of a fee and in other instances provide the Data Service within a bundle of provided services.

Aganar and JuegaLotto

On June 30, 2021, we acquired 100% of the equity of Global Gaming Enterprises, Inc., a Delaware corporation (“Global Gaming”), which holds 80% of the equity of each of Medios Electronicos y de Comunicacion, S.A.P.I de C.V. (“Aganar”) and JuegaLotto, S.A. de C.V. (“JuegaLotto”). JuegaLotto is federally licensed by the Mexican regulatory authorities with jurisdiction over the ability to commercialize lottery games in Mexico through an authorized federal gaming portal and to commercialize games of chance in other countries throughout Latin America. Aganar has been operating in the licensed Online Lottery market in Mexico since 2007 and has certain rights to sell Mexican National Lottery draw games, instant win tickets, and other games of chance online with access to a federally approved online casino and sportsbook gaming license and additionally issues a proprietary scratch lottery game in Mexico under the brand name Capalli.

Sports.com

In December 2021, we finalized the acquisition of the domain name <https://sports.com> and on November 15, 2022, we formed a wholly-owned subsidiary called Sports.com, Inc., a Texas corporation (“Sports.com”). Subsequently, Sports.com announced a partnership with the Saudi Motorsports Company, which enabled the Company to roll out the Sports.com brand at the FIFA World Cup decider at the end of November 2022. In December 2022, Sports.com signed an agreement with Data Sports Group, GmbH (“DSG”), which provides Sports.com the exclusive North American distribution rights for sports data products offered and maintained by DSG (the “DSG Data”). The DSG Data is being sold through the same sales resources and sales channels as the lottery data offered by TinBu. On July 23, 2023, DSG exercised its right to terminate the exclusive distribution rights due to Sports.com not meeting its contractual obligations.

Plans for Recommencement of Company Operations

As noted above, since the Operational Cessation, the Company has had minimal day-to-day operations and has primarily focused its operations on restarting certain components of its core business. The Company has developed a three phase plan to recommence its operations, which plan is outlined below.

Phase 1 – Relaunch B2B API Platform. During the Operational Cessation, the Company maintained positive relationships with its ticket-printing and courier partners, as well as several distribution partners that have been found to be in compliance with local, state, and federal rules related to ticket procurement and distribution. These partners have implemented the Lottery.com API and have advised the Company that they expect to be ready to offer lottery games to their customers through their sales channels when the Company resumes operations. As such, the Company believes that it has sufficient demand to resume operation of its B2B API platform, assuming it is able to maintain the core employee team to manage the lottery ticket fulfillment process and access sufficient capital to relaunch Project Nexus, which was designed to, among other things, handle high levels of user traffic and transaction volume, while maintaining expediency, security, and reliability in the administrative and back-office functionality required by the B2B API. Our B2B API Platform resumed limited operations in April 2023.

Phase 2 – Resume B2C Platform Operations. The Company believes that it will be in a position to relaunch its B2C Platform in the fourth quarter of 2023. As of the date of this Report, the Company expects that it will initially relaunch its B2C Platform to customers in Texas for a period of time before rolling it out to other jurisdictions. If the Texas Bill is enacted into law as drafted, the Company may elect to accelerate the relaunch of its Platform to customers in another state. The Company plans to limit the rollout in order to give it additional time to properly vet and confirm compliance with local, state and federal rules related to ticket procurement and distribution. The Company has also maintained various pre-paid media credits that it expects to use to launch and maintain promotional campaigns geared towards encouraging prior customers to return to the Platform and to acquire new customers.

Phase 3 – Restore Other Business Lines and Projects. Assuming the success of Phase 1 and Phase 2, the Company expects to restore other products it previously offered, such as supplying lottery tickets to consumers in approved domestic jurisdictions, partnering with licensed providers in international jurisdictions to supply legitimate domestic lottery games, and reviving other products and services that were under development when the Operational Cessation occurred.

As of the date of this Report, our common stock and warrants are traded on The Nasdaq Stock Market LLC (“Nasdaq”) under the ticker symbols “LTRY” and “LTRYW,” respectively. As of the date of this Report, we are not in compliance with Nasdaq’s continued listing requirements (the “Listing Rules”) and we continue to work toward regaining compliance in accordance with the plan that was conditionally accepted by the Nasdaq hearing panel. Additionally, under its new management, the Company continues to work to improve its disclosure and reporting controls, and plans to overhaul its systems of internal control over financial reporting and invest in additional legal, accounting, and financial resources.

Even if the Company’s three phase plan to recommence its operations is successful, there can be no assurance that the Company will be able to regain compliance with the applicable Listing Rules, or that the hearings panel will stay the delisting of the Company’s securities from Nasdaq. If the Company’s securities are delisted from Nasdaq, it could be more difficult to buy or sell the Company’s common stock and warrants or to obtain accurate quotations, and the price of the Company’s common stock and warrants could suffer a material decline. Delisting could also impair the Company’s ability to raise additional capital needed to fund its operations and/or trigger defaults and penalties under outstanding agreements or securities of the Company.

There can be no assurance that we will have sufficient capital to support our operations and pay expenses, repay our debt, or that additional funds will be available on favorable terms, if at all. We may not be able to restart our operations and/or generate sufficient funding to support such operations in the future. The Company’s ability to continue its current operations, prepare and refile deficient and restated reports, and restart its prior operations, is dependent upon obtaining new financing. Future financing options available to the Company include equity financings, debt financings or other capital sources, including collaborations with other companies or other strategic transactions. Equity financings may include sales of common stock. Such financing may not be available on terms favorable to the Company or at all. The terms of any financing may adversely affect the holdings or rights of the Company’s stockholders and may cause significant dilution to existing stockholders. There can be no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company, if at all, which would have a material adverse effect on its business, financial condition and results of operations, and it could ultimately be forced to discontinue its operations and liquidate. These matters, when considered in the aggregate, raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time, which is defined as within one year after the date that the financial statements are issued. The accompanying financial statements do not contain any adjustments to reflect the possible future effects on the classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Performance Measures

In managing our business and assessing financial performance, we supplement the information provided by our financial statements with other operating metrics. We use these metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate projections and make strategic decisions. The primary operating metrics we use are:

- transactions per user;
- tickets per transaction;
- gross revenue per transaction;
- gross profit per transaction; and
- gross margin per transaction.

These metrics help enable us to evaluate pricing, cost and customer profitability. We believe it is useful to provide investors with the same metrics that we use internally to make comparisons of our historical operating results, identify trends in our operating results and evaluate our business. These metrics track our B2C business and exclude users who were referred by an affiliate or who made purchases through an API partner.

	Three months ended June 30, 2023	Three months ended June 30, 2022	Percent Change	Six months ended June 30, 2023	Six months ended June 30, 2022	Percent Change
Transactions per user	-	13.06	-%	-	17.18	-%
Tickets per transaction	-	3.16	-%	-	3.37	-%
Gross revenue per transaction	\$ -	\$ 8.57	-%	\$ -	\$ 8.57	-%
Gross profit per transaction	\$ -	\$ 1.78	%	\$ -	\$ 1.64	-%
Gross margin per transaction	-%	20.75%	%	-%	19.08%	-%

Transactions Per User

Transactions per user is the average number of individual transactions per user in a given period. An individual transaction is defined as the placement of an order by a user on our Platform. We use this measure to determine the overall performance of our products on a per user basis. When considered with the other operating metrics, transactions per user provides insight into user stickiness and buying patterns and is a useful tool to identify our most active users, which enables us to deploy more targeted marketing and other strategic initiatives. This metric also gives us the ability to categorize users based on their performance and determine where to expend marketing and/or operational resources. Transactions per user may be subject to variables that are outside of our control, for instance the size and popularity of a particular lottery game.

Tickets Per Transaction

Tickets per transaction is the average number of lottery game tickets purchased by a user per transaction. We use this measure to analyze the impact of product performance with our customers on the number of tickets sold in one transaction. We believe this metric is useful for our investors because it gives insight into the buying habits of our users. Similar to transactions per user, tickets per transaction may be subject to variables that are outside of our control, for instance the size and popularity of a particular lottery game.

Gross Revenue Per Transaction

Gross revenue per transaction is the average gross amount of revenue per transaction. We use this measure to determine how our top line revenue is performing on a per transaction basis, which helps us to identify and evaluate pricing trends. We believe this metric is useful for our investors because it provides insight into our revenue growth potential on a per transaction basis.

Gross Profit Per Transaction

Gross profit per transaction is our average gross profit per transaction, calculated as gross revenue less the cost of the lottery game ticket and any processing fees, including labor, printing and payment processing, per transaction. We believe this metric to be useful to evaluate and analyze our costs and fee structure across product offerings and user cohorts, and additionally, helps our investors because it provides insight into our profit growth potential on a per transaction basis.

Gross Margin Per Transaction

Gross margin per transaction is calculated by dividing gross profit per transaction by gross revenue per transaction. We consider this metric to be a measure of overall performance that provides useful information about the profitability of our B2C Platform.

Components of Our Results of Operations (Prior to the Operational Cessation)

Our Revenue

Revenue from B2C Platform. Our revenue is the retail value of the acquired lottery game and the service fee charged to the user, which we impose on each lottery game purchased from our B2C Platform. The amount of the service fee is based upon several factors, including the retail value of the lottery game purchased by a user, the number of lottery games purchased by a user, and whether such user is located within the U.S. or internationally. Currently, in the U.S, the minimum service fee is \$0.50 for the purchase of a \$1 lottery game and \$1 for the purchase of a \$2 lottery game; the service fee for additional lottery games purchased in the same transaction is 6% of the face value of all lottery games purchased. For example, the service fee for the purchase of five \$2 tickets is \$1.60, which includes the \$1 base service fee, plus 6% of the aggregate value of the face value of all lottery games purchased.

Internationally, B2C sales in jurisdictions where we do not have direct or indirect authority generate an immaterial amount of revenue, and we are assessing our operations in these jurisdictions. As discussed above, our B2C Platform is not currently operational. We anticipate that our B2C Platform will become operational in the fourth quarter of 2023.

Revenue from B2B API. The Company charges a technology fee for the use of the B2B API. The company does not mark-up the cost of the ticket nor does it impose a service fee on our third-party commercial partner's customers. As discussed above, following the Operational Cessation, our B2B API Platform resumed limited operations in April 2023.

Data Services. Commercial acquirers of our Data Service pay a subscription for access to the Data Service and, for acquisition of certain large data sets, an additional per record fee. The Company additionally enters into multi-year contracts pursuant to which it sells proprietary, anonymized transaction data pursuant to multi-year agreements and in accordance with our Terms of Service in consideration of a fee. Our Data Services operations were not impacted by the Operational Cessation.

Our Operating Costs and Expenses

Personnel Costs. Personnel costs include salaries, payroll taxes, health insurance, worker's compensation and other benefits for management and office personnel.

Professional Fees. Professional fees include fees paid for legal and financial advisors, accountants and other professionals related to the Business Combination and other transactions.

General and Administrative. General and administrative expenses include marketing and advertising, expenses, office and facilities lease payments, travel expenses, bank fees, software dues and subscriptions, expensed research and development ("R&D") costs and other fees and expenses.

Depreciation and Amortization. Depreciation and amortization expenses include depreciation and amortization expenses on real property and other assets.

Key Trends and Factors Affecting Our Results

The following describes the trends associated with our business prior to the Operational Cessation that have impacted, and which we expect will continue to impact, our business and results of operations in a material way:

International operations. We face challenges related to expanding our footprint globally and the related process of obtaining the licenses and regulatory approvals necessary to provide services and products within new and emerging markets. The international jurisdictions where we operate and seek to expand have been subject to increasing foreign currency fluctuations against the U.S. dollar, soaring inflation and political and economic instability. We expect these trends to continue during fiscal 2023 and believe they are likely to cause a material decrease in consumer spending, which could have a material impact on our revenues. We expect that it will take a longer period of time to achieve revenue gains or generate cash in the new regions or any new international jurisdictions in which we expand, outside of our domestic geographies.

Introduction of a new gaming platform. We have developed a proprietary, blockchain-enabled gaming platform, which we have named Project Nexus. Project Nexus is designed to handle high levels of user traffic and transaction volume, while maintaining expediency, security, and reliability in processing lottery game sales, the retail requirements of the B2C Platform, the administrative and back-office functionality required by the B2B API, and the claims and redemption process. We expect to utilize this platform to launch new products, including any proprietary products we may introduce. The introduction of new technology like Project Nexus is subject to risks including, for example, implementation delays, issues successfully integrating the technology into our solutions, or the possibility that the technology does not produce the expected benefits.

Our growth plans and the competitive landscape. Our direct competitors operate in the global entertainment and gaming industries and, like us, seek to expand their product and service offerings with integrated products and solutions. Our short-to-medium term focus is on increasing our penetration in our existing U.S. jurisdiction by increasing direct to consumer marketing campaigns, introducing our B2C Platform into new U.S. and international jurisdictions, and acquiring synergistic regulated and sports betting enterprises domestically and abroad. Competition in the sale of online lottery games has significantly increased in recent years, is currently characterized by intense price-based competition, and is subject to changing technology, shifting needs and frequent introductions of new games, development platforms and services. To maintain our competitive edge alongside other established industry players (many of which have more resources, or capital), we expect to incur greater operating expenses in the short-term, such as increased marketing expenses, increased compliance expenses, increased personnel and advisory expenses associated with being a public company, additional operational expenses and salaries for personnel to support expected growth, additional expenses associated with our ability to execute on our strategic initiatives including our aim to undertake merger and acquisition activities, as well as additional capital expenditures associated with the ongoing development and implementation of Project Nexus.

Current Plan of Operations

As of the date of this Report, the Company's primary revenue drivers are the resumption of its B2B API platform and the launch of Sports.com. It is anticipated that operational costs for the next 12 months will be greater than revenues. It is anticipated that the liquidity gap will be satisfied by equity or debt raised, of which there is no assurance.

Beyond the next 12 months, the Company plans to re-launch its B2C Platform and continue to expand in domestic and international jurisdictions. The Company plans to enhance its mobile application to include pool plays, tickets subscriptions, loyalty programs and various gamification modules.

Results of Operations

Our consolidated financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation. We expect we will require additional capital to meet our long-term operating requirements. We expect to raise additional capital through, among other things, the sale of equity or debt securities.

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The following table summarizes our results of operations for the three months ended June 30, 2023 and June 30, 2022, respectively.

	For the three months Ended June 30,		\$ Change	% Change
	2023	2022		
Revenue	\$ 655,344	\$ 1,885,171	(1,229,827)	-65%
Cost of revenue	95,683	1,577,239	(1,481,556)	-94%
Gross profit	559,661	307,932	251,729	82%
Operating expenses:				
Personnel costs	1,306,007	9,512,356	(8,206,349)	-86%
Professional fees	1,112,310	1,219,509	239,053	20%
General and administrative	964,502	3,904,421	(2,916,555)	-75%
Depreciation and amortization	1,392,158	1,297,394	94,764	7%
Total operating expenses	4,774,977	15,933,680	(10,789,087)	-68%
Loss from operations	(4,215,316)	\$ (15,625,748)	11,040,816	-71%
Other expenses				
Interest expense	41,142	71,045	(9,713)	-14%
Other (income) expense	(399)	(247,851)	248,250	100%
Total other expenses, net	40,743	(176,807)	237,740	-134%
Net loss before income tax	\$ (4,256,059)	\$ (15,448,942)	10,803,077	-70%
Income tax expense (benefit)	-	-	(23,364)	-100%
Net loss	(4,256,059)	(15,448,942)	10,826,440	-70%

Revenue.

Revenue. Revenue for the three months ended June 30, 2023 was \$655,000, a decrease of \$1.23 million, or 65%, compared to revenue of \$1.9 million for the three months ended June 30, 2022. The decrease of approximately \$1.2 million in lottery related revenue was due to lower domestic revenue in the second quarter of 2023 when operations resumed following the Cessation of Operations as compared to the second quarter 2022.

Cost of Revenue. Cost of revenue includes product costs, commission expense to affiliates and commercial partners, and merchant processing fees. Cost of revenue for the three months ended June 30, 2023 was \$96,000, a decrease of \$1.5 million, or 94%, compared to cost of revenue of \$1.58 million for the three months ended June 30, 2022. The decrease in the cost of revenue was driven by the decrease in the number of lottery games sold domestically as compared to the second quarter of 2022 which resulted in a decrease of \$100,000 in payment processing fees and a decrease of \$1.4 million in commission expense.

Gross Profit. Gross profit for the three months ended June 30, 2023 was \$560,000 compared to \$308,000 for the three months ended June 30, 2022, an increase of \$252,000, or 82%. This increase was primarily due to lower payment processing costs and commissions expenses in the second quarter of 2023 as compared to the same period in 2022.

Operating Costs and Expenses.

	For the three months Ended June 30,		\$ Change	% Change
	2023	2022		
Operating expenses:				
Personnel costs	1,306,007	9,512,356	(8,206,349)	-86%
Professional fees	1,112,310	1,219,509	107,199	9%
General and administrative	964,502	3,904,421	(2,939,919)	-75%
Depreciation and amortization	1,392,158	1,297,394	94,764	7%
Total operating expenses	4,774,977	15,933,680	(11,158,703)	-70%
Loss from operations	(4,215,316)	\$ (15,625,748)	11,410,432	-73%

Operating expenses for the three months ended June 30, 2023 were \$4.8 million, a decrease of \$11.1 million, or 70%, compared to \$15.9 million for the three months ended March 31, 2022. The reduction was primarily driven by a decrease of \$8.2 million in personnel costs accompanied by a decrease in general and administrative expenses of \$2.9 million. Reasons for these decreases are described below.

Personnel Costs. Personnel costs decreased by \$8.2 million from \$9.5 million for the three months ended June 30, 2022, to \$1.3 million for the three months ended June 30, 2023. The decrease was due primarily to a decreases in salaries, employer payroll taxes, and benefits due to reductions in

headcount and compensation in relation to the furlough.

Professional Fees. Professional fees decreased by \$107,000 or 20%, from \$1.2 million for the three months ended June 30, 2022 to \$1.1 million for the three months ended June 30, 2023. The decrease was primarily due to lower expenditures for research and development in the second quarter of 2023 as compared with the prior year.

General and Administrative. General and administrative expenses decreased \$2.9 million, or 75%, from \$3.9 million for the three months ended June 30, 2022 to \$964,000 for the three months ended June 30, 2023. The primary reasons for the decrease was significantly lower expenses for marketing, \$750,000 lower, and business insurance, \$1.9 million lower, along with lower travel and rent expenses in 2023.

Depreciation and Amortization. Depreciation and amortization increased \$94,764, or 7%, from \$1.3 million for the three months ended June 30, 2022 to \$1.4 million for the three months ended June 30, 2023. The increase was primarily driven by the amortization of intangibles placed in service during the second and third quarters of 2022 which were not amortized during the second quarter of 2022 because they were not in service at that time.

Other (Income) Expense, Net.

	For the three months Ended June 30,		\$ Change	% Change
	2023	2022		
Other expenses				
Interest expense	41,142	71,045	(29,903)	-14%
Other (income) expense	(399)	(247,851)	248,250	100%
Total other expenses, net	<u>40,743</u>	<u>(176,806)</u>	<u>217,549</u>	<u>-134%</u>

Interest Expense. Interest Expense was lower in the three months ended June 30, 2023 because interest on the Bank Prov Line of Credit in 2022 was not recurring.

Other Income. The primary reason for the decrease was the write down of an intercompany expense during 2022.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

The following table summarizes our results of operations for the six months ended June 30, 2023 and June 30, 2022, respectively.

	For the six months Ended June 30,		\$ Change	% Change
	2023	2022		
Revenue	\$ 1,275,573	\$ 5,515,863	(4,240,290)	-77%
Cost of revenue	<u>130,830</u>	<u>3,961,981</u>	<u>(3,831,151)</u>	<u>-97%</u>
Gross profit	1,144,743	1,553,882	(409,139)	-26%
Operating expenses:				
Personnel costs	2,563,441	33,915,222	(31,351,781)	-92%
Professional fees	1,852,238	4,357,459	(2,505,221)	-57%
General and administrative	1,301,830	6,939,962	(5,638,130)	-81%
Depreciation and amortization	2,797,638	2,671,319	126,319	5%
Total operating expenses	<u>8,515,147</u>	<u>47,883,962</u>	<u>(39,368,815)</u>	<u>-82%</u>
Loss from operations	(7,370,404)	\$ (46,330,080)	38,959,676	-84%
Other expenses				
Interest expense	41,165	75,026	(33,861)	-45%
Other expense	58,472	3,941,293	(3,882,821)	-98%
Total other expenses, net	<u>99,637</u>	<u>4,016,319</u>	<u>(3,916,682)</u>	<u>-97%</u>
Net loss before income tax	\$ (7,470,041)	\$ (50,346,399)	42,876,358	-85%
Income tax expense (benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-%</u>
Net loss	<u>(7,470,041)</u>	<u>(50,346,399)</u>	<u>42,876,358</u>	<u>-85%</u>

Revenue.

Revenue. Revenue for the six months ended June 30, 2023 was \$1.3 million, a decrease of \$4.2 million, or 77%, compared to revenue of \$5.5 million for the six months ended June 30, 2022. The decrease of approximately \$4.2 million in lottery related revenue was due to the Cessation of Operations. In addition, \$1.8 million of project related revenue from business partners in the six months ended June 30, 2022 did not reoccur in 2023.

Cost of Revenue. Cost of revenue includes product costs, commission expense to affiliates and commercial partners, and merchant processing fees. Cost of revenue for the six months ended June 30, 2023 was \$131,000, a decrease of \$3.8 million, or 97%, compared to cost of revenue of \$4.0 million for the six months ended March 31, 2022. The decrease in the cost of revenue was driven by the decrease in the number of lottery games sold in the first six months of 2023 domestically which resulted in significantly lower payment processing, \$100,000 lower, and commission expenses, \$3.4 million lower. The company resumed operations on a limited basis in the second quarter of 2023. Accordingly revenue and costs were lower than in the first six months of 2022.

Gross Profit. Gross profit for the six months ended June 30, 2023 was \$1.1 million compared to \$1.5 for the six months ended June 30, 2022, a decrease of \$400,000, or 26%. This decrease was primarily due to the decrease in revenue because project related revenue from business partners in the first six months of 2022, which had higher margins, did not recur in 2023.

Operating Costs and Expenses.

	For the six months Ended June 30,		\$ Change	% Change
	2023	2022		
Operating expenses:				
Personnel costs	2,563,441	33,915,222	(31,351,781)	-92%
Professional fees	1,852,238	4,357,459	(2,505,221)	-57%
General and administrative	1,301,830	6,939,962	(5,638,132)	-81%
Depreciation and amortization	2,797,638	2,671,319	126,319	5%
Total operating expenses	8,515,147	47,883,962	(39,368,815)	-82%
Loss from operations	(7,370,404)	\$ (46,330,080)	38,959,676	-84%

Operating expenses for the six months ended June 30, 2023 were \$8.5 million, a decrease of \$39.4 million, or 82%, compared to \$47.9 million for the six months ended June 30, 2022. The reduction was primarily driven by a decrease of \$31.3 million in personnel costs accompanied by decreases in professional fees by \$2.5 million and general and administrative expenses of \$5.6 million. Reasons for these decreases are described below.

Personnel Costs. Personnel costs decreased by \$31.3 million from \$33.9 million for the six months ended June 30, 2022, to \$2.6 million for the six months ended June 30, 2023. The decrease was due primarily to a decrease of \$27.0 million in stock compensation expense related to equity grants that were valued at the share price soon after the Business Combination combined with lower salaries, employer payroll taxes, and benefits expenses in 2023 due to reductions to headcount and compensation in relation to the furlough.

Professional Fees. Professional fees decreased by \$2.5 million, or 57%, from \$4.3 million for the six months ended June 30, 2022 to \$1.8 million for the six months ended June 30, 2023. The decrease was primarily due to lower accounting and legal fees and costs for investor relations and compliance in 2023.

General and Administrative. General and administrative expenses decreased \$5.6 million, or 81%, from \$6.9 million for the six months ended June 30, 2022 to \$1.3 million for the six months ended June 30, 2023. Expenses for marketing and software development were significantly lower in 2023.

Depreciation and Amortization. Depreciation and amortization increased \$126,000, or 5%, from \$2.67 million for the three months ended June 30, 2022 to \$2.8 million for the six months ended June 30, 2023. The increase was primarily driven by the amortization of intangibles placed in service during Q2 and Q3 of 2022 which were not amortized during the first six months of 2022.

Other (Income) Expense, Net.

	For the six months Ended June 30,		\$ Change	% Change
	2023	2022		
Other expenses				
Interest expense	41,165	75,026	(33,861)	-45%
Other expense	58,472	3,941,293	(3,882,821)	-98%
Total other expenses, net	99,637	4,016,319	(3,916,682)	-97%

Interest Expense. Interest Expense was lower in the three months ended June 30, 2023 because interest on the Bank Prov Line of Credit in 2022 was not recurring. vs June 30, 2022.

Other Expense. We had approximately \$60,000 in other expense for the six months ended June 30, 2023 as compared to other expense of approximately \$3.9 million for the six months ended June 30, 2022. The primary component of the expense for the first six months of 2022 was a non-recurring expense recorded in connection with a discount to reflect an asset that will be repaid to the company over time.

Liquidity and Capital Resources

Prior to the Operational Cessation, our primary need for liquidity was to fund working capital requirements of our business, growth, capital expenditures and for general corporate purposes. Our primary source of liquidity had historically been funds generated by financing activities. Upon the Closing on October 29, 2021, we received net proceeds of approximately \$42.8 million in cash.

Following the Operational Cessation, our primary need for liquidity has been to fund the restart of our business operations, re-hire employees and pay our expenses. Since then, our sources of liquidity were the funds provided to us under the Woodford Loan Agreement and the UCIL Loan Agreement. As of the date of this Report, it is uncertain whether Woodford will provide additional funding under the Woodford Loan Agreement, so our sole remaining source of liquidity is the funds provided to us under the UCIL Credit Agreement, of which \$860,000 remains available to us under the Initial Loan for near term financing. In addition, the \$49 million accordion under the UCIL Loan Agreement will become available to the Company starting in September 2023. We expect that the most likely source of such future funding presently available to us is through additional borrowings under the UCIL Loan Agreement or through the issuance of equity or debt securities. If either Woodford or UCIL do not advance us amounts owed under their respective Loan Agreements or we are otherwise not able to secure the necessary capital to restart our operations, hire new employees, and obtain funding sufficient to support and restart our operations, we may be forced to permanently cease our operations, sell off our assets and operations, and/or seek bankruptcy protection, which could cause the value of our securities to become worthless.

These conditions, along with our current lack of material revenue producing activities, and significant debt, raise substantial doubt about our ability to continue as a going concern for the next 12 months. For more information, see *Note 2 – Liquidity and Going Concern* to the consolidated financial statements included herein.

Prior Convertible Debt Obligations

Prior to the Closing, we funded our operations through the issuance of convertible promissory notes.

From August to October 2017, the Company entered into seven Convertible Promissory Note Agreements with unaffiliated investors for an aggregate amount of \$821,500. The notes bore interest at 10% per year, were unsecured, and were due and payable on June 30, 2019. The Company and the noteholders executed amendments in February 2021 to extend the maturity date to December 21, 2021. As of both June 30, 2022 and December 31, 2022, the balance of these notes was \$771,500.

From November 2019 through October 28, 2021, we issued approximately \$48.2 million in aggregate principal amount of Series B convertible promissory notes. The notes bear interest at 8% per year, were unsecured, and were due and payable on dates ranging from December 2020 to December 2022. For those promissory notes that would have matured on or before December 31, 2020, the parties extended the maturity date to December 21, 2021 through amendments executed in February 2021. The amendments also allowed for automatic conversion to equity as a result of the Business Combination. Nearly all of the aforementioned promissory notes automatically converted into shares of common stock or were terminated pursuant to their terms, as applicable, in connection with the Closing. Those that remain outstanding do not have conversion terms that were triggered by the Closing.

Immediately prior to the Closing, approximately \$60.0 million of convertible debt was converted into equity of AutoLotto. As of June 30, 2023, we had \$1.6 million of convertible debt outstanding in connection with the loan from Woodford.

See “*Recent Developments— Loan Agreement with Woodford*” above for additional information on the terms of the Loan Agreement.

Net cash used in operating activities was \$576,000 for the six months ended June 30, 2023, compared to net cash used in operating activities of \$599,000 for the six months ended June 30, 2022.

Net cash used in investing activities during the six months ended June 30, 2023 was \$0, compared to \$1.18 million for the prior year. The decrease was primarily the result of lower purchases of intangible assets in the six months ended June 30, 2023.

Net cash provided by financing activities was \$676,000 for the six months ended June 30, 2023, compared to net cash used of \$480,000 for the six months ended June 30, 2022, a difference of \$1.2 million year over year. In 2023 the company received funding from the Woodford Group whereas in 2022, the company paid down balances on notes payable from related parties.

Emerging Growth Company Accounting Election

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable. We are an “emerging growth company” as defined in Section 2(a) of the Securities Act of 1933, as amended, and have elected to take advantage of the benefits of this extended transition period. We expect to remain an emerging growth company through the end of the 2023 fiscal year and we expect to continue to take advantage of the benefits of the extended transition period. This may make it difficult or impossible to compare the financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions for emerging growth companies because of the potential differences in accounting standards used.

Critical Accounting Policies and Estimates

Our financial statements and the related notes thereto included elsewhere in this Report are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The preparation of financial statements requires management to make estimates and assumptions that affect the reporting values of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates and assumptions are those used in determining the recoverability of long-lived assets and inventory obsolescence. Accordingly, actual results could differ from those estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flow will be affected.

Our critical accounting policies are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in the Annual Report and the notes to the audited financial statements appearing elsewhere in the Annual Report. During the six months ended June 30, 2023, there were no material changes to our critical accounting policies from those discussed in our 2022 Annual Report. In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This guidance requires recognition of most lease liabilities on the balance sheet to give investors, lenders, and other financial statement users a more comprehensive view of a company’s long-term financial obligations, as well as the assets it owns versus leases. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, and for interim periods within annual periods after December 15, 2022. In July 2018, the FASB issued ASU 2018-11 making transition requirements less burdensome. The standard provides an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in the Company’s financial statements. We are currently evaluating the impact that this guidance will have on our financial statements as well as the expected adoption method. The adoption of this standard will not have a material impact on our financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments”, as additional guidance on the measurement of credit losses on financial instruments. The new guidance requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. In addition, the guidance amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The new guidance is effective for all public companies for interim and annual periods beginning after December 15, 2019, with early adoption permitted for interim and annual periods beginning after December 15, 2018. In October 2019, the FASB approved a proposal which grants smaller reporting companies additional time to implement FASB standards on current expected credit losses (CECL) to January 2023. As a smaller reporting company, we will defer adoption of ASU No. 2016-13 until January 2023. We are currently evaluating the impact this guidance will have on our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a “smaller reporting company” as defined by Rule 10(f)(1) of Regulation S-K, the Company is not required to provide this information.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Interim Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Interim Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on such evaluation, our Interim Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Report, our disclosure controls and procedures were not effective due to the material weaknesses in our internal control over financial reporting with respect to our financial statement closing and reporting process, as described below. As a result of this conclusion, we retained third-party accounting consultants who performed additional analysis as deemed necessary to ensure that our financial statements were prepared in accordance with GAAP. Accordingly, management believes that the financial statements included in this Report present fairly in all material respects our financial position, results of operations and cash flows for the periods presented.

The issues with the company's accounting, reporting, and disclosure controls and procedures described above were first identified and described in Amendment No. 1 to the Company's Annual Report on Form 10K/A for the year ended December 31, 2021 ("the Amended 2021 Annual Report") which was filed on May 10, 2023, and Amendment No. 1 to the Company's Quarterly Report on Form 10Q/A for the quarter ended March 31, 2022 (the Form 10Q/A"), filed on May 15, 2023. Such issues are continuing and management has been working to address them since the fall of 2022. Efforts to strengthen and improve the company's disclosure controls and procedures and internal controls over accounting and financial reporting (as described below) are ongoing.

Material Weakness in Internal Control Over Financial Reporting

In connection with the audit of our condensed consolidated financial statements included in our Amended Annual Report, our management identified material weaknesses in our internal control over financial reporting as of December 31, 2021 relating to deficiencies in the design and operation of the procedures relating to the closing of our financial statements. These include: (i) our lack of a sufficient number of personnel with an appropriate level of knowledge and experience in accounting for complex or non-routine transactions, (ii) the fact that our policies and procedures with respect to the review, supervision and monitoring of our accounting and reporting functions were either not designed and in place or not operating effectively; (iii) our inability to complete the timely closing of financial books at the quarter and fiscal year end, and (iv) incomplete segregation of duties in certain types of transactions and processes.

Specifically, management did not design and maintain sufficient procedures and controls related to revenue recognition including those related to ensuring accuracy of revenue recognized from non-routine transactions such as the sales of LotteryLink Credits, which resulted in an overstatement of revenue of approximately \$52.1 million during the year ended December 31, 2021, which required a restatement of our previously issued financial statements for the year ended December 31, 2021 contained in the Amended Annual Report and restatement of the previously issued report on the financial statements for March 31, 2022 on Form 10-Q/A.

We have begun to implement remediation steps to improve our internal control over financial reporting and to remediate the identified material weaknesses, including (i) adding personnel with sufficient accounting knowledge; (ii) adopting a more rigorous period-end review process for financial reporting; (iii) adopting improved period close processes and accounting processes, (iv) clearly defining and documenting the segregation of duties for certain transactions and processes, and (v) appointing a new Chief Financial Officer. Management has expanded and will continue to enhance our system of identifying transactions and evaluating and implementing the accounting standards that apply to our financial statements, including through enhanced analyses by our personnel and third-party professionals with whom we consult regarding complex accounting applications. We intend to continue take steps to remediate the material weaknesses described above and further continue re-assessing the design of controls, the testing of controls and modifying processes designed to improve our internal control over financial reporting. The Company plans to continue to assess its internal controls and procedures and intends to take further action as necessary or appropriate to address any other matters it identifies or are brought to its attention. We will not be able to fully remediate these material weaknesses until these steps have been completed and have been operating effectively for a sufficient period of time. The implementation of our remediation will be ongoing and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles. We may also conclude that additional measures may be required to remediate the material weaknesses in our internal control over financial reporting.

We cannot assure you that the measures we take will be sufficient to remediate the material weaknesses we identified or avoid the identification of additional material weaknesses in the future. If the steps we take do not remediate the material weaknesses in a timely manner, there could continue to be a reasonable possibility that this control deficiency or others could result in another material misstatement of our annual or interim financial statements that would not be prevented or detected on a timely basis.

Changes in Internal Control Over Financial Reporting

Except as otherwise described herein, there was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is from time to time a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. In addition, the Company is a party to several material legal proceedings, which are described below. The outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's financial condition and operating results for that reporting period could be materially adversely affected.

J. Streicher

On July 29, 2022, the Company filed its original *Verified Complaint for Breach of Contract and Specific Performance* (the "Streicher Complaint") against J. Streicher Financial, LLC ("Streicher") in the Court of Chancery of the State of Delaware (the "Chancery Court"), styled *AutoLotto, Inc. dba Lottery.com v. J. Streicher Financial, LLC (Case No. 2022-0661-MTZ)*. In the Streicher Complaint, the Company alleged that Streicher breached the contract entered into by the parties on March 9, 2022 and demanded that Streicher return \$16,500,000.00 it owes to the Company. On September 26, 2022, the Chancery Court entered an order in favor of the Company, *Granting with Modifications Company's Motion for Partial Summary Judgment* in the amount of \$16,500,000.00 (the "Streicher Judgment"). On October 27, 2022, the Chancery Court further awarded the Company \$397,036.94 in attorney's fees (the "Fee Order"). On November 15, 2022, the Company initiated efforts against Streicher to seek collections on the Judgment. On December 8, 2022, the Company's prior attorney Skadden, Arps, Slate, Meagher & Flom, LLP ("Skadden") filed its *Combined Motion to Withdraw as Counsel and For a Charging Lien* in amount of \$3,024,201.17 for legal fees unpaid by Company ("Skadden's Motion"). On December 30, 2022, the Company filed its response to Skadden's Motion, alleging that the Chancery Court should deny Skadden's *Motion for a Charging Lien* as a matter of law or, in the alternative, limit the charging lien to the amount of the attorneys' fees awarded by the Fee Order. As of the date of this Amended Report, the Chancery Court has not set Skadden's Motion for an oral hearing, nor has it entered an order on the motion. On January 20, 2023, faced with post-judgment discovery and depositions, Streicher remitted a partial payment towards the Judgment in the amount of \$75,000.00. On February 13, 2023, Streicher made another payment towards the Judgment in the amount of \$50,000.00 and had agreed to make another payment in the amount of \$75,000.00 on February 28, 2023, which it failed to make. The Company intends to fully collect on the Judgment and shall pursue all legal and equitable means to enforce the Judgment against Streicher until the Judgment is fully satisfied.

Preston Million Class Action

On August 19, 2022, Preston Million filed the *Class Action Complaint* (the "Complaint") against the Company and certain former officers and directors of the Company in the United States District Court for Southern District of New York (the "Court"), styled *Preston Million, Individually and on Behalf of All Others Similarly Situated vs. Lottery.com, Inc. f/k/a Trident Acquisitions Corp., Anthony DiMatteo, Matthew Clemenson and Ryan Dickinson (Case No. 1:22-cv-07111-JLR)*. The Complaint alleged violations by all defendants of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") 15 U.S.C. §§ 78j(b), 78t(a), as amended by the Private Securities Litigation Reform Act of 1995 ("PSLRA"), U.S.C. § 78u-4 *et seq.* (collectively "Federal Securities Laws"). On November 18, 2022, the Court ordered the appointment of RTD Bros, LLC, Todd Benn, Tom Benn and Tomasz Rzedian (collectively "Lottery Investor Group") as lead plaintiff and Glancy Prongay & Murray, LLP as lead counsel for plaintiffs and for the class in the case. On December 5, 2022, the Court stipulated a *Scheduling Order* in the case. On January 12, 2023, the Company's legal counsel timely filed its *Notice of Appearance*. On January 31, 2023, plaintiffs filed their *Amended Complaint* adding Kathryn Lever, Marat Rosenberg, Vadim Komissarov, Thomas Gallagher, Gennadii Butkevych, Ilya Ponomarev as additional defendants in the case. The *Amended Complaint* alleges, among other things, that defendants made materially false and misleading statements in violation of Section 10(b), 14(a) and 20(a) of the Exchange Act and plaintiffs seek compensatory damages, reasonable cost and expenses including counsel fees and expert fees. Pursuant to the *Scheduling Order*, Defendant Lottery.com, Inc. filed its motion to dismiss the Amended Complaint on April 3, 2023, under the newly consolidated caption and its proposed order to dismiss the matter. Plaintiffs are filed their opposition to the motion to dismiss on May 18, 2023 and Defendant Lottery.com, Inc.'s filed its reply brief in support of their motion to dismiss June 20, 2023.

TinBu Complaint

On March 13, 2023, John Brier, Bin Tu and JBBT, LLC (collectively, the “TinBu Plaintiffs”) filed its original complaint against Lottery.com, Inc. f/k/a AutoLotto, Inc. and its wholly-owned subsidiary TinBu, LLC (“TinBu”) in the Circuit Court of the 13th Judicial District in and for Hillsborough County, Florida (the “TinBu Complaint”). The Complaint alleges breach of contract(s) and misrepresentation with alleged damages in excess of \$4.6 million. The parties agreed to extend the Company and its subsidiary’s deadline to respond until May 1, 2023. On May 2, 2023, the Company and its subsidiary retained local counsel who filed a Notice of Appearance on behalf of the Company and TinBu and filed a Motion for Enlargement requesting the Court to extend its deadline to file its initial response to the Complaint by an additional 30 days (the “Motion for Enlargement”). As of the date of this Report, the Motion for Enlargement has not been set for a hearing. On May 5, 2023, Plaintiffs filed their Motion for Court Default (“Plaintiffs’ Motion for Default”), despite Company’s Motion for Enlargement. As of the date of this Report, the Plaintiffs’ Motion for Default has not been set for a hearing. The Company intends to oppose Plaintiffs’ Motion for Default. On May 9, 2023, Plaintiffs served Plaintiffs’ First Request for Admissions (the “RFA”) to the Company. The parties have agreed to an extension of time to respond to the RFA. The Company intends to respond in a timely manner or make necessary objections to the RFA. On June 5, 2023, the Company and TinBu filed its original Answer and Affirmative Defenses to the Complaint. On July 27, 2023, the Court granted Company’s and Tibu’s counsel of record’s request to withdraw. The Company and Tibu have until August 26, 2023 to retain new counsel and cause an appearance in the matter.

Item 1A. Risk Factors.

As of the date of this Report, there have been no material changes to the risk factors disclosed in the Company’s Annual Report, other than as set forth below. In addition, we may disclose additional changes to such factors or disclose additional factors from time to time in our future filings with the SEC. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

The ultimate effect of the Reverse Stock Split on the market price of our common stock cannot be predicted with any certainty and may decrease the liquidity of our common stock and magnify any decrease in our overall market capitalization.

The ultimate effect of the Reverse Stock Split on the market price of our common stock cannot be predicted with any certainty, and we cannot assure you that the Reverse Stock Split will result in any or all of the expected benefits, including enabling the Company to regain compliance with the Nasdaq listing standards, for any meaningful period of time, or at all. While we expect that the reduction in the number of outstanding shares of common stock will proportionally increase the market price of our common stock, we cannot assure you that the Reverse Stock Split will increase the market price of our common stock by a multiple of the Reverse Stock Split ratio or result in any permanent or sustained increase in the market price of our common stock. The market price of our common stock depends on multiple factors, many of which are unrelated to the number of shares outstanding, including our business and financial performance, general market conditions and prospects for future success, any of which could have a counteracting effect to the Reverse Stock Split on the per share price.

In addition, the Reverse Stock Split also reduced the total number of outstanding shares of common stock, which may lead to reduced trading for our common stock. As a result of a lower number of shares outstanding, the market for our common stock may also become more volatile. The Reverse Stock Split also increased the number of stockholders who own “odd lots” of less than 100 shares of common stock. A purchase or sale of less than 100 shares of common stock (an “odd lot” transaction) may result in incrementally higher trading costs through certain brokers, particularly “full service” brokers. Therefore, those stockholders who own fewer than 100 shares of common stock following the Reverse Stock Split may be required to pay higher transaction costs if they sell their common stock.

Finally, the decline in the per share price of our common stock and the decline in our overall market capitalization may be greater following the Reverse Stock Split than would have occurred in the absence of a Reverse Stock Split. Any reduction in our market capitalization may be magnified as a result of the smaller number of total shares of common stock outstanding following the Reverse Stock Split.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On August 8, 2023, the Company amended and restated the loan agreement with UCIL (such agreement as so amended and restated, the “UCIL Loan Agreement”) to remove an option to purchase up to 100% of the shares of Sports.com, a wholly-owned subsidiary of the Company, initially granted by the Company to UCIL.

Item 6. Exhibits.

Exhibit Number	Description
10.1	Amendment and Restatement Agreement in respect of Loan Agreement (Deed), dated as of June 12, 2023, between Lottery.com and Woodford Eurasia Assets Ltd. (incorporated by reference to Exhibit 10.28 of the Annual Report on Form 10-K filed by Lottery.com with the SEC on June 15, 2023).
10.2	Loan Agreement, dated as of July 26, 2023, by and between Lottery.com Inc. and United Capital Investments London Limited (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed by Lottery.com with the SEC on August 1, 2023).

10.3*	Amended and Restated Loan Agreement, dated as of August 8, 2023, by and between Lottery.com Inc. and United Capital Investments London Limited
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32.1**	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act
32.2**	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q included in the Exhibit 101 Inline XBRL Document Set

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

Lottery.com Inc.

By: /s/ Matthew McGahan

Name: Matthew McGahan

Title: Interim Chief Executive Officer
(Principal Executive Officer)

By: /s/ Robert J. Stubblefield

Name: Robert J. Stubblefield

Title: Chief Financial Officer
(Principal Accounting/Financial Officer)

Dated: August 21, 2023

Dated 8 August 2023

Amendment and Restatement Agreement
in respect of a

Loan Agreement
originally dated 26 July 2023

between

United Capital Investments London Limited
as Lender

and

Lottery.com Inc
as Borrower

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This Agreement is dated 8 August 2023 and made between:

- (1) **UNITED CAPITAL INVESTMENTS LONDON LIMITED**, a company existing under the laws of England with company number **10490012**, having its registered office at: **18 (2nd Floor) Savile Row, London, England, W1S 3PW** (the “**Lender**”); and
 - (2) **Lottery.com, INC**, a company existing under the laws of the State of Delaware, having its registered office at: 20808 State Hwy. 71W, Unit B, Spicewood, Texas 78669, the United States (the “**Borrower**”),
- (the “**Parties**” and each a “**Party**”).

Whereas:

- (A) Reference is made to the loan agreement dated 26 July 2023 and made between the Lender and the Borrower (as amended, restated, supplemented, varied or extended from time to time, the “**Loan Agreement**”).
- (B) The Parties have agreed that certain terms of the Loan Agreement do not reflect the agreement reached between the Borrower and the Lender at the time of their entry into the Loan Agreement; specifically, at the time of execution of the Loan Agreement, there was no intention to grant any option rights with respect to Sport.com (as defined below) shares or Sports.com domain name and, consequently, provisions to that effect should not have been included in the Loan Agreement.
- (C) Consequently, the Parties wish to amend and restate the Loan Agreement on the terms and subject to the conditions set out in this Agreement.
- (D) It is intended that this Agreement takes effect as a deed notwithstanding the fact that a party may only execute this Agreement under hand.

It is agreed as follows:

1. Definitions and Interpretation

1.1 Interpretation

- (a) Save as defined in this Agreement, words and expressions defined in the Loan Agreement shall have the same meanings in this Agreement.
- (b) Clauses 1.2 through 1.7 and 19 (*Third Party rights*) of the Loan Agreement shall be deemed to be incorporated into this Agreement, save that references in the Loan Agreement to “this Agreement” shall be construed as references to this Agreement.

1.2 Definitions

In this Agreement the following expressions shall have the following meanings:

“**Amended Loan Agreement**” means the Loan Agreement as amended and restated by this Agreement.

“**Effective Date**” means the date of this Agreement.

“**Sports.com**” means a company existing under the laws of the State of Texas, having its registered office at: 20808 State Hwy. 71W, Unit B, Spicewood, Texas 78669, the United States.

2. Amendment and Restatement of the Loan Agreement

2.1 Pursuant to the terms of the Loan Agreement, each Party consents to the amendments and restatement to the Loan Agreement contemplated by this Agreement.

2.2 With effect on and from the Effective Date:

(a) the Loan Agreement shall be amended and restated in the form set out in Schedule 1 (*The Amended and Restated Loan Agreement*); and

(b) all references in the Loan Agreement to “this Agreement” shall be construed to be to the Amended Loan Agreement.

2.3 With effect on and from the Effective Date, the Loan Agreement and this Agreement shall be read and construed as one document and references to the Loan Agreement in each Transaction Document shall be read and construed as references to the Amended Loan Agreement.

2.4 Save as amended and restated by this Agreement, the Loan Agreement, and each Transaction Document to which it is a party shall continue in full force and effect.

3. Confirmations

3.1 The Borrower shall, at the request of the Lender, and at its own expense, do all such acts and things necessary or desirable to give effect to the amendments effected or intended to be effected pursuant to this Agreement.

4. Representations and Warranties

The Borrower on the Effective Date makes the representations and warranties set out in Clause 5 (*Borrower’s Representations and Warranties*) of the Loan Agreement as if references to “this Agreement” in those representations were references to this Agreement.

5. Costs and Expenses

The provisions of Clause 23 (*Costs*) of the Loan Agreement shall apply to this Agreement as if it were expressly set out in this Agreement with the necessary changes being made and with each reference in the Loan Agreement to “this Agreement” being construed as references to this Agreement.

6. Incorporation of Terms

The terms of clauses 12 (*Notices*), 17 (*Invalidity*) and 22 (*Remedies*) of the Loan Agreement shall be deemed to be incorporated into this Agreement save that references in the Loan Agreement to “this Agreement” shall be construed as references to this Agreement.

7. Counterparts

This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

8. Governing Law

This Agreement and any dispute or claim arising out of or in connection with this Agreement or their subject matter, existence, negotiation, validity, termination, enforceability or breach (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, English law.

9. Enforcement

Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by the LCIA under the LCIA Rules (the “**Rules**”), which Rules are deemed to be incorporated by reference into this Clause 9. The number of arbitrators shall be one (1). The seat, or legal place, of arbitration shall be London, the United Kingdom. The language to be used in the arbitral proceedings shall be English. The Parties agree that any restriction in the Rules upon the nomination or appointment of an arbitrator by reason of nationality shall not apply to any arbitration commenced pursuant to this Clause 9. Any decision under such arbitration proceedings shall be final and binding on the Parties. The tribunal shall order an unsuccessful Party in the arbitration to pay the legal and other costs incurred in connection with the arbitration by a successful Party. Each Party consents to be joined in the arbitration commenced under the arbitration agreement set out in this Clause 9. For the avoidance of doubt, this Clause 10 constitutes each Party’s consent to joinder in writing for the purposes of the Rules. Each Party agrees to be bound by any award rendered in the arbitration, to which it was joined pursuant to this Clause 9. Each Party consents to the consolidation, in accordance with the Rules, of two (2) or more arbitrations commenced under the arbitration agreement set out in this Clause 9. For the avoidance of doubt, this Clause 9 constitutes each Party’s agreement to consolidation in writing for the purposes of the Rules.

This Agreement has been entered into on the date stated at the beginning of this Agreement and executed as a deed by the Borrower and is intended to be and is delivered by them as a deed on the date specified above.

Signatories

The Borrower

Executed as a deed by
Lottery.com Inc

/s/ Paul Jordan
By: Paul Jordan

in the presence of:

Date: 8/14/2023
Name of Witness:
Position:

The Lender

Executed as a deed by
United Capital Investments London Limited

/s/ Barney Battles
By: Barney Battles

in the presence of:

Date: 8/14/2023
Name of Witness:
Position:

Schedule 1
The Amended and Restated Loan Agreement

UNITED CAPITAL INVESTMENTS LONDON LIMITED
as Lender

and

LOTTERY.COM INC
as Borrower

AMENDED AND RESTATED LOAN AGREEMENT

originally dated 26 July and amended and restated on 8 August 2023

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This loan agreement (the “**Agreement**”) is originally made on 26 July 2023 and subsequently amended and restated by an amendment and restatement agreement executed on 8 August 2023 by and between:

PARTIES

- (1) **UNITED CAPITAL INVESTMENTS LONDON LIMITED**, a company existing under the laws of **10490012**, having its registered office at: **18 (2nd Floor) Savile Row, London, England, W1S 3PW** (the “**Lender**”); and
- (2) **LOTTERY.COM, INC**, a company existing under the laws of the State of Delaware, having its registered office at: 20808 State Hwy. 71W, Unit B, Spicewood, Texas 78669, the United States (the “**Borrower**”).

The Lender and the Borrower are jointly referred to as the “**Parties**” and each individually as a “**Party**”.

RECITALS

- (A) The Lender has agreed to provide certain financing to the Borrower on the terms set out in this Agreement.
- (B) Each Party enters into this Agreement in consideration of the other Party entering into this Agreement and accepting its terms.

IT IS AGREED AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, the following terms shall have the following meanings:

“**1st Amendment and Restatement Agreement**” means the amendment and restatement agreement to this Agreement dated 8 August 2023;

“**Accordion**” means the principal amount of **USD 49,000,000** (or such other amount or type of financing in lieu of loan as the Parties may agree in writing) made or to be made available by the Lender on the terms of this Agreement, with the pricing being consistent with the Initial Loan;

“**Affiliate**” means, with respect to any person, any other person that, directly or indirectly, controls, is controlled by, or is under common control with such person in each case from time to time;

“**Applicable Law**” means any applicable law, statute, ordinance, code, rule, regulation, resolution, order, decree, judgments, awards and decisions of any court, arbitral tribunal or competent authority permit or variance of any governmental entity, or any binding agreement with any governmental entity, in each case having force of law;

“**Board**” means the board of directors of the Borrower as constituted from time to time;

“**Business Day**” means a day other than Saturday and Sunday or public holiday in London (the United Kingdom) or New York (the US) and on which banks generally are open in London (the United Kingdom) or New York (the US) for the transaction of normal banking business, and, where used to specify the period, within which any act is to be done or not to be done, a day other than a day, which is a Saturday, Sunday or public holiday in any jurisdiction, in which such act is to be done or not to be done;

“**Conditions**” has the meaning given in clause 2.3(a);

“**Conversion**” means the conversion of an amount of the Initial Loan and Accordion together with the accrued interest, in whole or in part, as determined by the Lender at its sole discretion, into the Conversion Shares in accordance with clause 9 (*Conversion*);

“**Conversion Date**” has the meaning given in clause 9.3 (*Completion*); “**Conversion Price**” means the lower of:

- (a) USD 0.075 per Share; and
- (b) if the Shares are no longer listed on NASDAQ or the trading of Shares is suspended for a period of 5 (five) consecutive Business Days or more, the fair market price per Share reasonably determined by the Lender with a 20% discount or if the Borrower disagrees with the Share price proposed by the Lender, the fair market price per Share determined by the Independent Valuer with a 20% discount;

“**Conversion Shares**” means the Shares to be issued in favour of the Lender during the Conversion, the amount of which shall be calculated by dividing the Repayable Amount to be discharged by way of Conversion by the Conversion Price;

“**Encumbrance**” means any mortgage, charge, pledge, lien, option, restriction, assignment, hypothecation, security interest, title retention or any other agreement or arrangement, the effect of which is the creation of security, or the creation of a right to acquire (including any option, right of first refusal or right of pre-emption), third party right or interest, other encumbrance or security interest or derivative interest of any kind, or any other type of preferential arrangement (including a title transfer or retention arrangement) having similar effect and any agreement to create any of the foregoing, and “**Encumber**” shall be construed accordingly;

“**Event of Default**” has the meaning given in clause 8.1 (*Event of Default*);

“**IFRS**” means the International Financial Reporting Standards, together with the pronouncements on the above from time to time, and applied on a consistent basis;

“**Indebtedness**” means, in respect of any company or other entity, any borrowing or indebtedness in the nature of borrowing (including any indebtedness for monies borrowed or raised under any bank or third party guarantee, acceptance credit, bond, note, bill of exchange or commercial paper, letter of credit, finance lease, hire purchase agreement, forward sale or purchase agreement or conditional sale agreement or other transaction having the commercial effect of a borrowing and all finance, loan and other obligations of a kind required to be included in the balance sheet of a company or other entity pursuant to the IFRS;

“**Independent Valuer**” means a reputable independent valuer, having experience of not less than 10 (ten) years conducting valuation of businesses of similar type and standing as the Borrower, not affiliated with the Lender or Borrower, chosen by the Lender with the consent of the Borrower (such consent not to be unreasonably withheld or denied);

“**Initial Loan**” means the principal amount of **USD 1,000,000** made or to be made available by the Lender on the terms of this Agreement;

“**Initial Loan Maturity Date**” has the meaning given in clause 4.1(a)(i);

“**Loan**” means together:

- (a) the principal amount of the Initial Loan; and
- (b) if applicable, the principal amount of the Accordion;

“**Loan Disbursement Date**” has the meaning given in clause 2.3(g);

“**Material Adverse Effect**” means any circumstance or event not explicitly and in writing disclosed to the Lender and/or subsequent to the date of this Agreement (including the commencement of any litigation, arbitration or administrative proceeding, change of law) which, in the opinion of the Lender, has caused or evolved to a material adverse effect on the business, financial condition or assets of the Borrower or the ability of the Borrower to comply with its obligations under the Transaction Documents, wherein any such “Material Adverse Effect” has not been waived in writing by the Lender within five (5) business days of its occurrence;

“**Paying Agent**” means any Affiliate or any related party of the Lender acting as the Lender’ paying agent;

“**Permitted Security**” means such mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other arraignment or agreement having similar effect with respect to any assets of the Borrower in existence as of the date of this Agreement and which has been duly disclosed to the Lender prior to the date of this Agreement;

“**Repayable Amount**” means an amount equal to the Loan disbursed by the Lender to the Borrower or otherwise provided on the terms of this Agreement plus interest accrued as specified in clause 2.2 (*Interest*), from time to time;

“**Shares**” means the highest-ranking shares of common stock in the Borrower from time to time;

“**Sports.com**” means a company existing under the laws of the State of Texas, having its registered office at: 20808 State Hwy. 71W, Unit B, Spicewood, Texas 78669, the United States;”

“**Sports.com Shares**” means all of the shares in Sports.com from time to time;

“**Transaction Documents**” means this Agreement, the 1st Amendment Agreement, any Warrant, and any other documents contemplated by any of them;

“**Transferee**” means any person designated by the Lender, to whom the Borrower shall transfer the relevant Shares on the terms of this Agreement;

“**UCIL**” means United Capital Investments London Limited, company number 10490012, having its registered office at: 18 (2nd Floor) Savile Row, London, England, W1S 3PW;

“**UCIL Securitization Agreement**” means the agreement to be entered into by and between the Parties regarding certain assets of the Borrower at such time as may be requested by the Lender in accordance with this Agreement; and

“**Warrants**” has the meaning given in clause 10(a).

1.2 Headings

Clause headings and the table of contents are inserted for ease of reference only and shall not affect construction.

1.3 Recitals, etc.

References to this Agreement include the Recitals, which form part of this Agreement for all purposes. References in this Agreement to the Parties, the Recitals and clauses are references respectively to the Parties, the Recitals and clauses of this Agreement.

1.4 Meaning of references

Save where specifically required or indicated otherwise:

- (a) words importing one (1) gender shall be treated as importing any gender, words importing individuals shall be treated as importing companies and *vice versa*, words importing the singular shall be treated as importing the plural and *vice versa*, and words importing the whole shall be treated as including a reference to any part of the whole;
- (b) a reference to the Transaction Documents and, in particular, this Agreement or to any other agreement or document referred to in this Agreement is a reference to this the Transaction Documents or such other document or agreement as amended, supplemented, varied or novated from time to time;
- (c) a reference to the “**Borrower**” or the “**Lender**” shall, where relevant, be construed so as to include their respective successors in title, permitted transferees or assignees (whether immediate or derivative);
- (d) the Event of Default being described as “**continuing**” means that it has neither been remedied to the satisfaction of the Lender nor expressly waived in writing (including by email) by the Lender;
- (e) references to a “**person**” shall include any individual, firm, body corporate, unincorporated association, government, state or agency of state, association, joint venture or partnership, in each case whether or not having a separate legal personality;
- (f) references to a “**company**” shall be construed so as to include any company, corporation or other body corporate wherever and however incorporated or established, and so as to include any company in succession to all, or substantially all, of the business of that company or firm;
- (g) references to the word “**include**”, “**including**” or “**in particular**” (or any similar term) are not to be construed as implying any limitation, except where made together with words like “**exclusively**” (or any similar term) and general words introduced by the word “**other**” (or any similar term) shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things;
- (h) reference to “**writing**” or “**written**” includes any method of reproducing words or text in a legible and non-transitory form, and, for the avoidance of doubt, shall not include email, unless this Agreement provides to the contrary; and
- (i) references to “**USD**” are to the lawful currency of the United States of America from time to time.

1.5 Understanding of time

Time periods in this Agreement shall be understood in the following way:

- (a) references to times of the day are to that time in London, the United Kingdom (unless otherwise stipulated);
- (b) references to a “**day**” are to a period of twenty-four (24) hours running from midnight to midnight;
- (c) references to a “**year**” are to a calendar year, meaning any period of twelve (12) consecutive months; and
- (d) if a period of time is specified as from a given day, or from the day of an act or event, it shall be calculated exclusive of that day.

1.6 Inconsistencies

- (a) Where there is any inconsistency between the definitions set out in this clause 1 (*Definitions and interpretation*) and the definitions set out in any clause, then, for the purposes of construing such clause, the definitions set out in such clause shall prevail.
- (b) Where there is any inconsistency between any number in words in this Agreement and the same number in digits determined in brackets, then for the purpose of construing such number, number in words shall prevail.

1.7 Meaning of undefined terms

If a word or term used in this Agreement is not defined in this clause 1 (*Definitions and interpretation*), it shall have the meaning ascribed to it in the text of this Agreement.

1.8 Negotiation of Agreement

The Parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favouring or disfavouring any Party by virtue of the authorship of any provisions of this Agreement.

2. LOAN

2.1 Amount of Loan

Subject to the terms of this Agreement and in reliance on the representations and warranties contained in clause 5 (*Borrower's representations and warranties*), the Lender agrees to make available and lend to the Borrower, and the Borrower agrees to borrow, the Initial Loan, and, subject to clause 2.4 (*Accordion*), the Accordion.

2.2 Interest

The Borrower shall pay to the Lender interest on the Loan at the rate of **ten (10) per cent per annum**, subject to the following:

- (a) interest on the Initial Loan shall accrue daily, starting from the first Loan Disbursement Date in relation to the Initial Loan, on the outstanding principal amount of the Initial Loan and shall be calculated on the basis of actual number of days elapsed and a year of three hundred and sixty-five (365) days;
- (b) the interest accrued on the outstanding amount of the Initial Loan shall be repaid on the Initial Loan Maturity Date, together with the relevant amount of the Initial Loan;

- (c) interest on Accordion shall accrue daily, starting from the first disbursement of an Accordion (or any part thereof), on the outstanding principal amount of the Accordion outstanding from time to time and shall be calculated on the basis of actual number of days elapsed and a year of three hundred and sixty-five (365) days;
- (d) the interest accrued on the outstanding amount of the Accordion shall be repaid on the Accordion Maturity Date (as this term is defined in clause 4.1(a)(ii)), together with the relevant amount of the Accordion Loan; and
- (e) if the Borrower fails to make any payment due under this Agreement on the due date for payment, interest on the unpaid amount of the Loan shall accrue daily, from the date of non-payment to the date of actual payment, at 8% above the rate specified in this clause 0. Interest accrued under this clause 2.2(e) shall be immediately payable by the Borrower on demand from the Lender.

2.3 Disbursement of Loan

- (a) The Loan shall be disbursed by the Lender in such amounts and at such times prior to the termination of this Agreement as the Borrower may request on the terms of the remaining provisions of this clause 2.3.
- (b) Each disbursement of the Loan, shall be made subject to the Borrower satisfying or procuring the satisfaction of, to the fullest extent applicable, all conditions set out in clause 2.5 (*Conditions*) (together the “**Conditions**”) on the relevant Loan Disbursement Date and, in relation to Accordion only, the Lender having agreed to provide the Accordion to the Borrower and the Parties have executed and perfected the UCIL Securitization Agreement to the satisfaction of the Lender in accordance with the terms of this Agreement.
- (c) For the avoidance of doubt, the Lender shall not be obliged to transfer (or procure the transfer by the Paying Agent of) any amount of the Loan (other than the Initial Loan) to the Borrower or otherwise, unless all the Conditions have been satisfied and continue to be satisfied on the relevant Loan Disbursement Date.
- (d) Unless the Parties agree otherwise in writing in accordance with 2.3(a) above, the Lender shall (or shall procure that its Paying Agent shall) make the disbursements of the Initial Loan, provided that:
 - (A) the Borrower has confirmed in writing that it is prepared to issue Conversion Shares in the amount of 20% of the capital of the Borrower (post-money) as soon as reasonably practicable and not later than within three (3) Business Day of the relevant disbursement of the Initial Loan; and
 - (B) the Borrower has provided to the Lender a Warrant for 4.5% Shares in the Borrower.
- (e) If the Borrower wishes to draw any amount of the Loan, the Borrower shall give the Lender a request (each such request being an “**Loan Tranche Request**”) in writing specifying:
 - (i) the amount of the Loan to be disbursed;
 - (ii) the intended disbursement date, which shall be not less than five (5) Business Days following the date of the Lender’s receipt of the relevant Loan Tranche Request, unless the Parties agree otherwise;

- (iii) the recipient (the Borrower or any third-party recipient) and the relevant bank account details of the payment recipient;
- (iv) the purpose of the relevant payment; and
- (v) any additional details reasonably sufficient for the Lender to transfer the relevant amount of any of the Loan Tranches pursuant to such Loan Tranche Request,

in any case, provided that:

- (A) the total amount of the Initial Loan disbursements shall not exceed the total amount of the Initial Loan, unless the Parties agree otherwise in writing; and
 - (B) the total amount of all disbursements in relation to the Accordion shall not exceed USD 49,000,000 unless the Parties agree otherwise in writing.
- (f) Each Loan Tranche Request shall be irrevocable and oblige the Borrower to borrow the respective amount of the Loan on the terms of this Agreement. For the avoidance of doubt, there may be several Loan Tranche Requests up until the earlier of:
- (i) the Loan is disbursed by the Lender in full; or
 - (ii) the date falling twenty-four (24) months after the date of this Agreement.
- (g) The Lender shall (or shall procure that its Paying Agent shall), within five (5) Business Days upon the Lender receiving the relevant Loan Tranche Request or on such other later reasonable date as the Borrower indicates in the Loan Tranche Request, disburse the amount of the Loan specified in the relevant Loan Tranche Request or such lower amount as the Parties may agree in writing to the bank account as notified in the relevant Loan Tranche Request, with value date as of the date of the disbursement (each such value date being the “**Loan Disbursement Date**”), in each case, subject to clause 2.5 (*Conditions*).
- (h) The obligation of the Lender to disburse the relevant amount of the Loan shall be deemed duly performed after the funds in the respective amount (including, for the avoidance of doubt, to cover the relevant Borrower’s expenses and/or costs) were duly debited from the bank account of the Lender, its Paying Agent and/or any other person acting on behalf of the Lender, as applicable.
- (i) The Parties hereby confirm and acknowledge that:
- (i) the Lender’s obligation to disburse the relevant amount of the Initial Loan pursuant to this clause 2.3 may be performed:
 - (A) by transferring such amount to any third-party recipient indicated in the relevant Loan Tranche Request (including, for the avoidance of doubt, to pay the Borrower’s bills); and
 - (B) by the Lender’s Paying Agent,

and the disbursement of any amount of the Initial Loan as set out in clauses 2.3(i)(i)(A) and 2.3(i)(i)(B), as applicable, shall be deemed to be due fulfilment of the Lender’s obligation to disburse the respective amount of the Loan and shall be accounted and accepted in discharge of the Loan. Notwithstanding anything to the contrary, the Lender may, at its discretion and in lieu of the relevant disbursement of any amount of the Loan, finance some or all of the Borrower’s costs and/or expenses (including, for the avoidance of doubt, by paying to the Borrower’s suppliers). In this case, such payments shall be accounted and accepted in discharge of the amounts of the Loan to be disbursed by the Lender under this Agreement; and

- (ii) any amounts of financing provided or caused to be provided by the Lender and/or its Paying Agent and/or any other person acting on behalf of the Lender, in each case to the Borrower, another person indicated by or on behalf of the Borrower or any other person as determined at the Lender's sole discretion to cover any costs and/or expenses of the Borrower, shall be accounted and accepted in discharge of the amounts of the Loan to be disbursed by the Lender under this Agreement.

2.4 Accordion

Subject to clause 2.5 (*Conditions*) and the Borrower's written request, the Lender may (but is not obliged to) agree to provide additional funding (the Accordion) to the Borrower (or as the Parties may otherwise agree) in the principal amount of up to USD 49,000,000 (forty nine million) to be provided:

- (a) by the Lender to the Borrower (or as the Parties otherwise agree) in one (1) or several instalments (for the avoidance of doubt, this clause shall not limit the number of such instalments) as the Parties may agree in writing or, if so agreed between the Parties in writing, in which case clause 2.3(e) shall apply *mutatis mutandis*; and
- (b) subject to the Parties agreeing the business plan of the Borrower.

2.5 Conditions

- (a) Disbursement of any amounts of the Loan shall be at all times conditional on the following Conditions having been satisfied and continuing to be satisfied, to the satisfaction of the Lender and to fullest extent applicable:
 - (i) all necessary or appropriate corporate, governmental or statutory approvals having been obtained and any other actions required having been taken to authorise execution and performance of the Transaction Documents by the Borrower;
 - (ii) the making of the disbursement does not conflict and will not conflict with any other agreement or other document to which the Borrower or its assets are subject;
 - (iii) no Material Adverse Effect has occurred or is continuing, which event has not been waived by the Lender;
 - (iv) no Event of Default is continuing or will occur as a result of disbursement of the Loan; and
 - (v) the Borrower's compliance with all the listing requirements, including any current audited financial statements in form and content acceptable to the Lender, unless waived by the lender for the relevant tranches at its discretion.
- (b) The Borrower shall procure that the Board members shall:
 - (i) be acceptable to any governmental and quasi-governmental authorities having regulatory authority over the conduct of lottery, gaming and sports betting in the United States or any jurisdictions in which the Borrower conducts business; and

- (ii) not cause the Borrower to violate any Nasdaq or U.S. Securities and Exchange Commission (SEC) requirements with respect to corporate governance, shareholder approval (if required), disclosure, independence or diversity.
- (c) With respect to the first disbursement under the Accordion only, the Parties have executed and perfected the UCIL Securitization Agreement to the satisfaction of the Lender at all times ensuring that the terms of such UCIL Securitization Agreement does not conflict and will not conflict with any other agreement or other document to which the Borrower or its assets are subject.
- (d) The Lender may in its discretion waive either in whole or in part the Conditions at any time by a notice in writing (including by email) to the Borrower.

3. PURPOSE

Unless the Parties agree otherwise in writing, the proceeds of the Loan shall be used as follows:

- (a) in relation to the proceeds of the Initial Loan:
 - (i) to restart the operations of the Borrower, including paying the relevant amount of salary remuneration or other compensation and applicable taxes, and expenses to the Borrower's staff and consultants, as appropriately documented; and
 - (ii) for general corporate purposes as requested by the Borrower as approved by the Lender (such approval not to be unreasonably withheld); and
- (b) in relation to the proceeds of the Accordion:
 - (i) for general corporate purposes as requested by the Borrower as approved by the Lender (such approval not to be unreasonably withheld); and
 - (ii) for any other purpose to be agreed between the Parties in writing,

(together the "**Purpose**") provided that the Lender is not obliged to monitor or verify how any amount advanced under this Agreement is used.

4. REPAYMENT

4.1 Borrower's obligation to repay Loan

- (a) The Borrower shall repay the Repayable Amount:
 - (i) in relation to the Initial Loan together with all accrued interest thereon (each an "**Initial Loan Maturity Date**") on the date which is twenty four (24) months from the date of the Initial Loan First Disbursement; and
 - (ii) in relation to the Accordion together with all accrued interest on the Accordion, on the date which is twenty-four (24) months from the date of the first disbursement under the Accordion (the "**Accordion Maturity Date**").
- (b) Any certification or determination by the Lender of the relevant Repayable Amount, including, for the avoidance of doubt, the amounts set out in clauses 2.3(i)(i) and 2.3(i)(ii), is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

The Lender may provide the relevant certification or determination to the Borrower in writing (including by email).

- (c) All repayments of the Loan shall be applied first to the accrued interest, and thereafter to the principal amount of the Loan.
- (d) The obligation of the Borrower to repay the Repayable Amount shall be deemed duly performed after the funds in the amount of the Repayable Amount were duly credited to the bank account of the Lender.

4.2 Prepayments

The Borrower shall have a right to prepay the principal amount of the Loan outstanding without a prior written consent of the Lender, but without prejudice to (a) the Lender's right to the Conversion pursuant to clause 9 (*Conversion*) and (b) the Borrower's obligation to issue the Warrants pursuant to clause 10 (*Warrants*).

4.3 Payments

- (a) Any amount due by the Borrower to the Lender under this Agreement shall be paid in such currency, in which the relevant Loan was disbursed to the Borrower (except as otherwise agreed by the Parties or required by the Applicable Law), to the Lender's account as the Lender may designate by written notice (including by email) to the Borrower at least three (3) Business Days before the date of payment, and in each case without any deduction, withholding, counterclaim or set-off, except to the extent provided for under the Applicable Law.
- (b) If the Borrower is compelled by the Applicable Law to withhold or deduct the taxes from any amount payable under this Agreement, such amount due from the Borrower shall be increased to an amount which (after making any such withholding or deduction) leaves an amount equal to the payment, which would have been due from the Borrower if no such withholding or deduction had been required.

5. BORROWER'S REPRESENTATIONS AND WARRANTIES

5.1 Borrower's representations and warranties

The Borrower represents and warrants to the Lender that on the date of this Agreement each of the statements provided for in this clause 5 is true, accurate and not misleading. All such representations and warranties shall be deemed to be repeated with reference to the facts and circumstances then subsisting on the date of this Agreement and on each next day until the Repayable Amount has been paid to the Lender in full.

5.2 Borrower duly incorporated

The Borrower is a company duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation.

5.3 Borrower's power to contract

The Borrower has all requisite capacity, power and authority to enter into, deliver, and perform its respective obligations under the Transaction Documents in accordance with their terms, and shall have taken all necessary corporate and other actions to authorise the execution, delivery and performance of the Transaction Documents. For the avoidance of doubt, this includes all requisite capacity, power and authority of the Borrower to issue the Conversion Shares and the Warrants.

5.4 Borrower's business

The Borrower has obtained all licences, permits, permissions, registrations, authorisations and consents required for carrying on its business effectively in the places and in the manner, in which such business is now carried on. All such licences, permits, permissions, registrations, authorisations and consents are in full force and effect, are not limited in duration (save for their terms) or subject to any unusual or onerous conditions.

5.5 No winding-up

No order has been made, petition presented or meeting convened for the winding up of the Borrower, or for the appointment of an administrator or any provisional liquidator (or equivalent in the jurisdiction of its incorporation) (or other process whereby the business is terminated and the assets of the company concerned are distributed amongst the creditors and/or shareholders or other contributors), and the Borrower is fully solvent and able to meet its debts under the Applicable Law.

5.6 Validity of obligations

The Transaction Documents constitute the Borrower's legal, valid and binding obligations, enforceable in accordance with the respective terms of the Transaction Documents.

5.7 No breach

The entry into and performance by the Borrower of the Transaction Documents do not conflict with:

- (a) any Applicable Law or regulation;
- (b) constitutional documents of the Borrower;
- (c) any agreement or instrument binding the Borrower or any assets of the Borrower; or
- (d) any order, judgment, decree or other restriction applicable to the Borrower.

5.8 Governing law and enforcement

The choice of English law as the governing law of this Agreement will be recognised and enforced in the jurisdiction of incorporation of the Borrower.

5.9 Ranking

The payment obligations of the Borrower under this Agreement rank at least *pari passu* in right and priority of payment with all other Borrower's unsecured and unsubordinated obligations and liabilities, present or future, actual or contingent, except for those obligations and liabilities mandatorily preferred by the Applicable Law.

5.10 Disclosure

The Borrower has disclosed to the Lender before the date of this Agreement all information relating to it and the transaction that is material to be known by a lender (in the context of a loan for a similar amount and on terms similar to this Agreement) and the information is accurate and complete in all material respects.

5.11 No litigation

Except as fairly and fully disclosed to the Lender, no litigation, arbitration, administrative or criminal proceedings are taking place or pending, or, to the best of the Borrower's knowledge and belief (after due and careful enquiry), have been threatened against it, or any of its directors or any of its assets which, in any case, might have a material adverse effect on its business, assets, condition or ability to comply with its obligations under the Transaction Documents.

5.12 Sports.com

- (a) Sports.com is a company duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation.
- (b) The Sports.com Shares are fully paid and not subject to any option to purchase or similar rights other than in favour of the Lender.
- (c) No order has been made, petition presented or meeting convened for the winding up of Sports.com, or for the appointment of an administrator or any provisional liquidator (or equivalent in the jurisdiction of its incorporation) (or other process whereby the business is terminated and the assets of the company concerned are distributed amongst the creditors and/or shareholders or other contributors), and Sports.com is fully solvent and able to meet its debts under the Applicable Law.

5.13 Sports.com domain, Lottery.com domain

The Borrower:

- (a) is the sole legal and beneficial owner of or has licensed to it all the intellectual property to domains "sports.com" and "lottery.com"; and
- (b) has taken all formal or procedural actions (including payment of fees) required to maintain all intellectual property to domains "sports.com" and "lottery.com".

6. BORROWER'S UNDERTAKINGS

6.1 Borrower's undertakings

During the term of this Agreement, the Borrower shall comply with undertakings provided for in the remaining provisions of this clause 6.

6.2 Authorisations

The Borrower shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect and supply to the Lender certified copies of any authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgment or registration required to enable it to perform its obligations under the Transaction Documents, to ensure the legality, validity, enforceability or admissibility in evidence of the Transaction Documents and to carry on its specific businesses.

6.3 Compliance with laws

The Borrower shall comply in all respects with all laws, to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Transaction Documents.

6.4 Ranking

The Borrower shall ensure that Borrower's payment obligations under this Agreement rank at least *pari passu* in right and priority of payment with all other Borrower's unsecured and unsubordinated obligations and liabilities, present or future, actual or contingent, except for those obligations and liabilities mandatorily preferred by the Applicable Law.

6.5 Loans and guarantees

Until the date when the Loan has been paid to the Lender in full, the Borrower shall not:

- (a) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any person, without a prior written consent of the Lender, wherein any such amount is in excess of USD1,000,000; and/or
- (b) attract or obtain any loans, credits or other financing for the amount exceeding USD1,000,000 without a prior written consent of the Lender, which consent shall not be unreasonably withheld by Lender.

6.6 Assets

- (a) The Borrower shall not, without a prior written consent of the Lender, sell, lease, transfer or otherwise dispose of (either by a single transaction or by a series of transactions, whether related or not) any assets with a market value, as determined by independent third-party appraisal, of more than USD1,000,000.
- (b) The Borrower shall maintain enough assets to perform its obligations under the Transaction Documents.

6.7 Supply of information

The Borrower shall promptly supply to the Lender, upon the Lender providing it with reasonable advance notice, any and all documents and information (including any of its financial statements) as the Lender may reasonably request from time to time.

6.8 Encumbrances

The Borrower shall not, without a prior written consent of the Lender, encumber any of its assets, except in the normal course of business and for no more than USD1,000,000, or any of shares that it holds in its Affiliates, unless the Parties agree otherwise, other than the Permitted Security.

6.9 Tax

The Borrower shall comply with all tax regulations under the Applicable Law, including filing all required tax returns and paying all due taxes.

6.10 Anti-corruption law

The Borrower shall:

- (a) conduct its businesses in compliance with applicable anti-corruption laws; and
- (b) maintain policies and procedures designed against the breach of such laws.

6.11 Change of business

The Borrower shall not make any substantial change to the general nature or scope of its business as carried on at the date of this Agreement and that the Borrower carry on its business in the ordinary and usual course in accordance with the Applicable Law in the same manner as the Borrower was operating prior to the date of this Agreement.

6.12 Merger

The Borrower shall not enter into any amalgamation, demerger, merger, or corporate reconstruction without the prior written consent of the Lender.

6.13 Access

The Borrower shall, if the Lender reasonably suspects an Event of Default is continuing or may occur, permit the Lender or accountants or other professional advisers of the Lender free access at all reasonable times and on reasonable notice at the risk and cost of the Borrower to the office premises, assets, books, accounts and records of the Borrower and meet and discuss matters with the directors of the Borrower.

6.14 Corporate matters

The Borrower shall not, without prior written consent of the Lender:

- (a) amend or restate memorandum and articles of association, charter or other constitutional documents of the Borrower;
- (b) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind), except as required by law, on or in respect of its share capital (or any class of its share capital) or any warrants for the time being in issue;
- (c) repay or distribute any dividend or share premium reserve or capital redemption or any undistributable reserve;
- (d) perpetrate any additional emission of shares, which may negatively affect the position of the Lender (including through dilution of any stake that the Lender holds in the Borrower), without the consent of the Lender;
- (e) pay any management, advisory or other fee to, or to the order of, any of the shareholders or other Affiliates of the Borrower; or
- (f) reduce, redeem, repurchase, defease, retire or repay any of its share capital or any warrants for the time being in issue or resolve to do so.

6.15 Indemnity

The Borrower shall, within 5 (five) Business Days of demand, indemnify the Lender and each officer, employee or authorised representative of the Lender (each such person for the purposes of this clause, an “**Indemnified Person**”), against any cost (including, for the avoidance of doubt any legal costs incurred by the Indemnified Party), loss or liability incurred by the Indemnified Person in connection with or arising out of any dispute or claim brought against the Indemnified Party by Woodford EurAsia Assets Limited, company number 10264067 with registered office 10 Foster Lane, 3rd Floor, London, EC2V 6HR (including but not limited to those incurred in connection with any litigation, arbitration or administrative proceedings or regulatory enquiry concerning the above), unless such loss or liability is caused by the gross negligence, wilful misconduct or unlawful conduct of the relevant Indemnified Person. Any officer or employee or the authorised representative of the Lender may rely on this clause 6.15 subject to clause 19 (*Third Party Rights*) and the provisions of the Third Parties Act.

7. DEFAULT

7.1 Lender's rights in case of Event of Default

Upon and at any time after the occurrence of the Event of Default, and for so long as it is continuing, the Lender may (in its sole discretion) by notice in writing (including by email) to the Borrower declare the Loan, any accrued interest and all other amounts accrued or outstanding under this Agreement to be immediately due and payable on a written demand, on which the Loan and any accrued interest shall be immediately due and payable on such written demand.

7.2 Notification of default

The Borrower shall notify the Lender of any Event of Default (and the steps, if any, being taken to remedy it) promptly, but in any case, not later than five (5) Business Days upon becoming aware of its occurrence.

8. EVENTS OF DEFAULT

8.1 Event of Default

Occurrence of any of the events provided for in the remaining provisions of this clause 8 shall constitute an event of default (the "**Event of Default**").

8.2 Insolvency

The Borrower is or is presumed or deemed to be unable or admits inability to pay its debts (by reason of actual or anticipated financial difficulties), suspends making payments on any of its debts.

8.3 Insolvency proceedings

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (a) the suspension of payments, a moratorium of any Indebtedness of the Borrower, winding- up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Borrower;
- (b) the appointment of a liquidator, provisional liquidator, administrator, trustee in bankruptcy, receiver, administrative receiver, compulsory manager or similar officer in respect of the Borrower or any of its assets,

or any analogous procedure or step is taken in any jurisdiction.

8.4 Misuse of Loan

The Borrower uses the Loan for the purpose other than the Purpose set out in clause 3 (**Purpose**).

8.5 Non-payment

The Borrower does not pay on the due date any amount payable pursuant to this Agreement at the place at and in the currency in which it is expressed to be payable unless its failure to pay is caused by administrative or technical error, and the payment is made within five (5) Business Days of its due date.

8.6 Undertakings

The Borrower fails to perform in a timely manner any of its obligations under clause 6 (**Borrower's undertakings**) and, if capable of remedy, such failure to perform has continued for a period of ten (10) Business Days after the notice of such breach has been given to the Borrower by the Lender.

8.7 Misrepresentation

Any representation, statement or warranty made, repeated or deemed to be made by the Borrower in the Transaction Documents or in connection with the Transaction Documents is (or proves to have been) incomplete, untrue, incorrect or misleading in any respect when made, repeated or deemed to be made.

8.8 Sports.com

- (a) Sports.com is or is presumed or deemed to be unable or admits inability to pay its debts (by reason of actual or anticipated financial difficulties), suspends making payments on any of its debts.
- (b) Any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (i) the suspension of payments, a moratorium of any Indebtedness of Sports.com, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of Sports.com;
 - (ii) the appointment of a liquidator, provisional liquidator, administrator, trustee in bankruptcy, receiver, administrative receiver, compulsory manager or similar officer in respect of Sports.com or any of its assets,
 - (iii) or any analogous procedure or step is taken in any jurisdiction.
- (c) Any action is taken by any person (including the Borrower or Sports.com) or any other circumstance occurs that results in the intellectual property rights to the domain "sports.com" being challenged, infringed, limited, revoked or other adversely affected.
- (d) Any entity other than the Borrower or the Lender gains control over Sport.com. For these purposes "control" means, in respect of an entity:
 - (i) having the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:
 - (A) cast, or control the casting of, the relevant percentage of the maximum number of votes that might be cast at a general meeting of the relevant entity;
 - (B) appoint or remove all of the directors or other equivalent officers of the relevant entity; and
 - (C) give directions with respect to the operating and financial policies with which the directors or other equivalent officers of the Issuer are obliged to comply; and

- (ii) holding beneficially the relevant percentage of the issued share capital of the relevant entity (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital) that allows to exercise rights as described in sub-paragraph (i) above.

9. CONVERSION

9.1 Conversion

- (a) In each case in accordance with this clause 9, the Lender may proceed, in accordance with all U.S. federal and state law and regulation, with the Conversion:
 - (i) in relation to any amount under the Loan, at any time immediately following their respective disbursement and until, in each case, the relevant Repayable Amount remains outstanding; and
 - (ii) at any time when an Event of Default has occurred and is continuing.
- (b) For the avoidance of doubt:
 - (i) if the Lender exercises the Warrants for the price less than the Repayable Amount, the Lender shall retain the right to the Conversion for the outstanding Repayable Amount; and
 - (ii) the Warrants are in addition to the Lender's right to the Conversion.
- (c) Unless paragraph (d) applies, at any time while common stock shares of the Borrower are listed on the Nasdaq stock exchange:
 - (i) the Lender may not hold more than 4.99% of the issued and outstanding common stock shares of the Borrower (the "**Disclosure Threshold**"), without acknowledging and agreeing that holding beneficial ownership above the Disclosure Threshold shall require disclosure requirements pursuant to Nasdaq and SEC rules by Borrower; and
 - (ii) the Lender may not hold more than 19.99% of the issued and outstanding common stock shares of the Borrower (the "**Shareholder Approval Threshold**"), without acknowledging and agreeing that holding beneficial ownership above the Shareholder Approval Threshold shall require consent by Borrower's shareholders and disclosure requirements pursuant to Nasdaq and SEC rules by Borrower.
- (d) If there is a shareholders or similar agreement executed directly or indirectly in relation to common stock shares of the Borrower or otherwise affecting governance in relation to the Borrower (the "**Relevant SHA**") that has the effect of disapplying, varying or otherwise affecting the Disclosure Threshold and / or Shareholder Approval Threshold (as applicable)(any such threshold calculated taking into account the terms of a Relevant SHA, the "**SHA Threshold**"), then, at any time while common stock shares of the Borrower are listed on the Nasdaq stock exchange, no Lender may hold more than the SHA Threshold without acknowledging and agreeing that holding beneficial ownership above the SHA Threshold shall require disclosure requirements pursuant to Nasdaq and SEC rules by Borrower.

9.2 Service of Conversion Notice

In accordance with all Nasdaq and SEC rules (if applicable), during the period set out in clause 9.1 (*Conversion*), the Lender may serve a notice on the Borrower, requesting the Borrower to convert, in whole or in part, the Repayable Amount of the Loan into the Conversion Shares on the Conversion Date at the Conversion Price (the “**Conversion Notice**”). For the avoidance of doubt:

(i) clause 4.1(b) shall apply *mutatis mutandis* to the determination of the Lender of the Repayable Amount; and (ii) the Lender may exercise the right to the Conversion more than once by giving the relevant Conversion Notice to the Borrower. The Lender may at any time revoke the Conversion Notice, but in any case, prior to the Conversion. Unless the Lender specifically agrees in writing (including by email), the Borrower shall not have the right to repay the Repayable Amount of the Loan after the Conversion Notice was served.

9.3 Completion

Within ten (10) Business Days after the receipt of the Conversion Notice (the “**Conversion Date**”) the Borrower shall cause, subject to certain regulatory restrictions (if applicable), in each case, to the extent applicable:

- (a) issue the Conversion Shares to the Lender or the Transferee free from any Encumbrances, except those Encumbrances, which are in favour of the Lender, in consideration of the rights of the Lender under the Loan;
- (b) transfer the share certificates in respect of the Conversion Shares to the Lender or the Transferee;
- (c) make a record to shareholders’ register of the Borrower, indicating the Lender or the Transferee as the owner of the Conversion Shares; and
- (d) sign all such resolutions, deeds, agreements, documents, notices, acknowledgements, consents, waivers, letters and other ancillary documents (in each case in such form and with such amendments, whether substantive or otherwise as the Lender may think fit) and to do all such other acts and things, in each case as may be necessary, desirable or otherwise required (directly or indirectly) in order to transfer full legal and beneficial title to the Conversion Shares to the Lender or the Transferee free of any Encumbrances, except those Encumbrances, which are in favour of the Lender,

Conversion shall be deemed completed when the Lender or the Transferee has acquired full legal and beneficial title to the Conversion Shares free from any Encumbrances, except those Encumbrances, which are in favour of the Lender. Until the Conversion of all Repayable Amount shall be deemed completed, the Loan shall remain outstanding and shall be secured by the Debenture.

9.4 Premium on Conversion Shares

Each Conversion Share shall be issued and allotted at such premium to reflect the difference between the nominal value of one (1) Share and the amount of the Loan converted into one (1) Share on the Conversion Date. The Conversion Shares shall be credited as fully paid and rank at least *pari passu* with Shares of the same class in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared for the same class after the Conversion Date.

9.5 Share fractions

Upon any Conversion, the entitlement of the Lender to a fractional Share shall be rounded up to the next whole Share.

9.6 Rights attached to Conversion Shares

The Parties agree that upon the Conversion the Conversion Shares shall grant the Lender the following rights:

- (a) rights inherent to the Shares;
- (b) right to receive dividends;
- (c) liquidation preference based on class.

9.7 Set-off and discharge of the Loan

- (a) Subject to the Lender exercising its right to the Conversion and unless the Lender revokes its Conversion Notice, in each case, on the terms of this clause 9 and herein, the Parties agree to set off the Lender's obligation to pay the relevant price for the Conversion Shares in the amount of the Repayable Amount of the Loan as converted into the Conversion Shares against the relevant obligation of the Borrower to repay such Repayable Amount to the Lender. In this case:
 - (i) the relevant obligation of each Party shall be deemed fully performed and discharged; and
 - (ii) no Party shall have any claims whatsoever to the other Party in respect of the performance of the relevant obligation.
- (b) For the avoidance of doubt, following the Conversion, the relevant Repayable Amount of the Loan as converted into the Conversion Shares pursuant to this clause 9 shall be deemed discharged and repaid in full.

9.8 Undertakings prior to Conversion

From the date:

- (a) falling sixty days following any first disbursement of the Initial Loan (in relation to any possible Conversion of Repayable Amounts under the Initial Loan); and
- (b) falling ninety days following any first disbursement of the Accordion (in relation to any possible Conversion of Repayable Amounts under the Accordion),

and until full repayment of all amounts due under this Agreement, the Borrower shall maintain sufficient authorised but unissued share capital in the Borrower to satisfy in full, without the need for the passing of any further resolutions of Borrower's shareholders, all of the outstanding rights of conversion for the time being attaching to the said Loan amount under this Agreement, without first having to offer the same to any existing shareholders of the Borrower or any other person.

10. WARRANTS

- (a) In consideration of the Lender providing the Loan on the terms of this Agreement, the Borrower shall, as soon as practicable as determined at the Lender's sole discretion (but in any case, not earlier than the first Initial Loan Disbursement Date) issue and deliver, to the satisfaction of the Lender, common stock purchase warrants (the "**Warrants**") to the Lender (or the Transferee as designated by the Lender by notice to the Borrower in writing (including by email) reasonably in advance prior to the issuance of the Warrants) on the following key terms:
- (i) the Warrants issued shall not exceed 15% of the issued and outstanding common stock of the Borrower; and
 - (ii) the exercise price for each relevant Warrant Share shall be Conversion Price and otherwise subject to clause 10(b); and
 - (iii) the Warrants may be exercisable, in whole or in part, at any time during the term of this Agreement commencing on the issuance date of the Warrants.
- (b) To the extent the relevant amount of the Repayable Amount of the Initial Loan was not (i) repaid by the Borrower and/or (ii) converted into Shares, the Lender shall have a right to set off the Lender's obligation to pay the Warrants exercise price set out in clause 10(a)(ii) in the amount of the Repayable Amount of the Initial Loan then outstanding against the relevant obligation of the Borrower to repay such Repayable Amount to the Lender. In this case, the Borrower shall set off the relevant obligations as set out in this clause 10(b), and:
- (i) the relevant obligation of each Party shall be deemed fully performed and discharged; and
 - (ii) no Party shall have any claims whatsoever to the other Party in respect of the performance of the relevant obligation.
- (c) Clause 10(b) shall be without prejudice to the Lender's right to pay (or procuring its Paying Agent to pay) to the Borrower any amount of the exercise price due for the relevant Shares, without exercising its right to set off.

11. DELETED

Intentionally left blank.

12. NOTICES

12.1 Form of notices

Any notice (including any demand or any other communication) given under this Agreement or in connection with this Agreement shall be in writing (including, in relation to the notices given by the Lender, by email) and in English, signed by or on behalf of a Party giving it, and sent to another Party for the attention of the person and to the contact details given in clause 12.4 (*Contact details*).

12.2 Delivery of notices

A Party may send any notice by any of the below methods and, if sent by a particular method, the corresponding deemed delivery date and time when such notice takes effect, shall, if there is no evidence of the earlier receipt, be as follows:

- (a) if delivered by hand, at the time of delivery at that address signed for by the recipient and dated at such address

- (b) if sent by courier delivery service, at the time of delivery at that address as evidenced by the courier delivery service;
- (c) if sent by pre-paid airmail providing proof of postage, at 9.00 am on the third Business Day after posting; and
- (d) if sent by email, at the time of transmission.

12.3 Time of delivery

For the purposes of clause 12.2 (*Delivery of notices*):

- (a) all references to time are to local time in the place of deemed receipt; and
- (b) any notice received or deemed received on a day that is not the Business Day or after 5.00 pm on any Business Day, shall be deemed to have been received on the next following Business Day.

12.4 Contact details

The relevant details of the Parties are as follows:

- (a) Lender: **UNITED CAPITAL INVESTMENTS LONDON LIMITED**
Attention: Barney Battles, Director
Address: 18 Savile Row LONDON
Tel.: (+44) 7789 766242
Email: Barney.Battles@ucilondon.com
- (b) Borrower: **LOTTERY.COM INC**
Attention: Robert J. Stubblefield (or another CFO of the Borrower from time to time)
Address: 20808 State Highway 71 W, Suite B, Spicewood, TX 78669
Tel.: (+1) 650 823 3727
Email: rob.stubblefield@lotter.com

12.5 Delivery by email

Save for the notices given by the Lender by email, a notice sent by any of the methods mentioned in clause 12.2 (*Delivery of notices*) shall be simultaneously dispatched to the contact details given in 12.4 (*Contact details*) by email, provided that such notice shall be deemed delivered and take effect when delivered in accordance with 12.2 (*Delivery of notices*). A notice given by the Borrower under or in connection with the Transaction Documents shall not be valid, if sent by email only.

12.6 Change of address

A Party may by giving notice in accordance with this clause 11 change its relevant details given in clause 12.4 (*Contact details*). The change shall take effect for a Party notified of the change at 9.00 am on the later of:

- (a) the date, if any, specified in the notice as the effective date for the change; or
- (b) the fifth Business Day after deemed receipt of the notice took place in accordance with clauses 12.2 (*Delivery of notices*) and 12.3 (*Time of delivery*).

13. CONFIDENTIALITY

13.1 Confidential Information

Each Party shall (and shall ensure that its Affiliates shall) keep confidential (and ensure that their officers, employees, agents and professional and other advisers keep confidential) and shall not by failure to exercise due care or otherwise by any act or omission disclose to any person any information (whether received, provided or obtained before, on or after the date of this Agreement and whether in writing, orally, electronically or in any other form or medium):

- (a) in respect of the existence or contents of the Transaction Documents, the arrangements contemplated by the Transaction Documents or the contents of the discussions and negotiations which have led up to the Transaction Documents, including in respect of the Loan; and
- (b) in respect of another Party's (and its Affiliates) business, operations, assets or affairs, collectively, the "**Confidential Information**".

13.2 Use of Confidential Information

No Party shall use the Confidential Information for its own business purposes or disclose it to any third party without a prior written consent of another Party.

13.3 Permitted disclosure

The obligations of confidentiality under clauses 13.1 (*Confidential Information*) and 13.2 (*Use of Confidential Information*) shall not apply to:

- (a) disclosure (subject to clause 13.4 (*Disclosure to representatives*)) on a "need to know" basis in confidence to an Affiliate of either Party where the disclosure is for a purpose reasonably incidental to this Agreement;
- (b) disclosure (subject to clause 13.4 (*Disclosure to representatives*)) in confidence to the Parties' professional advisers of information reasonably required to be disclosed for a purpose reasonably incidental to this Agreement;
- (c) information, which is independently developed by the relevant Party or acquired from a third party to the extent that it is acquired with the right to disclose it;
- (d) disclosure of information to the extent required to be disclosed by the Applicable Law, any stock exchange regulation or any binding judgment, order or requirement of any court or other competent authority, provided that, before any such required disclosure is made, a Party that is (or whose Affiliate is) required to make disclosure must, to the extent permitted by law and the relevant disclosure requirement:
 - (i) notify a Party that made the relevant information available to it (the "**Discloser**") as soon as reasonably practicable after it becomes aware that disclosure is required;
 - (ii) take all steps reasonably required by the Discloser to prevent or restrict the disclosure of that information; and

(iii) co-operate with the Discloser regarding the timing and content of such disclosure,

and for the purposes of this clause 13.3(d), where the information required to be disclosed is the existence or contents of, or the negotiations relating to, this Agreement, references to the Discloser are taken to be references to each Party;

(e) disclosure in connection with the commencement, pursuit or defence by a Party of or in any legal proceedings, to which any Confidential Information is relevant, provided that such a legal proceeding arises out of or in connection with this Agreement and/or concerns the transaction, contemplated by this Agreement, and/or involves both Parties; or

(f) information, which is already in the public domain (otherwise than as a result of a breach of this clause 13).

13.4 Disclosure to representatives

Each Party shall inform (and shall ensure that any of its Affiliates shall inform) any officer, employee or agent or any professional or other adviser advising it in relation to the matters referred to in this Agreement, or to whom it provides the Confidential Information, that such information is confidential and shall instruct them to keep it confidential and not to disclose it to any third party (other than those persons to whom it has already been disclosed in accordance with the terms of this Agreement). The disclosing Party is responsible for any breach of this clause 13 by the person to whom the Confidential Information is disclosed.

13.5 Term of confidentiality obligations

The provisions of this clause 13 shall continue to apply during two (2) years following the date when the Lender has received the Loan or the termination of this Agreement, whichever occurs earlier.

14. COUNTERPARTS

This Agreement may be executed in any number of counterparts and by the Parties to it on separate counterparts, and each such counterpart shall constitute an original of this Agreement, but all of which together constitute one and the same instrument. This Agreement shall not be effective until each Party has executed at least one (1) counterpart. Delivery of this Agreement by an email attachment or a telecopy shall be an effective mode of delivery.

15. VARIATION, WAIVER AND CONSENT

15.1 Form of variation

Any variation of this Agreement shall be in writing and signed by or on behalf of each Party.

15.2 Form of waiver

Any waiver of any right under this Agreement is only effective if it is in writing and signed by a waiving or consenting Party and it applies only in the circumstances, for which it is given, and shall not prevent a Party who has given the waiver from subsequently relying on the provision it has waived.

15.3 No effect of failure to exercise

No failure to exercise or delay in exercising any right or remedy provided under this Agreement or by law constitutes a waiver of such right or remedy or shall prevent any future exercise in whole or in part of such right or remedy.

15.4 No effect of partial exercise

No single or partial exercise of any right or remedy under this Agreement shall preclude or restrict the further exercise of any such right or remedy.

15.5 Rights and remedies cumulative

Unless specifically provided otherwise, rights arising under this Agreement are cumulative and do not exclude rights provided by law.

16. ENTIRE AGREEMENT

The Transaction Documents constitute the entire agreement between the Parties and supersede and extinguishes all previous drafts, agreements, arrangements, and understandings between them, whether written or oral, relating to their subject matter.

17. INVALIDITY

Each of the provisions of this Agreement is severable and enforceable independently of each other provision. If any provision is held to be or becomes invalid or unenforceable in any respect under the law of any jurisdiction, it shall have no effect in that respect and the Parties shall use all reasonable efforts to replace it in that respect with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

18. FURTHER ASSURANCE

Each Party shall promptly execute and deliver all such documents, and do all such things, as any other Party may from time to time reasonably require for the purpose of giving full effect to the provisions of this Agreement.

19. THIRD PARTY RIGHTS

Except as expressly provided for in this Agreement to the contrary, the Parties do not intend that any term of this Agreement shall be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to this Agreement. Notwithstanding that any provision of this Agreement may be enforceable by any third party, this Agreement and its provisions may be amended, waived, modified, rescinded or terminated by the Parties without the consent or approval of any third party.

20. ASSIGNMENT

20.1 No assignment

Subject to clause 20.2 (*Assignment by Lender*), no Party may assign or transfer all or any of its rights or obligations under this Agreement or dispose of any right or interest in this Agreement without a prior written consent of another Party.

20.2 Assignment by Lender

The Lender may at any time assign and/or transfer all or a portion of the Lender's rights and/or obligations under this Agreement to any Lender's related party (a "**Permitted Assignee**") without consent of the Borrower.

21. SURVIVING PROVISIONS

Termination of this Agreement in respect of the rights and obligations of any Party shall not affect:

- (a) claims arising out of any antecedent breach of the Transaction Documents (excluding the Lender's obligations under clause 2.3 (*Disbursement of Loan*)); and
- (b) provisions of this Agreement that are expressed to survive its termination or expiry, or which from their nature or context are contemplated to survive termination or expiry of this Agreement, including clauses 1 (*Definitions and interpretation*), 10 (*Warrants*), 12 (*Notices*), 13 (*Confidentiality*), 19 (*Third party rights*), 21 (*Surviving provisions*), 24 (*Governing law and jurisdiction*) and any provision of this Agreement necessary for its interpretation or enforcement.

22. REMEDIES

Without prejudice to any other rights or remedies which a Party may have, each Party acknowledges and agrees that damages alone are not an adequate remedy for breach of the provisions of the Transaction Documents and, accordingly, agrees that each Party shall be entitled to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of a Party's obligations in the Transaction Documents, without proving special damages.

23. COSTS

Unless otherwise expressly provided for in this Agreement, all costs in connection with the negotiation, preparation, execution and performance of the Transaction Documents, and any documents referred to in it, shall be borne by a Party that incurred the costs.

24. GOVERNING LAW AND JURISDICTION

24.1 Governing law

The Transaction Documents and any dispute or claim arising out of or in connection with the Transaction Documents or their subject matter, existence, negotiation, validity, termination, enforceability or breach (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, English law.

24.2 Jurisdiction

Any dispute arising out of or in connection with the Transaction Documents, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by the LCIA under the LCIA Rules (the "**Rules**"), which Rules are deemed to be incorporated by reference into this clause. The number of arbitrators shall be one (1). The seat, or legal place, of arbitration shall be London, the United Kingdom. The language to be used in the arbitral proceedings shall be English. The Parties agree that any restriction in the Rules upon the nomination or appointment of an arbitrator by reason of nationality shall not apply to any arbitration commenced pursuant to this clause. Any decision under such arbitration proceedings shall be final and binding on the Parties. The tribunal shall order an unsuccessful Party in the arbitration to pay the legal and other costs incurred in connection with the arbitration by a successful Party. Each Party consents to be joined in the arbitration commenced under the arbitration agreement set out in this clause 24.2. For the avoidance of doubt, this clause 24.2 constitutes each Party's consent to joinder in writing for the purposes of the Rules. Each Party agrees to be bound by any award rendered in the arbitration, to which it was joined pursuant to this clause 24.2. Each Party consents to the consolidation, in accordance with the Rules, of two (2) or more arbitrations commenced under the arbitration agreement set out in this clause 24.2. For the avoidance of doubt, this clause 24.2 constitutes each Party's agreement to consolidation in writing for the purposes of the Rules.

25. GOVERNING LANGUAGE

The official text of this Agreement shall be in English. In the event of any dispute concerning the construction or interpretation of this Agreement, reference shall be made only to this Agreement as written in English and not to any translation into any other language.

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

I, Matthew McGahan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lottery.com Inc.;
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(s) 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(s) and I have disclosed, based on my 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: August 21, 2023

By: /s/ Matthew McGahan

Matthew McGahan
Interim Chief Executive Officer
(Principal Executive Officer)

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

I, Robert J. Stubblefield, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lottery.com Inc.;
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(s) 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(s) and I have disclosed, based on my 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: August 21, 2023

By: /s/ Robert J. Stubblefield

Robert J. Stubblefield
Chief Financial Officer
(Principal Financial/Accounting Officer)

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

In connection with the Quarterly Report of Lottery.com Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Matthew McGahan, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) 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 at the dates and for the periods indicated.

Date: August 21, 2023

By: /s/ Matthew McGahan

Matthew McGahan
Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Quarterly Report of Lottery.com Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Robert J. Stubblefield, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) 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 at the dates and for the periods indicated.

Date: August 21, 2023

By: /s/ Robert J. Stubblefield

Robert J. Stubblefield

Chief Financial Officer

(Principal Financial/Accounting Officer)
