

**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 **March 31, 2024**

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 May 17, 2024, 4,773,852 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/A for the year ended December 31, 2023 (the Amended "Annual Report") which was filed on May 20, 2024 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.

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- 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.
- Although we are currently in compliance with the continued listing standards of Nasdaq, we have had periods of non-compliance in the past and we may not be able to maintain compliance with Nasdaq's continued listing standards in the future.
- Limited liquidity and trading of our securities.
- Lenders may not loan us the amounts they agreed to under existing Loan Agreements.
- Our obligations under the 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, UCIL, or Univest (as defined herein) under their 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.

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## PART I – FINANCIAL INFORMATION

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	March 31, 2024	December 31, 2023
<b>ASSETS</b>		
Current assets:		
Cash	\$ 84,050	\$ 359,826
Accounts receivable	245,069	24,241
Prepaid expenses	19,044,832	19,020,159
Other current assets	901,042	907,632
Total current assets	20,274,993	20,311,858
Notes receivable	2,000,000	2,000,000
Investments	250,000	250,000
Goodwill	11,227,491	11,227,491
Intangible assets, net	16,399,733	17,681,784
Property and equipment, net	18,488	21,309
Other long term assets	12,884,686	12,884,686
Total assets	\$ 63,055,391	\$ 64,377,218
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade payables	\$ 7,965,863	\$ 7,991,802
Deferred revenue	330,257	357,143
Notes payable - current	6,726,669	6,026,669
Accrued interest	961,081	858,875
Accrued and other expenses	11,292,243	11,359,616
Other liabilities	1,167,111	1,167,111
Total current liabilities	28,443,224	27,761,216
Long-term liabilities:		
Convertible debt, net - non current	-	-
Other long term liabilities	-	-
Total long-term liabilities	-	-
Commitments and contingencies (Note 13)	-	-
Total liabilities	28,443,224	27,761,216
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, 4,747,047 and 2,895,770 issued and outstanding 2024 and December 31, 2023, respectively	4,996	2,877
Additional paid-in capital	273,342,574	269,690,569
Accumulated other comprehensive loss	16,673	( 91,667)
)Accumulated deficit	( 240,815,185)	( 235,106,206)
Total Lottery.com Inc. stockholders' equity	32,549,058	34,495,573
Noncontrolling interest	2,063,109	2,120,429
Total Equity	34,612,167	36,616,002
Total liabilities and stockholders' equity	\$ 63,055,391	\$ 64,377,218

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

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

	Three Months Ended March 31,	
	2024	2023
Revenue	\$ 259,319	\$ 620,229
Cost of revenue	83,787	35,147
Gross profit	175,532	585,082
Operating expenses:		
Personnel costs	984,679	1,257,434
Professional fees	3,204,048	739,928
General and administrative	296,652	337,328
Depreciation and amortization	1,284,982	1,405,480
Total operating expenses	5,770,361	3,740,170
Loss from operations	( 5,594,829)	( 3,155,088)
Other expenses		
Interest expense	102,217	23
Other expense	52,676	58,871
Total other expenses, net	154,893	58,894
Net loss before income tax	( 5,749,722)	( 3,213,982)

Income tax expense (benefit)	4,150	-
Net loss	( 5,753,872)	( 3,213,982)
Other comprehensive loss		
Foreign currency translation adjustment, net	102,214	( 114,095)
Comprehensive loss	( 5,651,658)	( 3,328,077)
Net income attributable to noncontrolling interest	( 57,321)	67,640
Net loss attributable to Lottery.com Inc.	\$ ( 5,708,979)	\$ ( 3,260,437)
Net loss per common share		
Basic and diluted	\$ ( 1.99)	\$ ( 1.29)
Weighted average common shares outstanding		
Basic and diluted recheck WA shares	2,868,822	2,522,225

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

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**LOTTERY.COM INC .**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)**  
**For the Three Months Ended March 31, 2024 and 2023**

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Total</u>	<u>Noncontrolling</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Deficit</u>	<u>Other</u>	<u>AutoLotto</u>	<u>Interest</u>	<u>Stockholders'</u>
			<u>Capital</u>		<u>Comprehensive</u>	<u>Inc.</u>		<u>Equity</u>
					<u>Income</u>	<u>Stockholders' Equity</u>		
Balance as of December 31, 2022	2,527,045	2,811	267,597,370	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>2,527,045</u>	<u>\$ 2,811</u>	<u>\$267,955,719</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>
Balance as of December 31, 2023	<u>2,877,045</u>	<u>\$ 3,161</u>	<u>\$269,690,285</u>	<u>\$ 235,106,206</u>	<u>- 91,667</u>	<u>\$ 34,495,573</u>	<u>\$ 2,120,429</u>	<u>\$ 36,616,002</u>
Stock based compensation	3,101,277	1,835	3,652,005			3,745,790		3,745,790
Other comprehensive loss					- 16,673	- 16,673		- 16,673
Net loss				- 5,705,979		- 5,705,979	- 57,321	- 5,763,300
Balance as of March 31, 2024	<u>5,978,322</u>	<u>4,996</u>	<u>273,342,290</u>	<u>240,812,185</u>	<u>- 74,994</u>	<u>32,552,0588</u>	<u>2,063,108</u>	<u>34,615,166</u>

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

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**LOTTERY.COM INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**For the Three Months Ended March 31, 2024 and 2023**

	<u>Three Months Ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss attributable to Lottery.com Inc.	\$ ( 5,708,979)	\$ ( 3,260,437)
Adjustments to reconcile net income to net cash used in operating activities:		
Loss Attributable to noncontrolling interest	( 57,321)	( 67,640)
Depreciation and amortization	1,283,558	1,405,601
Stock based compensation expense	3,651,655	358,349
Changes in assets and liabilities:		
Accounts receivable	( 220,828)	61,790
Prepaid expenses	( 24,673)	5,368
Other current assets	6,590	( 23,584)
Trade payables	( 25,939)	6,351
Accrued and other expenses	( 57,373)	448,110
Deferred revenue	( 26,886)	( 26,786)
Other liabilities	-	-
Accrued interest	102,206	-
Other long term liabilities	-	125,000
Net cash (used in) provided by operating activities	( 1,077,990)	( 967,878)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		

Purchase of property and equipment	-	( 896 )
Purchase of intangibles	-	-
Net cash used in investing activities	-	( 896 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of convertible debt	700,000	1,021,016
Net cash (used in) provided by financing activities	700,000	1,021,016
Net effect of exchange rate changes on Cash	102,214	( 114,095 )
<b>NET CHANGE IN NET CASH AND RESTRICTED CASH</b>	<b>( 275,776 )</b>	<b>( 61,853 )</b>
<b>CASH AND RESTRICTED CASH - BEGINNING OF YEAR</b>	<b>359,826</b>	<b>102,766</b>
<b>CASH AND RESTRICTED CASH - END OF PERIOD</b>	<b>\$ 84,050</b>	<b>\$ 40,913</b>
Supplemental Disclosure of Cash Flow Information:		
Interest paid in cash	\$ -	\$ 23
Taxes paid in cash	\$ -	\$ -

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

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**LOTTERY.COM INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**THREE MONTHS ENDED MARCH 31, 2024**

**Note 1. Nature of Operations**

Description of Business

During FY 2023 and Q1 2024, the Company addressed legacy issues while successfully regaining full compliance with Nasdaq's continued listing rules and restarting operations in order to stage Lottery.com for growth in FY 2024. The cornerstone of the Company's operational progress for FY 2024 will be driven by technology, product and service/capability enhancements.

This Amended Report is reflective of the Company's commitment to transparency, integrity, and responsible corporate governance. The investment commitments from United Investments Capital London, Univest Securities LLC, and Prosperity Investment Management outlined in this report are evidence of investor belief in Management's capability to resume core lottery and gaming operations, monetize the Sports.com brand, and expand all the Company's brand across the globe.

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"). 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 the Company moved its headquarters from New York, New York to Spicewood, Texas.

The Company is a leading provider of domestic and international lottery products and services. As an independent third-party lottery game service, the Company offers a platform that it developed and operates to enable the remote purchase of legally sanctioned lottery games in the U.S. and abroad (the "Platform"). The Company's 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 the Company and resell them to users located within their respective jurisdictions ("B2B API"); and (iii) delivering global lottery data, such as winning numbers and results, and sports data, such as scores and statistics, to commercial digital subscribers and provide access to other proprietary, anonymized transaction data pursuant to multi-year contracts ("Data Service").

As a provider of lottery products and services, the Company is required to comply with, and its business is subject to, regulation in each jurisdiction in which the Company offers the B2C Platform, or a commercial partner offers users access to lottery games through the B2B API. In addition, it must also comply with the requirements of federal and other domestic and foreign regulatory bodies and governmental authorities in jurisdictions in which the Company operates or with authority over its business. The Company's business is additionally 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, the Company 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 has been operating 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 licensed by the Mexican federal regulatory authorities to sell international lottery games in Mexico.

On July 28, 2022, the Board 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 businesses (the "Plans for Recommencement of Company Operations").

On April 25, 2023, as part of the Plans for Recommencement of Company Operations, the Company resumed its ticket sales operations on a limited basis to support its affiliate partners through its Texas retail network.

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**Note 2. Significant Accounting Policies**

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its wholly owned operating subsidiaries. Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB"). All intercompany accounts and transactions have been eliminated in consolidation.

## 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 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.

In connection with the Company's Operational Cessation, the Company has experienced recurring net losses and negative cash flows from operations and has an accumulated deficit of approximately \$ 241 million and working capital of approximately negative \$ 8.2 million on March 31, 2024. For the quarter ended March 31, 2024, the company sustained a loss of \$5.7 million. For the year ending December 31, 2023, the Company sustained a net loss of \$ 25.5 million. The Company sustained a loss from operations of \$ 60.0 million and \$ 53.0 million for the years ending December 31, 2022 and 2021, respectively. Subsequently, the Company sustained additional operating losses and anticipates additional operating losses for the next twelve months. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

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 as they become due beginning with a loan agreement the Company entered into with United Capital Investments Ltd. ("UCIL") on July 21, 2023, the Plans for Recommencement of Company Operations to 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 the business plan for the relaunch of its core business, the successful monetization of Sports.com, and keep expenditures in line with available operating capital. Such conditions raise substantial doubt about the Company's ability to continue as a going concern.

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## 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 Trident Acquisition Corp. ("TDAC") as the accounting acquiree. This determination was primarily based on:

- former AutoLotto stockholders having the largest voting interest in Lottery.com Inc. ("Lottery.com");
- the board of directors of Lottery.com having 7 members, and AutoLotto's former stockholders having the ability to nominate the majority of the members of the board of directors;
- AutoLotto management continuing to hold executive management roles for the post-combination company and being responsible for the day-to-day operations;
- the post-combination company assuming the Lottery.com name;
- 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 as 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 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 of the Business Combination; (iii) the assets and liabilities of AutoLotto at their historical cost; and (iv) the Company's 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 the Company's 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 Interest

Non-controlling interest represents 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 the chief operating decision maker in deciding how to allocate resources and in assessing operating performance. Under the provisions of ASC 280, Segment Reporting, the Company is not organized around specific services or geographic regions. The Company operates in one service line, providing lottery products and services.

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We determined that our Chief Financial Officer is the Chief Operating Decision Maker and he 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 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 holdings are placed with major financial institutions deemed to be of high-credit-quality in order to limit credit exposure. The Company maintains deposits and certificates of deposit with banks which may exceed the Federal Deposit Insurance Corporation ("FDIC") insured limit and money market accounts which are not FDIC insured. In addition, deposits aggregating approximately \$ 19,790 at May 20, 2024 are held in foreign banks. Management believes the risk of loss in connection with these accounts is minimal.

#### 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. The Company evaluates its estimates on an ongoing basis and prepares its estimates on historical experience and other assumptions the Company believes to be reasonable under the circumstances.

#### Reclassifications

Certain balances have been reclassified in the accompanying consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on the balances of current or total assets and prior year's net loss or accumulated deficit.

#### Foreign currency translation

Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. Dollars are translated into U.S. Dollars using year-end exchange rates. Sales, costs and expenses are translated at the average exchange rates in effect during the year. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive income (loss).

#### Cash and Restricted Cash

As of March 31, 2024 and December 31, 2023, cash was comprised of cash deposits. From time to time cash deposits with some banks may exceed 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 the Company is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

The Company had no marketable securities as of March 31, 2024 and December 31, 2023.

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#### Accounts Receivable

The Company through its various merchant providers pre-authorizes forms of payment prior to the sale of digital representation of lottery games to minimize exposure to losses related to uncollected payments and does not extend credit to the user of the B2C Platform or the commercial partner of the B2B API, which are its customers, in the normal course of business. The Company estimates its bad debt exposure each period and records a bad debt provision for accounts receivable it believes it may not collect in full. The Company increased its allowance for uncollectible receivables as of March 31, 2024 by \$ 3,000 . At December 31, 2023 the allowance for uncollectible receivables was \$ 97,520 . The Company has not incurred bad debt expense historically.

#### 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 ("Prepaid advertising credits"). The Company expenses the service as it is performed by the third party. The value of the services provided were used to value these contracts, except for the year ended December 31, 2021 the Company reserved for potential inability to realize \$ 2,000,000 of prepaid advertising credits in future periods. The current portion of prepaid expenses is included in current assets on the consolidated balance sheets. The Company has remaining prepaid expenses of \$ and \$ 19,020,159 on March 31, 2024 and December 31, 2023 and 2022, respectively.

#### 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 the 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 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

#### 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).

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#### 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.

#### Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of assets acquired over the fair value of the net assets at the date of acquisition. Intangible assets represent the fair value of separately recognizable intangible assets acquired in connection with the Company's business combinations. The Company evaluates its goodwill and other intangibles for impairment on an annual basis or whenever events or circumstances indicate that an impairment may have occurred in accordance with the provisions of ASC 350, "Goodwill and Other Intangible Assets".

#### Revenue Recognition

Under the new standard, Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 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, are recognized at a point in time. The Company receives consideration for lottery game sales at the time of delivery to the customer, which may be 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 Accounting Standards Codification ("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 services before they are transferred to the customer. The Company also assesses if it is primarily responsible for fulfilling the promise to provide the goods or services, 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 would be responsible for any potential winnings related to lost or unredeemable tickets at the time of redemption. Finally, while states have the authority to establish lottery game sales prices, the Company can add service fees to ticket prices evidencing its ability to establish the ultimate price of the lottery tickets being sold.

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##### *Other associated revenue*

The Company's performance obligations in agreements with certain customers are to provide a license of intellectual property related to the use of the Company's tradename for marketing purposes by partners of the Company. Customers pay a license fee up front. The transaction price is deemed to be the license issue fee stated in the contract. The license offered by the Company represents a symbolic license which provides the customer with the right to use the Company's intellectual property on an ongoing basis with continued support throughout the term of the contract in the form of ongoing maintenance of the underlying intellectual property. There is no variable consideration related to these performance obligations.

##### *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. Other 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, *Stock Compensation*. 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.

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#### Income Taxes

For both financial accounting and tax reporting purposes, the Company reports income and expenses based on the accrual method of accounting.

For federal and state income tax purposes, the Company reports income or loss from their investments in limited liability companies on the consolidated income tax returns. As such, all taxable income and available tax credits are passed from the limited liability companies to the individual members. It is the responsibility of the individual members to report the taxable income and tax credits, and to pay any resulting income taxes. Therefore, the income and losses incurred by the limited liability companies have been consolidated in the Company's tax return and provision based upon its relative ownership.

Income taxes are accounted for in accordance with ASC 740, *"Income Taxes"* ("ASC 740"), using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefit will not be realized.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (i) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position; and (ii) for those tax positions that meet the more likely than not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense or benefit. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

Generally, the taxing authorities can audit the previous three years of tax returns and in certain situations audit additional years. For federal tax purposes, the Company's 2020 through 2023 tax years generally remain open for examination by the tax authorities under the normal three-year statute of limitations. For state tax purposes, the Company's 2019 through 2023 tax years remain open for examination by the tax authorities under the normal four-year statute of limitations.

#### Fair Value of Financial Instruments

The Company determines the fair value of its financial instruments in accordance with the provisions of ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 - Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available.

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The classification of an asset or liability in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

#### Fair value of stock options and warrants

Management uses the Black-Scholes option-pricing model to calculate the fair value of stock options and warrants. Use of this method requires management to make assumptions and estimates about the expected life of options and warrants, anticipated forfeitures, the risk-free rate, and the volatility of the Company's share price. In making these assumptions and estimates, management relies on historical market data.

#### Recent Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and other (Topic 350)* ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment and removes Step 2 of the goodwill impairment test. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value limited to the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. The amendments in this ASU are effective for goodwill impairment tests in fiscal years beginning after December 15, 2021, and early adoption is permitted. The Company is currently evaluating this new standard and management does not currently believe it will have a material impact on its consolidated financial statements, depending on the outcome of future goodwill impairment tests.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326) : Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require the Company to use forward-looking information to formulate its credit loss estimates. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, and early adoption is permitted. The Company is currently evaluating this new standard and currently does not expect it to have a significant impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). ASU 2019-12 removes certain exceptions to the general principles in Topic 740 in Generally Accepted Accounting Principles. ASU 2019-12 is effective for annual reporting periods beginning after December 15, 2021, and early adoption is permitted. The Company is currently evaluating this new standard and currently does not expect it to have a significant impact on the Company's consolidated financial statements.

In October 2020, the FASB issued ASU No. 2020-09, *Debt (Topic 470)* ("ASU 2020-09"). ASU 2020-09 amends to SEC paragraphs pursuant to SEC release NO. 33-10762 amends terms related to Debt Guarantors and Issuers of Guaranteed Securities Registered or to be Registered with the SEC. The Company is currently evaluating the timing of adoption and impact of the updated guidance on its financial statements.

### **Note 3. Business Combination**

#### TDAC Combination

On October 29, 2021, the Company and AutoLotto consummated the transactions contemplated by the Merger 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 Merger (other than excluded shares as contemplated by the Merger Agreement) was cancelled and converted into the right to receive approximately 3.0058 shares (the "Exchange Ratio") of Lottery.com. common stock.

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The Merger closing was a triggering event for the Series B convertible notes, of which \$ 63.8 million was converted into 164,426 shares of AutoLotto that were then converted into 488,225 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 Merger 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 2, Summary of 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 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 Business Combination.

Upon the closing of the transaction, AutoLotto received total gross 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 immediately 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"). One of the earnout criteria had not been met by the December 31, 2021 deadline thus no earnout shares were granted specific to that criteria. 150,000 of the Seller Earnout Shares and 100,000 TDAC Founder Earnout Shares were still eligible Earnout Shares until December 31, 2022.

#### Global Gaming Acquisition

On June 30, 2021, the Company completed its acquisition of 100 percent of 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 Mexico regulatory authorities with jurisdiction over the ability to sell international lottery games in Mexico through an authorized federal gaming portal and is licensed for games of chance in other countries throughout Latin America. Aganar has been operating in the licensed Lottery market in Mexico since 2007 and is licensed 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. The opening balance of the acquirees have been included in our consolidated balance sheet since the date of the acquisition. Since the acquirees' financial statements were denominated in Mexican pesos, the exchange rate of 22.0848 pesos per dollar was used to translate the balances.

The net purchase price was allocated to the assets and liabilities acquired as per the table below. Goodwill represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The fair values of the acquired intangible assets were determined using Level 3 inputs which were not observable in the market.

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The total purchase price of \$ 10,989,691 , consisting of cash of \$ 10,530,000 and 687,439 shares of common stock of AutoLotto at \$ 0.67 per share. The total consideration transferred was approximately \$ 10,055,214 , reflecting the purchase price, net of cash on hand at Global Gaming and the principal amount of certain loans acquired. The purchase price is for an 80 % ownership interest and is therefore grossed up to \$ 13,215,843 to reflect the 20 % minority interest in the acquirees. The purchase price was allocated to the identified tangible and intangible assets acquired based on their estimated fair values at the acquisition date as follows:

Cash	\$	517,460
Accounts receivable, net		34,134
Prepays		5,024
Property and equipment, net		2,440
Other assets, net		65,349
Intangible assets		8,590,000
Goodwill		4,940,643
<b>Total assets</b>	<b>\$</b>	<b>14,155,051</b>
Accounts payable and other liabilities	\$	( 387,484)
Customer deposits		( 134,707)
Related party loan		( 417,017)
<b>Total liabilities</b>	<b>\$</b>	<b>( 939,208)</b>
<b>Total net assets of Acquirees</b>	<b>\$</b>	<b>13,215,843</b>

Goodwill recognized in connection with the acquisition - is primarily attributed to an anticipated growing lottery market in Mexico that is expected to be achieved from the integration of these Mexican entities. None of the goodwill is expected to be deductible for income tax purposes.

Following are details of the purchase price allocated to the intangible assets acquired.

<b>Category</b>	<b>Fair Value</b>
Customer relationships	\$ 410,000
Gaming licensees	4,020,000
Trade names and trademarks	2,540,000
Technology	1,620,000
<b>Total Intangibles</b>	<b>\$ 8,590,000</b>

#### Note 4. Property and Equipment, net

Property and equipment, net as of March 31, 2024 and December 31, 2023, consisted of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Computers and equipment	\$ 124,199	\$ 124,199
Furniture and fixtures	16,898	16,898
Software	2,026,200	2,026,200
Property and equipment	2,167,297	2,167,297
Accumulated depreciation	( 2,148,809)	( 2,145,988)
Property and equipment, net	<b>\$ 18,488</b>	<b>\$ 21,309</b>

Depreciation expense for the three months ended March 31, 2024 was \$ 2,821 and was \$ 24,556 for the three months ended March 31, 2023.

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#### Note 5. Prepaid Expenses

Prepaid expenses consist primarily of advertising credits from two top tier media organizations that operate in the United States. The advertising credits were obtained in return for warrants, shares of common stock and shares of preferred stock. The agreements do not specify a time period for utilizing these credits and there is no requirement to provide cash or other consideration in connection with utilizing them. The balance can be utilized at any time at the mutual consent of the parties. The Company expects to begin utilizing these credits in the second quarter of 2024 and anticipates fully utilizing all of them by the end of 2024. Accordingly, they are presented as current assets.

#### Note 6. 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 September 30, 2023, the entire \$ 2,000,000 in principle 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.

#### Note 7. Write-Off of Goodwill and Intangibles

As required by ASC 350 Intangibles – Goodwill and Other Impairment and ASC 360 – Impairment Testing: Long-Lived Assets, in connection with preparing the consolidated financial statements for the period ended December 31, 2023, management conducted a review as to whether there

are conditions or circumstances that may indicate the impairment of its long-lived assets, goodwill and other indefinite-lived intangible assets.

The Company reviewed the goodwill and intangibles acquired in the acquisitions of TinBu, LLC and Global Gaming Enterprises, Inc., the domain names and software purchased from third parties, and software developed in-house. Each of TinBu, Global Gaming, and Lottery.com is considered a reporting unit for application of the annual review for potential impairment.

The company performed a valuation of each of the reporting units described above, using discounted cash flow methodologies and estimates of fair market value. Given the results of the quantitative assessment, the company determined that the goodwill for the TinBu and Global Gaming reporting units was impaired. For the year ended December 31, 2023, the company recognized goodwill impairment charges of \$ 5.65 million for the TinBu reporting unit and \$ 1.06 million for the Global Gaming reporting unit. The total impairment charges related to goodwill were \$ 6.71 million. In addition, it was determined that there was an impairment of certain intangible assets related to Global Gaming. For the year ended December 31, 2023, the Company recorded impairment charges of \$ 488 thousand to trade names and trademarks and \$ 312 thousand to technology acquired from Global Gaming. The total impairment charges to intangible assets were \$ 800 thousand.

Additionally, in connection with completion of the tax provision for 2023, a transaction which had been recorded for the year ended December 31, 2021 was reevaluated and a decision was made that it should not have been recorded and should be reversed. Specifically, at the end of 2021, a decision was made to increase goodwill related to the acquisition of Global Gaming Enterprises, Inc. due to an incorrect conclusion that "an adjustment should be made to goodwill for the recording of related deferred tax liabilities as the Company released \$ 1.6 million of valuation allowance since the additional deferred tax liabilities represent a future source of taxable income". This approach improperly accelerated the effects of future amortization of intangible assets related to Global Gaming, resulting in inappropriately releasing part of a valuation allowance for deferred taxes which is not in compliance with GAAP. At that time, the Company recorded an increase to goodwill for Global Gaming and an income tax benefit each in the amount of \$ 1,653,067. We have reversed this transaction by reducing goodwill for Global Gaming by \$ 1,653,067 and have increased accumulated deficit to remove the income tax benefit which was incorrectly recorded for year ended December 31, 2021.

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## Note 8. Intangible assets, net

Gross carrying values and accumulated amortization of intangible assets:

	March 31, 2024				December 31, 2023		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortizing intangible assets							
Customer relationships	6 years	\$ 1,350,000	\$ ( 1,062,639)	\$ 287,361	\$ 1,350,000	\$ ( 1,006,389)	\$ 343,611
Trade name	6 years	2,550,000	( 1,626,896)	923,104	2,550,000	( 1,555,925)	994,075
Technology	6 years	3,050,000	( 2,362,445)	687,555	3,050,000	( 2,257,205)	792,795
Software agreements	6 years	14,450,000	( 9,470,000)	4,980,000	14,450,000	( 8,791,944)	5,658,056
Gaming license	6 years	4,020,000	( 1,842,500)	2,177,500	4,020,000	( 1,675,000)	2,345,000
	2 - 10						
Internally developed software	years	2,904,473	( 825,593)	2,078,880	2,192,050	( 737,053)	2,167,420
Domain name	15 years	6,935,000	( 1,669,667)	5,265,333	6,935,000	( 1,554,083)	5,380,917
		<u>\$35,259,473</u>	<u>\$ 18,859,740</u>	<u>\$16,399,733</u>	<u>\$34,547,050</u>	<u>\$ 17,577,599</u>	<u>\$17,681,874</u>

Amortization expense with respect to intangible assets for the three months ended March 31, 2024 and 2023 totaled \$ 1,284,982 and \$ 1,381,035, respectively, which is included in depreciation and amortization in the Statements of Operations. The Company determined that there was an impairment of long-lived assets of \$ 412,450 during the year ended December 31, 2022, which relates to a project no longer being pursued by the Company. In connection with the annual review of goodwill and intangibles, the Company determined that it was necessary to write down goodwill by \$ 5,650,000 for TinBu and \$ 1,060,200 for Global Gaming. The total impairment charges related to goodwill were \$ 6,710,200 for the year ended December 31, 2023. It was also determined that there was impairment of certain intangible assets related to Global Gaming. As a result, for the year ended December 31, 2023 the Company recorded impairment charges of \$ 488,300 to trade names and trademarks and \$ 311,500 to technology acquired from Global Gaming. The total impairment charges to intangible assets for the year ended December 31, 2023 were \$ 798,800.

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

Years ending December 31,	Amount
2024	\$ 4,674,934
2025	4,509,655
2026	1,976,515
2027	944,729
Thereafter	4,293,900
	<u>\$ 16,399,733</u>

The Company had software development costs of \$ 476,850 related to projects not placed in service as of both March 31, 2024 and December 31, 2023, 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.

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## Note 9. Notes Payable and Convertible Debt

### Secured Convertible Note

In connection with the Lottery.com domain purchase, the Company issued a secured convertible promissory note ("Secured Convertible Note") with a fair value of \$ 935,000 that matured in March 2021. The Company used the fair value of the Secured Convertible Note to value the debt instrument issued. In March 2021, the Secured Convertible Note was fully converted into 69,910 shares of the Company's common stock.

### 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, 2021 . As of both December 31, 2023 and December 31, 2022, the balance due on these notes was \$ 771,500 . The Company cannot prepay the loan without consent from the noteholders. As of December 31, 2021, there were no Qualified Financing events, that trigger conversion, this included the TDAC combination. As of December 31, 2022, the remaining outstanding balance of \$ 771,500 relates to notes that are no longer convertible which have been reclassified to Notes Payable as per the agreement. Accrued interest on the Series A notes payable was \$ 318,909 on March 31, 2024.

#### 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 these loans without consent from the noteholders. As of December 31, 2021, the Series B Convertible Notes had a balance of \$ 0 . The Company also issued additional convertible promissory notes with unaffiliated investors for an aggregate amount of \$ 10,000,000 which bear interest at 6 % per year, are unsecured and are due in May 2023.

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 was mapped in "Other expenses" on the 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 after accounting for the 20:1 reverse stock split that took place on August 9, 2023. As of December 31, 2023, the remaining notes comprising the outstanding balance of \$ 185,095 are no longer convertible and have been reclassified to notes payable. See Note 9 Accrued interest on this note payable as of March 31, 2024 and December 31, 2023 was \$ 68,491 and \$ 64,799 , respectively.

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#### 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 are 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 December 31, 2023 and 2022, the balance of the loan was \$ 150,000 . As of March 31, 2024 and December 31, 2023, the accrued interest on this note was \$ 5,626 and \$ 5,253 respectively.

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 a variable rate, are unsecured, and the parties have verbally agreed the notes will be due upon a qualifying financing event. As of December 30, 2023 and 2022, the balance of the loans totaled \$ 13,000 , respectively.

#### 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 for \$ 12,674,635 with the sellers of the TinBu and a broker involved in the transaction. The notes had an 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 change the interest rate 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 both March 31, 2024 and December 31, 2023, the balance of the notes was \$ 2,601,370 . Accrued interest on these notes was \$ 269,247 on March 31, 2024 and \$ 242,381 on December 31, 2023, respectively.

### **Note 10. 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 March 31, 2024, there were no shares of preferred stock issued and outstanding.

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## Common Stock

Our Charter 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, validly 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 an 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.

## Public Warrants

The Public Warrants became exercisable 30 days after the Closing; 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 \$ 0.01 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.

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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, as of March 31, 2024 there were Public Warrants outstanding for the issuance of 1,006,250 shares of common stock of the Company, which total includes previously issued warrants of AutoLotto, now warrants of Lottery.com Inc., which are exercisable for the purchase of an aggregate of 19,784 shares of common stock of the Company.

## 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, which was exercisable for cash or on a cashless basis, at the holder's option, expired on May 29, 2023. The Units issuable upon exercise of this option were 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 December 31, 2023 all of the 87,500 Units have been forfeit.

## Common Stock Warrants

The Company did not issue any warrants during the years ended December 31, 2023 and 2022. All 24,415 outstanding warrants are fully vested and have a weighted average remaining contractual life of 2.7 years. The Company did not incur any expense for the year ended December 31, 2023 and 2022.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2023	24,415	\$ 0.11	1.8	\$ 1,200,387
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited/cancelled	-	-	-	-
Outstanding at March 31, 2024	24,415	0.11	1.6	1,200,387

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## Beneficial Conversion Feature - Convertible Debt

As detailed in Note 9 - 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 accompanying consolidated Statements of Equity.

#### *Earnout Shares*

As detailed in *Note 3* - as part of the TDAC Combination as of December 31, 2021 a total of 5,000,000 Earnout Shares were eligible for issuance until December 31, 2022. Conditions for the earnout were not met and the potential earnout shares were forfeited on December 31, 2022.

### **Note 11. Stock-based Compensation**

#### **Expense 2015 Stock Option Plan**

Prior to the closing of the Business Combination, AutoLotto had the AutoLotto, Inc. 2015 Stock Option/Stock Issuance Plan (the "2015 Plan") in place. Under the 2015 Plan, incentive stock options may be granted at a price not less than fair market value of the common stock (110% of fair value to holders of 10% or more of voting stock). If the Common Stock is at the time of grant listed on any Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the Stock Exchange, as such price is officially quoted in the composite tape of transactions on such exchange and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists. If the Common Stock is at the time neither listed on any Stock Exchange, then the Fair Market Value shall 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 which may be issued over the term of the Plan shall 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 Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more instalments over the Participant's period of Service or upon attainment of specified performance objectives. The Plan Administrator may 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 Award Plan (the "2021 Plan") under which 616,518 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 ( 5 %) of the total outstanding shares of Company common stock on the last day of the prior calendar year. Notwithstanding the foregoing, the Board 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. As of December 31, 2023, the Company has not granted awards under the 2021 Plan.

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#### *Stock Options*

The Company did not issue any new stock options during the quarter ended March 31, 2024. The following table shows stock option activity for the years ended December 31, 2023 and quarter ended March 31, 2024:

	Shares Available for Grant	Outstanding Stock Awards	Average Exercise Price	Weighted Remaining Contractual Life (years)	Weighted Average Aggregate Intrinsic Value
Outstanding at December 31, 2023	10,455	17,283	\$ 8.20	3.2	\$ 944,544
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
Forfeited/cancelled	-	-	-	-	-
Outstanding at March 31, 2024	10,455	17,283	\$ 8.20	3.2	\$ 944,544

#### *Restricted awards*

The Company awarded restricted stock to employees on October 28, 2021, which were granted with various vesting terms including immediate vesting, 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 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. For the year ended December 31, 2022, the Company recognized \$ 27,137,991 of stock compensation expense related to the employee restricted stock grants. As of December 31, 2023, unrecognized stock-based compensation associated with the restricted stock awards is \$ 0 .

During the quarter, the Company awarded 3,101,277 restricted shares of stock to directors, employees, and key consultants. A portion of the shares granted to directors and key consultants offset previously accrued compensation.

The Company had restricted stock activity summarized as follows:

	Number of Shares	Weighted Average Grant Fair Value

	Number of Shares	Weighted Average Grant Fair Value
Outstanding at December 31, 2023	191,622	\$ 2.91
Granted	3,101,277	1.62
Vested	3,101,277	1.62
Forfeited/cancelled	-	-
Restricted shares unvested at March 31, 2024	-	\$ -

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## Note 12. 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 basis. 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.

## Note 13. 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 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 December 31, 2023 and 2022.

### Digital Securities

In 2018, the Company commenced a sale offering and issuance (the "LDC Offering") of 285 million revenue participation interests (the "Digital Securities") of the net raffle revenue of LDC Crypto Universal Public Company Limited ("LDC"). 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 LDC or the Company nor do they otherwise hold any rights that a holder of equity securities of LDC 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 raffle revenue. If the net raffle revenue is zero for a given period, holders of the Digital Securities are not eligible to receive any cash distributions from any raffle sweepstakes of LDC for such period. For the years ended December 31, 2023 and December 31, 2022, the company did not incur any obligations to the holders of the outstanding Digital Securities. 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. The Company did not satisfy any of those obligations during the three months ended March 31, 2024 or the years ended December 31, 2023, 2022, or 2021.

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### Leases

The Company leased office space in Spicewood, Texas which expired January 31, 2024 and has continued to utilize that facility on a month to month basis with monthly rent of \$ 1,669 per month. Additionally, the Company has leased retail space in Waco, TX which expires on December 31, 2024 with monthly rent of \$ 2,434. For the year ended December 31, 2023, the Company's total rent expense was approximately \$ 61,960.

As of March 31, 2024, future minimum rent payments due under non-cancellable leases with initial are as follows:

Years ending December 31,	Amount
2024	21,907
Thereafter	-
	\$ 21,907

### Litigation and Other Loss Contingencies

As of March 31, 2024, there were no pending proceedings that are deemed to be materially detrimental. The Company is a party to legal proceedings in the ordinary course of its business. The Company believes that the nature of these proceedings is typical for a company of its size and scope. See Part II, Item 1 for additional information.

## Note 14. 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 2021 and the outstanding balance was \$ 13,000 on December 31, 2023 and December 31, 2022.

During the years ended December 31, 2021 and 2020, the Company entered into a services agreement with Master Goblin Games, LLC ("Master Goblin Games"), an entity owned by Ryan Dickinson, a former officer of the Company, to facilitate the establishment of receipt of retail lottery licenses in certain jurisdictions. As of December 31, 2023, the Company had no outstanding related party payables.

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 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. Such initial expenses were recorded by the Company as lease obligations. On-going expenses were submitted by Master Goblin to the Company on a monthly basis, subject to offset, and were recorded by the Company as an expense. To the extent Master Goblin had a positive net income in any month, exclusive of the sale of lottery games, such net income reduced or eliminated such reimbursable expenses for that month.

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In January 2023, Woodford Eurasia Assets, Ltd. signed a letter of intent to acquire Master Goblin. Such letter of intent would give Woodford the right to appoint a director to the Board of Directors of the Company. As of the date of this Report, no definitive documentation for this transaction has been signed.

The Company paid Master Goblin an aggregate of approximately \$ 53,000 and \$ 440,000, including expense reimbursements under the Service Agreement and additional reimbursable expenses, during the years ended December 31, 2023 and 2022, 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.

#### **Note 16. Subsequent Events**

On April 1, 2024, Lottery.com resumed its sweepstakes offerings through its partnership with the WinTogether.org foundation (DBA: DonateTo.Win). The initial sweepstakes will be active until at least September 30, 2024.

On April 22, 2024, the Company, by and through its outside legal counsel, issued a cease and desist notice to PR Fire Limited, a U.K. based firm and Mr. Samuel Allcock, its CEO, in relation to unlawful attempts to manipulate the public markets by disseminating false and misleading statements about the Company, its current officers and directors in certain articles caused to be published by PR Fire Limited. The Company's outside legal counsel reported the matter to the proper authorities.

On April 24, 2024, the Company, by and through its outside legal counsel, issued a cease and desist notice to certain individuals and entities in participation with a common scheme and acting in concert to cause financial harm to the Company by privately and publicly disseminating false and misleading statements about the Company, its current officers and directors. The Company's outside legal counsel reported the matter to the proper authorities.

On April 29, 2024, the Board of Directors of the Company approved the addition of Mr. Warren Macal as a member of the Company's Board of Directors. Macal's nomination follows the December 2023 \$ 18 million investment commitment from Prosperity Investment Management subject to due diligence.

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## **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/A for the year ended December 31, 2023 (our "Annual Report").*

### **Overview**

During FY 2023, the Company addressed legacy issues while successfully regaining full compliance with Nasdaq's continued listing rules and restarting operations in order to stage Lottery.com for growth during 2024. The cornerstone of the Company's operational progress for 2024 will be driven by technology, product and service/capability enhancements.

This Amended Report is reflective of the Company's commitment to transparency, integrity, and responsible corporate governance. The investment commitments from United Investments Capital London, Univest Securities LLC, and Prosperity Investment Management outlined in this report are evidence of investor belief in Management's capability to resume core lottery and gaming operations, monetize the Sports.com brand, and expand all the Company's brand across the globe.

### **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 2020, advised the Company that its audited financial statements 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.

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 retained at the discretion of the Company's then Chief Operating Officer and Chief Legal Officer were 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 twenty percent of these non-furloughed employees remain active in the efforts to restore Company operations and as of December 31, 2023, approximately \$3.85 million in outstanding payroll and \$1.0 million in outstanding director compensation obligations was unpaid.

On September 27, 2022, Armanino resigned as the independent registered public accounting firm of the Company, effective immediately and subsequently, 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 Recommencement of Company Operations*" below), and completing and filing the following (i) the restatements of the Company's 2021 Audit and March 2022 Financials and preparing and filing the Company's delinquent periodic reports, including Amendment No. 1 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2021, which the Company filed on May 10, 2023; (ii) Amendment No. 1 to the Company's Quarterly Report on Form 10-Q/A for the three months ended March 31, 2022, which the Company filed on May 15, 2023; (iii) the Company's Quarterly Reports on Form 10-Q for the three months ended June 30, 2022 and September 30, 2022, which the Company filed on May 22 and 24, 2023, respectively; (iv) the Company's Annual Report on Form 10-K for the year ended December 31, 2022, (v) the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2023; (vi) the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2023; (vii) the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2023; and (viii) this Report.

### **Nasdaq Listing**

On March 23, 2023, the Company requested a hearing before the Nasdaq Hearings Panel (the "Panel") to appeal a determination by the Listing Qualifications department (the "Staff") of Nasdaq dated February 23, 2023, to delist the Company's securities from Nasdaq. At the hearing before the Panel on April 24, 2023, the Company presented its plan to complete the restatement of its financial statements for the fiscal year ended December 31, 2021, and the subsequent quarter ended March 31, 2022, and to file the amended periodic reports and all subsequent required filings with the SEC. The Company requested the continued listing of its securities on Nasdaq pending the completion of its compliance plan.

By letter dated May 8, 2023, the Panel granted the Company's request for continued listing, on an interim basis, subject to the Company submitting financial projections for fiscal 2023 and filing the restated financial statements for the fiscal year ended December 31, 2021, and quarter ended March 31, 2022, with the SEC by May 15, 2023. The Company satisfied these conditions and the Panel indicated that it would review the filings, along with the updated projections, and thereafter determine whether to afford the Company additional time to complete the compliance plan presented at the hearing.

By letter dated May 24, 2023, the Panel notified the Company that it had determined to suspend trading and otherwise move to delist the Company's securities from Nasdaq effective with the open of the market on May 26, 2023. The Company's securities were suspended from trading on that date but the securities were not delisted because the Company thereafter requested that the Panel reconsider its determination to delist the Company's securities from Nasdaq based upon what the Company believed to be mistakes of material fact upon which the Panel had based its decision.

On June 8, 2023, the Panel notified the Company that it had determined to reverse its prior decision and grant the Company's request for continued listing subject to the Company's timely compliance with a number of conditions ultimately expiring on August 17, 2023, on which date the Company must satisfy all applicable criteria for continued listing on Nasdaq (the "June 8<sup>th</sup> Decision"). As a result of the foregoing, the suspension from trading ceased and the Company's securities were reinstated for trading on Nasdaq effective with the open of the market on June 15, 2023. See "*Risk Factors - Risks Related to Our Common Stock and Warrants – Although we are currently in full compliance with the continued listing standards of Nasdaq. However, we may not be able to remain in full compliance with Nasdaq's continued listing standards in the future*" for more information.

As reported on form 8-K filed on December 7, 2023, on November 29, 2023, the Company received a letter from Nasdaq stating that based upon its review of the Company's Market Value of Publicly Held Shares ("MVPHS") for the last 30 consecutive business days, the Company no longer met the minimum requirement of \$5,000,000 set forth in Nasdaq Listing Rule 5450(b)(1)(C). However, under the Listing Rules, the Company was provided a 180-calendar day grace period to regain compliance, through May 28, 2024.

If at any time during the compliance period the Company's MVPHS closes at \$5,000,000 or more for a minimum of ten consecutive business days, Nasdaq will provide written confirmation of compliance and the matter will be closed. The company received such notification from Nasdaq on April 10, 2024 and the matter was closed.

Furthermore, the requirement that we maintain a majority of independent directors and at least three members on our audit committee are Nasdaq requirements that we currently meet but have not met from time to time.

If the Company's securities are delisted from Nasdaq, it could be more difficult to buy and 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 capital and/or trigger defaults and penalties under its outstanding agreements or securities. Further, even if we regain compliance with Nasdaq listing requirements, there is no guarantee that we will be able to maintain our listing for any period of time.

Delisting from Nasdaq could also result in negative publicity. Further, if we are delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and/or warrants and the ability of our stockholders to sell our common stock and/or warrants in the secondary market. If our common stock and/or warrants are delisted by Nasdaq, our common stock and/or warrants may be eligible to trade on an over-the-counter quotation system, such as the OTCQB Market, where an investor may find it more difficult to sell our stock or obtain accurate quotations as to the market value of our common stock and/or warrants. In the event our common stock and/or warrants are delisted from The Nasdaq Global Market, we may not be able to list our common stock and/or warrants on another national securities exchange or obtain quotation on an over-the counter quotation system.

### **AutoLotto \$30,000,000 Business Loan**

On January 4, 2022, AutoLotto entered into a Business Loan Agreement (the "Business Loan") with bank prov, pursuant to which the Company borrowed \$30,000,000 from bank prov, 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 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 would have been due on the first anniversary thereof.

In accordance with the terms of the Business Loan, upon entering into the agreement, \$30,000,000 in a separate account with bank prov 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 bank prov 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 our consolidated financial statements for additional information.

#### ***Loan Agreement with Woodford***

On December 7, 2022, the Company entered into a loan agreement with Woodford Eurasia Assets, Ltd. ("Woodford"), (the "Woodford Loan Agreement"), pursuant to which Woodford agreed to provide the Company with up to \$52.5 million, subject to certain conditions and requirements. Pursuant to such Woodford Loan Agreement the Company received \$798,351 by December 31, 2023. Woodford failed to meet its obligations under the Woodford Loan Agreement and the Company removed itself from any further obligation under Agreement or association with Woodford. Woodford subsequently filed a complaint in the High Court of Justice in London chancery Division. October 16, 2023, The High Court of Justice in London Chancery Division ("the Court") dismissed an application for injunctive relief initiated by Woodford against the Company. (Case: FL-2023-000023. Woodford Eurasia Assets Limited v Lottery.com Inc.) The Court characterized Woodford's application as "fundamentally misconceived" and ordered Woodford to pay the Company's legal costs. Woodford subsequently, on the Judges' recommendation, withdrew the proceedings.

Woodford filed an additional action in the United States District Court for the District of Delaware on November 16, 2023 in Case No. 23-1317-GBW seeking a temporary restraining order, preliminary injunction and expedited discovery against Lottery.com and its directors. The Court entered an order the next day denying the relief sought by Woodford. On February 14, 2024, Woodford filed a Notice of Voluntary Dismissal Without Prejudice, which stated that Woodford provides notice of dismissal of all claims without prejudice against Defendants Lottery.com and its directors.

With the dismissal of this lawsuit by Woodford, no further action is required by Lottery.com or its directors at this time. The Company is determining its next course of action in resolving any further matters regarding Woodford.

Amounts borrowed pursuant to the Woodford Loan Agreement are convertible, at Woodford's option, into shares of the Company's common stock, par value \$0.001 per share (the "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 Loan Agreement (which was equal to \$5.60 per share after the 1:20 reverse split which occurred on August 9, 2023), subject to a 4.99% beneficial ownership limitation which can be waived on 60 days notice 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 above this amount.

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

The Woodford Loan Agreement includes confidentiality obligations, representations, warranties, covenants, and events of default, all of which are customary for a transaction of this size and nature.

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 50,925,271 then issued and outstanding shares of common stock (the quantity of stock then issued and outstanding prior to the 1:20 reverse stock split of August 9, 2023). 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 after the 1:20 reverse split that occurred on August 9, 2023. 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).

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.

On June 12, 2023, the Company entered into an amendment of the Woodford Loan Agreement with Woodford (the "Woodford Loan Agreement Amendment"), which provides that Woodford shall henceforth be able to convert, in whole or in part, the outstanding balance of its loan into the conversion shares at a conversion price that represents a further 25% discount to the original conversion price of 20%. The validity and application of the Woodford Loan Agreement Amendment is disputed by the Company.

Despite requests from the Company, Woodford has repeatedly amongst other things: failed to prove the amounts borrowed by the Company or claimed to have been advanced by Woodford to the Company; failed to indicate if it would accept accelerated payment of those verified amounts; failed to provide an anti-money laundering acceptable account to which payment could be made by the Company and failed to explain failure to respond to requests for other funding to be accepted in the context of the Woodford Loan Agreement; failed to respond to requests for funding under the accordion facility of the Woodford Loan Agreement; and failed to respond to allegations of money laundering and conspiracy to defraud the Company and others.

#### ***Loan Agreement with United Capital Investments London Limited***

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, and subsequently amended on August 18, 2023 (as so amended, the "UCIL Loan Agreement"). The UCIL Loan Agreement is with United Capital Investments London Limited ("UCIL"), an entity in which each of Matthew McGahan, the Company's 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 followed 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. Neither McGahan or Battles participated in the vote on the UCIL agreement to ensure proper independence and correct corporate governance. 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.

#### **Placement Agent Agreement with Univest Securities, LLC**

As reported on form 8-K filed with the SEC on February 6, 2024, on December 6, 2023, the Company entered into a placement agent agreement (the "Placement Agent Agreement") with Univest Securities, LLC (the "Placement Agent"), whereby the Placement Agent agreed to act as placement agent in connection with the Company's offering ("Offering") of units ("Units") up to \$1,000,000; each Unit consisting of a convertible promissory note (each, a "Convertible Note" or collectively, the "Convertible Notes"), and a common stock purchase warrant (each, a "Warrant", or collectively, the "Warrants") to purchase shares of common stock of the Company, par value \$0.001 per share (the "Common Stock") which include specific registration rights ("Registration Rights"), directly to one or more investors (each, an "Investor" and, collectively, the "Investors") through the Placement Agent.

On February 1, 2024, the parties agreed to increase the offering amount from \$1,000,000 to \$5,000,000. All other terms and conditions of the offering remain the same. The Securities shall be offered and sold pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended (the "Securities Act").

#### **Business Combination**

On October 29, 2021, we, as AutoLotto, Inc. ("AutoLotto"), consummated the Business Combination with Trident Acquisitions Corp. ("TDAC" and after the Business Combination described herein, the "Company"), pursuant to the terms of that certain Business Combination Agreement, dated as of February 21, 2021 (the "Business Combination Agreement"), by and among TDAC, Trident Merger Sub II Corp., a wholly-owned subsidiary of TDAC ("Merger Sub") and AutoLotto. Pursuant to the terms of the Business Combination Agreement, Merger Sub merged with and into AutoLotto with AutoLotto surviving the merger as a wholly owned subsidiary of TDAC, which was renamed "Lottery.com Inc." The aggregate value of the consideration paid by TDAC to the holders of AutoLotto common stock in the Business Combination (excluding shares that may be issued to former AutoLotto stockholders (the "Sellers") as earnout consideration) was approximately \$440 million, consisting of approximately 2,000,000 shares of common stock valued at \$220.00 per share. In addition, each Seller shall receive its pro rata portion of 150,000 Seller Earnout Shares and each Founder Holder shall receive one-third of 100,000 Founder Holders Earnout Shares, subject to adjustments in the normal course of business.

#### **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.

#### **International Expansion**

In June 2021, we closed the acquisition of Global Gaming, which holds 80% of the equity of each of Aganar and JuegaLotto. Aganar operates in the licensed Online Lottery market in Mexico and is licensed 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. JuegaLotto is licensed by Mexico authorities to commercialize international lottery games in Mexico through an authorized gaming portal and to commercialize games of chance in other countries throughout Latin America. As of the date of this Report, according to Statista, the estimated size of the Latin American lottery market is \$68 billion with a compound annual growth rate projected at 6.05% through 2028. Furthermore, it is projected that there will be 3,000,000 online lottery players in the South American lottery market alone by 2028. Based on these projections, we believe these acquisitions will provide opportunities for growth of our international operations throughout Mexico and Latin America as we expand our portfolio of products and expose our existing products to new markets.

#### **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 for the month of April 2023. As of the date of this Report, our B2C Platform is not currently available to the public. We anticipate that our B2C Platform will become available again by mid-year 2024.

#### **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. The suspension of the relationship was rescinded by the WinTogether board on November 16, 2023

## Current Operations

Despite the Operational Cessation, the Company's 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 relatively consistent or decrease slightly from pre-Operational Cessation 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. See "Item 1A. Risk Factors – We are party to pending litigation and investigations in various jurisdictions and with various plaintiffs and we may be subject to future litigation or investigations in the operation of our business. An adverse outcome in one or more proceedings could adversely affect our business, financial condition, and results of operations" for more information about our relationship with TinBu.

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. See "Item 1A. Risk Factors – 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" for additional information.

## Nook Holdings, LTD

On September 28, 2023, the company entered into Stock Purchase Agreement with the shareholders of Nook Holdings Limited ("Nook"), a private limited company incorporated and registered in the Abu Dhabi Global Market, Abu Dhabi, United Arab Emirates ("UAE"). The total purchase price is approximately \$2.314 million. The Company made three payments totaling \$137,500 in the fourth quarter and anticipates the transaction closing by June 30, 2024 or as otherwise agreed by the parties. Nook is known for its innovative approach to co-working in Dubai and has procured 200 licenses for individuals and companies in the sports, health and wellness sector seeking access to Dubai and the broader Middle Eastern market. With its exclusive partnership with the Dubai Multi-Commodities Centre Free Zone (DMCC), Nook offers a wide range of services, including business setup support, insurance, VAT registration, and networking opportunities for like-minded sports entrepreneurs. As part of the acquisition, Nook will be rebranded under the Sports.com umbrella.

## 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.

As reported on form 8-K filed with the SEC on February 9, 2024, on February 5, 2024, the Company entered into a Memorandum of Understanding (the "MOU") with WA Technology Group Limited ("WATG"), whereby the Company has agreed to pay WATG a total of \$500,000 US dollars in restricted common stock at a price of \$3.00 per share. A second payment by Lottery.com to WATG shall be due in five years and 2 months from the date of the definitive agreement to be signed by the parties at a later date. The total consideration for the second payment is the equivalent of \$500,000 US dollars in restricted common stock at market value on the date the second payment is due. In addition, the Company will nominate an individual (at a later date) from WATG to act as a dedicated consultant to the Company for the purpose of expanding its brand, ticket sales and global operations. In exchange, the Company shall own a non-exclusive perpetual single use license for WATG's Lottery Player & Account Management Software ("PAM") and WATG shall provide its full spectrum of iGaming solutions to the Company to manage its global growth strategy. The parties shall co-operate and collaborate with one another's businesses and shall enter a more definitive agreement at a later date. Not a subsequent event for Q1 which ended March 31, 2024

As reported on form 8-K filed with the SEC on February 21, 2024, on February 15, 2024, the Company entered into a Memorandum of Understanding (the "MOU") with S&MI Ltd. ("SportLocker.com"), whereby it agreed to pay the shareholders of S&MI Ltd. a total of \$1,000,000 in restricted common stock at a valuation of \$3.00 per share. The first payment of \$150,000 in restricted common stock (50,000 shares) of the Company is due and payable not later than June 15, 2024. The remaining payments in restricted common stock to the shareholders of S&MI Ltd. by the Company will be made as follows: (i) a second payment of \$212,500 (70,833 shares) due on or before August 14, 2024; (ii) a third payment, of \$212,500 (70,833 shares) due on or before November 12, 2024; (iii) a fourth payment of \$212,500 (70,833 shares) due on or before February 10, 2025; and (vi) a final and fifth payment of \$212,500 (70,834 shares) due on or before May 16, 2025. The terms and conditions set forth in the MOU shall be incorporated into a definitive agreement to be entered into by the parties with a Closing Date on or before June 30, 2024 or as otherwise agreed to by the parties.

In addition, the Company has agreed to make available to the business of SportLocker.com, cash, media credits or combination thereof over the



twelve months following the Closing Date as additional capital investment into the business plan, to facilitate brand awareness, user acquisition and general performance marketing and promotion, influencer and subscription campaigns and branding activities of S&MI's streaming and social engagement, subject to the Company successfully raising a minimum of new capital.

On March 7, 2024, Sports.com, a wholly-owned subsidiary of the Company, announced by press release that it has launched the "Sports.com App". The App (which is available for download for free from all major app stores) connects sports content with audiences worldwide. By uniting a diverse community of sports enthusiasts across various genres, demographics, and countries, Sports.com plans to eliminate multiple cultural barriers and foster a global sports community. Not a subsequent event for Q1 which ended March 31, 2024

On March 28, 2024, Sports.com, a wholly-owned subsidiary of the Company, announced by press release that it has obtained the rights to live stream the March 31, 2024 heavyweight title fight between Frazier Clarke and Fabio Wardley. The live stream was available to view for free for millions of sports fans in Africa, via the Sports.com website. Not a subsequent event for Q1 which ended March 31, 2024

The live streaming event is the result of a partnership between Sports.com, BOXXER, the fast-growing UK boxing promotional company, and Sky Sports in the UK and Ireland. Sports.com had entered into an agreement with BOXXER to provide live coverage through the Sports.com platform in Africa, via local telecom partners such as Vodacom, which will provide free access to millions of viewers.

This partnership underscores Sports.com's commitment to bringing inclusivity, innovation, and entertainment to sports. To view the live streaming event on Sports.com, African-based sports fans were able to sign up via local mobile operators to watch the fight on the Sports.com platform. Sports.com's strategic intent is to provide more such content to sports fans in underserved markets including those in the Middle East and Africa.

#### **Lottery.com and WA Technology Group**

As reported on form 8-K filed with the SEC on February 9, 2024, on February 5, 2024, the Company entered into a Memorandum of Understanding (the "MOU") with WA Technology Group Limited ("WATG"), whereby the Company has agreed to pay WATG a total of \$500,000 US dollars in restricted common stock at a price of \$3.00 per share. A second payment by Lottery.com to WATG shall be due in five years and 2 months from the date of the definitive agreement to be signed by the parties at a later date. The total consideration for the second payment is the equivalent of \$500,000 US dollars in restricted common stock at market value on the date the second payment is due. In addition, the Company will nominate an individual (at a later date) from WATG to act as a dedicated consultant to the Company for the purpose of expanding its brand, ticket sales and global operations. In exchange, the Company shall own a non-exclusive perpetual single use license for WATG's Lottery Player & Account Management Software ("PAM") and WATG shall provide its full spectrum of iGaming solutions to the Company to manage its global growth strategy. The parties shall co-operate and collaborate with one another's businesses and shall enter a more definitive agreement at a later date.

#### **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 on restarting certain of its core businesses. 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 operations, 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 by mid-year 2024. 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. 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. For more information, see "Item 1A. Risk Factors - Regulatory and Compliance Risks - A jurisdiction may enact, amend, or reinterpret laws and regulations governing our operations in ways that impair our revenues, cause us to incur additional legal and compliance costs and other operating expenses, or are otherwise not favorable to our existing operations or planned growth, all of which may have a material adverse effect on us or our results of operations, cash flow, or financial condition." 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 used to offer, 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, the current estimated cash balance of the Company and subsidiaries is approximately \$36,799. The Company believes that this cash on hand, along with future borrowings, will be sufficient for the Company to resume its core operations.

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 in compliance with Nasdaq's continued listing requirements (the "Listing Rules"). See, "Risk Factors - Risks Related to Our Common Stock and Warrants - Although we are not currently in full compliance with the continued listing standards of Nasdaq, we may not be able to remain in full compliance with Nasdaq's continued listing standards in the future." Additionally, under its new management, the Company continues to work to improve its disclosure and reporting controls. Also, the Company 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 fully regain compliance with the applicable Listing Rules, or that the Nasdaq Panel will continue to stay the delisting of the Company's securities on 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 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.

## 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, comprised of the \$1 base service fee, plus 6% of the aggregate value of the face value of all lottery games purchased. The Company did not operate its B2C platform in 2023.

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 by mid-year 2024.

*Revenue from B2B API.* Together with our third-party commercial partner(s), we agree on the amount of the technology usage fee to be imposed on the sale of each lottery game purchased through the B2B API, if any, together with a service fee to be charged to the user; we receive up to 50% of the net revenues from such technology usage fee and service fee pursuant to our commercial agreement with each commercial partner. 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, inflationary pressures and political and economic instability. We expect these trends to continue during fiscal 2024 and believe they are likely to affect consumer spending, which could have a material impact on our revenues. As a result, it may take longer to achieve projected revenue gains or generate cash in any such regions affected or any new foreign jurisdiction into which we expand.

*Introduction of a new gaming platform.* We developed a proprietary, blockchain-enabled gaming platform, which we named Project Nexus. Project Nexus is designed to handle high levels of user traffic and transaction volume, while maintaining expediency, security, and reliability in (i) the processing of lottery game sales, (ii) fulfillment of retail requirements of the B2C Platform, (iii) the administrative and back-office functionality required by our B2B API, and (iv) the requirements of our 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, among other things, 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. jurisdictions by increasing direct to consumer marketing campaigns, introducing our B2C Platform into new U.S. and select foreign 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 short-term expenses, 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 through April 30, 2024 will be greater than revenues. It is anticipated that the liquidity gap will be satisfied by equity investment or debt incurred, of which there is no assurance. We anticipate that our B2C Platform will become operational by mid-year 2024.

Beyond the next 12 months, the Company plans to continue to expand in domestic and international operations. The Moreover, the Company plans to enhance its mobile application to include pool plays, ticket 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 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 March 31, 2024 Compared to Three Months Ended March 31, 2023

The following table summarizes our results of operations for the three months ended March 31, 2024 and March 31, 2023, respectively.

	March 31,			
	2024	2023	\$ Change	% Change
Revenue	\$ 285,523	\$ 620,229	(425,954)	-60%
Cost of revenue	72,171	35,147	199,094	73%
Gross profit	213,352	585,082	(226,960)	-52%
Operating expenses:				
Personnel costs	1,289,893	1,257,434	(8,116)	-%
Professional fees	400,837	739,928	(1,685,061)	-81%
General and administrative	255,441	337,328	(1,411,041)	-85%
Depreciation and amortization	1,421,269	1,405,480	(56,973)	-4%
Total operating expenses	3,367,440	3,740,170	(3,161,191)	-48%
Loss from operations	(3,154,088)	\$ (3,155,088)	2,934,331	-45%
Other expenses				
Interest expense	243,424	23	(243,862)	-%
Other (income) expense	3,105	58,871	1,904	-38%
Total other expenses, net	246,529	58,894	(241,958)	-%
Net loss before income tax	\$ (3,400,617)	\$ (3,213,982)	9,444,045	155%
Income tax expense (benefit)	-	-	-	-%
Net loss	(3,400,617)	(3,213,982)	9,444,045	155%

#### Revenue

**Revenue.** Revenue for the three months ended March 31, 2024 was \$285,000, a decrease of \$426,000, or 60%, compared to revenue of \$711,000 for the three months ended March 31, 2023. The revenue decrease is attributed to the waterfall impact of the Operational Cessation on the Company's subsidiaries which has impaired their ability to invest in customer acquisition and other growth initiatives.

**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 March 31, 2024 was \$84,000, an increase of \$49,000, or 138%, compared to cost of revenue of \$35,000 for the three months ended March 31, 2023. The increase in cost of revenue was driven by the increase in the revenue from higher cost products sold as compared to the first quarter of 2023.

**Gross Profit.** Gross profit for the three months ended March 31, 2024 was \$213,000 compared to \$440,000 for the three months ended March 31, 2023, a decrease of \$227,000, or 52%. This decrease was primarily due to lower revenue in the first quarter of 2024 as compared to the same period in 2023.

#### Operating Costs and Expenses

#### For the three months Ended March 31, 2024 and 2023

	March 31,			
	2024	2023	\$ Change	% Change
Operating expenses:				
Personnel costs	1,289,893	1,257,434	(8,116)	-%
Professional fees	400,837	739,928	(1,685,061)	-81%
General and administrative	255,441	739,928	(1,411,041)	-85%
Depreciation and amortization	1,421,269	1,405,480	(56,973)	-4%

Total operating expenses	3,367,440	3,740,170	(3,210,753)	-48%
Loss from operations	(3,104,526)	\$ (3,155,088)	2,983,893	-45%

Operating expenses for the three months ended March 31, 2024 were \$3.3 million, a decrease of \$3.2 million, or 49%, compared to \$6.5 million for the three months ended March 31, 2023. The reduction was primarily driven by decreases of \$1.7 million in professional fees accompanied by a decrease of in general and administrative expenses of \$1.4 million. Reasons for these decreases are described below.

*Personnel Costs.* Personnel costs were essentially the same for the three months ended March 31, 2024, and the three months ended March 31, 2023.

*Professional Fees.* Professional fees decreased by \$1.7 million or 81%, from \$2.1 million for the three months ended March 31, 2024 to \$401 thousand for the three months ended March 31, 2023. The decrease was primarily due to lower expenditures for legal expenses [\$1.4 million lower] research and development [\$178,000 lower] and accounting [\$100,000 lower] in the first quarter of 2024 as compared with the prior year.

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*General and Administrative.* General and administrative expenses decreased \$1.4 million, or 85%, from \$1.7 million for the three months ended March 31, 2024 to \$255,000 for the three months ended March 31, 2023. The primary reason for the decrease was significantly lower expenses for business insurance [\$837,000 lower] and marketing [\$161,000 lower] in the third quarter of 2023. Additionally an expense of \$412,500 was recorded for the impairment of an intangible asset that had been recorded for a software application, which was being developed for a use with a partner, that the company determined would not be completed or put into its intended purpose as the relationship with that partner ended in the third quarter of 2022.

*Depreciation and Amortization.* Depreciation and amortization decreased \$57,000, or 4%, from \$1.48 million for the three months ended March 31, 2024 to \$1.42 million for the three months ended March 31, 2023. The decrease was primarily driven by a decrease in depreciation expense for the third quarter of 2023 as compared with the same quarter for 2022 because certain fixed assets became fully depreciated earlier in 2023.

#### Other (Income) Expense, Net.

#### For the three months Ended March 31, 2024 and 2023

	March 31,			
	2024	2023	\$ Change	% Change
Other expenses				
Interest expense	243,424	23	(243,862)	-%
Other (income) expense	3,105	58,871	1,904	-38%
Total other expenses, net	246,529	58,894	(241,958)	-%

*Interest Expense.* Interest expense for the three months ended March 31, 2024 was \$244,000 vs interest income of 0.5 thousand for 2023, an increase of \$244,000. The increase was driven by accruals of interest on convertible loans received in 2023 from Woodford and UCIL and an accrual recorded to correct interest accrued on other outstanding Notes.

*Other Income.* Was essentially the same for the three months ended March 31, 2024 and 2023.

#### 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 of the business combination 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. The most likely source of such future funding presently available to us is through additional borrowings under loan agreements or through the issuance of equity or debt securities. If lenders do not advance us amounts as agreed under 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 - Significant Accounting Policies, Going Concern* to the consolidated financial statements included herein, as well as the risk factors included in Item 1A of this Report entitled "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 sources 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" and "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."

#### 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.

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 bore 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.

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Immediately prior to the Closing, approximately \$60.0 million of convertible debt was converted into equity of AutoLotto.

As of March 31, 2024, we had \$3,270,993 of convertible debt outstanding. A portion of this debt has matured and a portion is in default.

See “-Recent Developments- Loan Agreement with Woodford” and “Loan Agreement with United Capital Investments London Limited” above for additional information.

### **Cash Flows**

Net cash used in operating activities was \$1.1 million for the three months ended March 31, 2024, compared to net cash used in operating activities of \$968,000 for the three months ended March 31, 2023.

Net cash used in investing activities during the three months ended March 31, 2024 was \$0, compared to \$1 thousand for the prior year.

Net cash provided by financing activities was \$700,000 for the three months ended March 31, 2024, compared to net cash provided of \$1 million for the three months ended March 31, 2023, which was \$300 thousand lower year over year. In the quarter ended March 31, 2024 the Company received funding from Univest and UCIL.

### **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. 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 nine months ended September 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***

As previously disclosed, in connection with the filing of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (the “Original 2021 Annual Report”) on April 1, 2022, our management, with the participation of our then Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness 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 December 31, 2021. Based on their evaluation, our then Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2021, our disclosure controls and procedures were not effective due to material weaknesses in our internal control over financial reporting with respect to our financial statement close and reporting process.

In connection with the filing of Amendment No. 1 to the Company’s Annual Report on Form 10-K/A for the year ended December 31, 2021 (the “Amended 2021 Annual Report”), our management, with the participation of our Chief Executive Officer, reevaluated the effectiveness 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 December 31, 2021 and determined they were not effective due to the material weaknesses in our internal control over financial reporting with respect to our financial statement close and reporting process. 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 Chief Executive Officer, to allow timely decisions regarding required disclosures.

#### **Material Weakness in Internal Control Over Financial Reporting compare**

In connection with the audit of our condensed consolidated financial statements included in this Report, our management has identified material weaknesses in our internal control over financial reporting as of December 31, 2023 and 2022 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. As a result, we determined that there was an overstatement of revenue in the consolidated statement of operations of approximately \$52.1 million during the year ended December 31, 2021, which required a restatement of the previously issued financial statements for the year ended December 31, 2021 contained in the Amended 2021 Annual Report.

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We have begun implementing 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, and (iv) clearly defining and documenting the segregation of duties for certain transactions and processes. 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.

For more information, see "Item 1A. Risk Factors - Public Company Operating Risks - 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."

#### **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 March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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## **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 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 "Streicher Judgment"). On October 27, 2022, the Chancery Court further awarded the Company \$397,037 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 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 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. On February 13, 2023, Streicher made another payment towards the Judgment in the amount of \$50,000 and had agreed to make another payment in the amount of \$75,000 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. See "Item 1A. Risk Factors - Legal Proceedings Risks - We may not recover amounts owed to us from J. Streicher Financial, LLC" for further information.

#### **Preston Million Class Action**

On August 19, 2022, Preston Million filed a *Class Action Complaint* (the “Class Action 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 “SDNY”), 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 Class Action 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 SDNY 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, 2022, 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 costs and expenses including counsel fees and expert fees. Pursuant to the *Scheduling Order*, the Company 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 were expected to file their opposition to the motion to dismiss no later than May 18, 2023, which would trigger the Company’s deadline to file its reply brief in support of their motion to dismiss no later than June 20, 2023. On February 6, 2024, the SDNY granted the Company’s Motion to Dismiss. The Class Action Plaintiffs amended their complaint within the twenty-one day period provided by the judge.

#### **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 13<sup>th</sup> 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’s 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. On October 13, 2023, the Court granted the Defendants’ Motion to Stay Litigation and Discovery pending a ruling on its Motion to Compel Arbitration. On November 16, 2023, the Court granted Defendants’ Motion to Compel Arbitration in Texas. The TinBu Plaintiffs have appealed the Court’s Order to Compel Arbitration in Texas.

#### **Global Gaming Data**

On November 21, 2023, the Company and its wholly owned subsidiary TinBu, LLC (“TinBu”) (Company and TinBu collectively, “Plaintiffs”) filed their *First Amended Verified Complaint* in Federal Court for the Middle District of Florida (“MDF”) against John J. Brier, Jr. (“Brier”), Bin Tu (“Tu”), and Global Gaming Data, LLC (“GGD”) (collectively, “Defendants”) for violations of the Federal Defend Trade Secrets Act (“DTSA”), the Florida Uniform Trade Secrets Act (“FUTSA”) and the Florida Deceptive and Unfair Trade Practices Act (“FDUTPA”), and for breaches of contract and fiduciary duties, including the duty of loyalty, styled *Lottery.com, Inc. f/k/a AutoLotto, Inc. and TinBu, LLC v. John J. Brier, Jr., Bin Tu, and Global Gaming Data, LLC* (Case No.: 8:23-cv-2594-KKM-TGW). Defendants filed certain counterclaims against Plaintiffs. The Company’s request for a Temporary Restraining Order was denied by the MDF in February 2024.

#### **Woodford Eurasia**

Woodford Eurasia filed a complaint in the High Court of Justice in London chancery Division. October 16, 2023, The High Court of Justice in London Chancery Division (“the Court”) dismissed an application for injunctive relief initiated by Woodford against the Company. (Case: FL-2023-000023. *Woodford Eurasia Assets Limited v Lottery.com Inc.*) The Court characterized Woodford’s application as “fundamentally misconceived” and ordered Woodford to pay the Company’s legal costs. Woodford subsequently, on the Judges’ recommendation, withdrew the proceedings.

Woodford filed an additional action in the United States District Court for the District of Delaware on November 16, 2023 in Case No. 23-1317-GBW seeking a temporary restraining order, preliminary injunction and expedited discovery against Lottery.com and its directors. The Court entered an order the next day denying the relief sought by Woodford. On February 14, 2024, Woodford filed a Notice of Voluntary Dismissal Without Prejudice, which stated that Woodford provides notice of dismissal of all claims without prejudice against Defendants Lottery.com and its directors.

With the dismissal of this lawsuit by Woodford, no further action is required by Lottery.com or its directors at this time. The Company is determining its next course of action in resolving any further matters regarding Woodford.

The validity and application of the Woodford Loan Agreement Amendment is disputed by the Company.

Despite requests from the Company, Woodford has repeatedly amongst other things: failed to prove the amounts borrowed by the Company or claimed to have been advanced by Woodford to the Company; failed to indicate if it would accept accelerated payment of those verified amounts; failed to provide an anti-money laundering acceptable account to which payment could be made by the Company and failed to explain failure to respond to requests for other funding to be accepted in the context of the Woodford Loan Agreement; failed to respond to requests for funding under the accordion facility of the Woodford Loan Agreement; and failed to respond to allegations of money laundering and conspiracy to defraud the Company and others.

#### **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.

None.

## Item 6. Exhibits.

Exhibit Number	Description
10.1	<a href="#">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).</a>
10.2	<a href="#">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).</a>
10.3	<a href="#">Amended and Restated Loan Agreement, dated as of August 8, 2023, by and between Lottery.com Inc. and United Capital Investments London Limited (incorporated by reference to Exhibit 10.3 of the Quarterly Report on Form 10-Q filed by Lottery.com with the SEC on August 22, 2023).</a>
10.4	<a href="#">Amendment to Amended and Restated Loan Agreement, dated as of August 18, 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 24, 2023).</a>
10.6	<a href="#">Lottery.com Inc. 2023 Employees', Directors' and Consultant's Stock Issuance and Option Plan (incorporated by reference to Exhibit 10.1 of the Registration Statement on Form S-8 filed by Lottery.com with the SEC on October 11, 2023).</a>
10.40	<a href="#">Lottery.com Inc. 2023 Employees', Directors' and Consultant's Stock Issuance and Option Plan</a>
10.50	<a href="#">Nook Holdings Share Purchase Agreement</a>
10.51	<a href="#">Amendment 1 to Nook Holdings Share Purchase Agreement</a>
31.1*	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act</a>
31.2*	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act</a>
32.1**	<a href="#">Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act</a>
32.2**	<a href="#">Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act</a>
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: Chief Executive Officer

(Principal Executive Officer)

Lottery.com Inc.

By: /s/ Robert J. Stubblefield

Name: Robert J. Stubblefield

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

Dated: May 20, 2024

**LOTTERY.COM, INC.**  
**2023 EMPLOYEES', DIRECTORS' AND CONSULTANTS' STOCK ISSUANCE AND OPTION PLAN**

Upon adoption by the Board of Directors, this 2023 Employees', Directors' and Consultants' Stock Issuance Option Plan (the "Plan") authorizes Lottery.com, Inc. to issue either shares directly or options to purchase up to 500,000 shares of common stock, on terms to be determined, to its Employees, Directors, and Consultants subject to the following terms.

1. Purpose of the Plan.

The purpose of the Plan is to enable the Company to attract, retain and motivate its employees, directors and qualified consultants by providing for or increasing the proprietary interests of such employees, directors and consultants in the Company through increased stock ownership.

The Plan provides for direct issuance of shares and/or options which either (i) qualify as incentive stock options ("Incentive Options") within the meaning of that term in Section 422 of the Internal Revenue Code of 1986, as amended, or (ii) do not so qualify under Section 422 of the Code ("Nonstatutory Options") (collectively "Options"). Any Option granted under this Plan will be clearly identified at the time of grant as to whether it is intended to be either an Incentive Option or a Nonstatutory Option.

2. Definitions.

The following terms, when appearing in the text of this Plan in capitalized form, will have the meanings set out below:

(a) "Board" means the Board of Directors of the Company.

(b) "Code" means the Internal Revenue Code of 1986, as heretofore or hereafter amended.

(c) "Committee" means the committee appointed by the Board pursuant to Section 3 below.

(d) "Company" means Lottery.com, Inc. or any parent or "subsidiary corporation," as that term is defined by Section 424(f) of the Code, thereof, unless the context requires it to be limited to Lottery.com, Inc..

(e) "Consultants" means the class of persons consisting of individuals engaged by the Company by contract or otherwise to provide services to the Company as the Committee shall so determine.

(f) "Directors" means the class of persons consisting of individuals duly elected to and actively serving on the Company's Board of Directors.

(g) "Disabled Grantee" means a Grantee who is disabled within the meaning of Section 422(c)(6) of the Code.

(h) "Employees" means the class of employees consisting of individuals regularly employed by the Company on a full-time salaried basis who are identified as key employees, or such other employees as the Committee shall so determine.

(i) "Executive Officer" means those individuals who, on the last day of the taxable year at issue:

(i) served as the Company's chief executive officer or was acting in a similar capacity, regardless of compensation level; and (ii) the four most highly compensated executive officers (other than the chief executive officer) all as determined pursuant to Treasury Regulation 1.162-27(c)(2).

*2023 Employees' Directors' and Consultants Stock Issuance and Option Plan*

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(j) "Fair Market Value" means, with respect to the common stock of the Company, the price at which the stock would change hands between an informed, able and willing buyer and seller, neither of which is under a compulsion to enter into the transaction. Fair Market Value will be determined in good faith by the Committee in accordance with a valuation method which is consistent with the guidelines set forth in Treasury Regulation 1.421-7 (e) (2) or any applicable regulations issued pursuant to Section 422(a) of the Code. Fair Market Value will be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

(k) "Grantee" means an eligible Employee, Director or Consultant under this Plan who has been granted either shares or an Option.

(l) "Incentive Option" means an Option that qualifies for the benefit described in Section 421 of the Code, by virtue of compliance with the provisions of Section 422 of the Code.

(m) "Nonstatutory Option" means an Option that is not an Incentive Option.

(n) "Option" means either an Incentive Option or a Nonstatutory Option granted under this Plan.

(o) "Option Agreement" means the agreement entered into between the Company and an individual Grantee and specifying the terms and conditions of the Option granted to the Grantee, which terms and conditions will recite or incorporate by reference: (i) the provisions of this Plan which are not subject to variation; and (ii) the variable terms and conditions of each Option granted hereunder which will apply to that Grantee.

(p) "Optionee" means a Grantee, and, under the appropriate circumstances, his guardian, representative, heir, distributee, legatee or successor in interest, including any transferee.

(q) "Stock" means the Company's common stock.

3. Administration of the Plan.

(a) Committee Membership. The Plan shall be administered by a committee appointed by the Board, to be known as the Compensation Committee (the "Committee"). The Committee shall be not less than two members and to the extent possible shall be comprised solely of Non-employee Directors, as defined by Rule 16b-3(b)(3)(i) of the Securities Exchange Act of 1934 ("1934 Act"), or any successor definition adopted by the Securities and Exchange Commission, and who shall each also qualify as an Outside Director for purposes of Section 162(m) of the Code. Any vacancy occurring on the Committee may be filled by appointment by the Board. The Board at its discretion may from time to time appoint members to the Committee in substitution of members previously appointed, may remove members of the Committee and may fill vacancies, however caused, in the Committee. The Committee shall initially consist of Tamer T. Hassan, Paul S. Jordan and Christopher Gooding.

(b) Committee Procedures. The Committee shall select one of its members as chairman and shall hold meetings at such times and places as it may determine. A quorum of the Committee shall consist of a majority of its members, and the Committee may act by vote of a majority of its members present at a meeting at which there is a quorum, or without a meeting by written consent signed by all members of the Committee. If any powers of the Committee hereunder are limited or denied by the Board or under applicable law, the same powers may be exercised by the Board.

(c) Committee Powers and Responsibilities. The Committee will interpret the Plan, prescribe, amend and rescind any rules or regulations necessary or appropriate for the administration of the Plan, and make such other determinations and take such other actions it deems necessary or advisable, except as otherwise expressly reserved for the Board. Subject to the limitations imposed by the Board or under applicable law and the terms of the Plan, the Committee may periodically determine which Employees, Directors, and/or Consultants should receive Shares directly or Options under the Plan, whether any such options shall be Incentive Options or Nonstatutory Options, the number of shares covered by such Issuance of Shares or Options, the per share purchase price for such shares, and the terms thereof, and shall have full power to grant such Issuance of Shares or Options. In making its determinations, the Committee shall consider, among other relevant factors, the importance of the duties of the Grantee to the Company, his or her experience with the Company, and his or her future value to the Company. All decisions, interpretations and other actions of the Committee shall be final and binding on all Grantees, Optionees and all persons deriving their rights from a Grantee or Optionee. No member of the Board or the Committee shall be liable for any action taken or failed to be taken in good faith or for any determination made pursuant to the Plan.

4. Stock Subject to Plan.

This Plan authorizes the Committee to grant Shares and/or Options to Employees, Directors and/or Consultants up to the aggregate amount of 500,000 shares of Stock, subject to eligibility and any limitations specified herein. Adjustment in the shares subject to the Plan shall be made as provided in Section 9. Any shares covered by an Option which, for any reason, expires, terminates or is canceled may be reoptioned under the Plan.

5. Eligibility

(a) General Rule. All Employees, Directors and Consultants defined in Section 2(e) and 2(g) shall be eligible.

(b) Ten Percent Stockholders. An Employee, Director or Consultant who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding Stock shall not be eligible for designation as a Grantee of an Incentive Option unless (i) the exercise price for each share of Stock subject to such Incentive Option is at least one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the date of grant, and (ii) such Incentive Option, by its terms, is not exercisable after the expiration of five (5) years from the date of grant.

(c) Attribution Rules. For purposes of Subsection (b) above, in determining stock ownership, an Employee, Director or Consultant shall be deemed to own the Stock owned, directly or indirectly, by or for his brothers, sisters (whether by whole or half blood), spouse, ancestors and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be deemed to be owned proportionately by or for its stockholders, partners or beneficiaries.

(d) Outstanding Stock. For purposes of Subsection (b) above, "Outstanding Stock" shall include all Stock actually issued and outstanding immediately after the grant. "Outstanding Stock" shall not include shares authorized for issuance under outstanding options held by the Employee, Director or Consultant, or by any other person.

(e) Individual Limits of Executive Officers. Subject to the provisions of Section 9 hereof, the number of option shares granted in a fiscal year to any Executive Officer shall not exceed 500,000 shares for the first fiscal year during which such person becomes an Executive Officer and shall not exceed 1,000,000 shares for any subsequent fiscal year during which such person serves as an Executive Officer.

(f) Incentive Option Limitation. The aggregate Fair Market Value of the stock for which Incentive Options granted to any one eligible Employee, Director or Consultant under this Plan and under all incentive stock option plans of the Company, its parent(s) and subsidiaries, may by their terms first become exercisable during any calendar year shall not exceed \$100,000 determining Fair Market Value of the stock subject to any Option as of the time that Option is granted. If the date on which one or more Incentive Options could be first exercised would be accelerated pursuant to any other provision of the Plan or any Stock Option Agreement referred to in Section 6(a), or an amendment thereto, and the acceleration of such exercise date would result in a violation of the restriction set forth in the preceding sentence, then notwithstanding any such other provision the exercise date of such Incentive Options shall be accelerated only to the extent, if any, that is permitted under Section 422 of the Code and the exercise date of the Incentive Options with the lowest option prices shall be accelerated first. Any exercise date which cannot be accelerated without violating the \$100,000 restriction of this section shall nevertheless be accelerated, and the portion of the Option becoming exercisable thereby shall be treated as a Nonstatutory Option.

6. Terms and Conditions of All Options Under the Plan.

(a) Option Agreement. All Options granted under the Plan shall be evidenced by a written Option Agreement and shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Committee deems appropriate for inclusion in an Option Agreement.

(b) Number of Shares. Each Option Agreement shall specify the number of shares of the Stock each such Employee, Director or Consultant will be entitled to purchase pursuant to the Option and shall provide for the adjustment of such number in accordance with Section 9. Each Option Agreement shall state the minimum number of shares which must be exercised at any time, if any.

(c) Nature of Option. Each Option Agreement shall specify the intended nature of the Option as an Incentive Option, a Nonstatutory Option or partly of each type.

(d) Exercise Price. Each Option Agreement shall specify the exercise price. The exercise price of either the Incentive Option or the Nonstatutory Option shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Stock on the date of grant. Subject to the foregoing, the exercise price under any Option shall be determined by the Committee in its sole discretion. The exercise price shall be payable in the form described in Section 7.

(e) Term of Option. The Option Agreement shall specify the term of the Option. The term of any Option granted under this Plan is subject to expiration, termination, and cancellation as set forth within this Plan.

(f) Exercisability; Vesting. Each Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. Such Option shall not be exercisable after the expiration of such term which shall be fixed by the Committee, but in any event not later than ten years from the date such Option is granted. Subject to the provisions of the Plan, the Committee may grant Options which are vested, or which become vested upon the

happening of an event or events as specified by the Committee.

(g) **Withholding Taxes.** Upon exercise of any Nonstatutory Option (or any Incentive Option which is treated as a Nonstatutory Option because it fails to meet the requirements set forth in the Code for Incentive Options), the Optionee must tender full payment to the Company for any federal income tax withholding required under the Code in connection with such exercise ("Withholding Tax"). If the Optionee fails to tender to the Company the Withholding Tax, the Committee, at its discretion, shall withhold from the Optionee any and all shares subject to such Option, and accordingly, subject to Withholding Tax until such time as either of the following events has occurred:

(i) the Optionee tenders to the Company payment in cash to pay the Withholding Tax;

or

(ii) if the Optionee is an Employee, the Company withholds from the Optionee's wages an amount sufficient to pay the Withholding Tax.

(h) **Termination and Acceleration of Option.**

For Incentive Options:

(i) If the employment of a Grantee who is not a Disabled Grantee is terminated without cause, or such Grantee voluntarily quits or retires under any retirement plan of the Company, any then outstanding and exercisable stock option held by such a Grantee shall be exercisable, in accordance with the provisions of the Option Agreement, by such Grantee at any time prior to the expiration date of such Option or within three months after the date of termination of employment or service, whichever is the shorter period.

(ii) If the employment of a Grantee who is a Disabled Grantee is terminated without cause, any then outstanding and exercisable Option held by such a Grantee shall be exercisable, in accordance with the provisions of the Option Agreement, by such a Grantee at any time prior to the expiration date of such Option or within one year after the date of such termination of employment or service, whichever is the shorter period.

For all Options issued hereunder:

(i) If the Company terminates the employment of a Grantee for cause, all outstanding stock options held by the Grantee at the time of such termination shall automatically terminate unless the Committee notifies the Grantee that his or her options will not terminate. A termination "for cause" shall be defined under each written Option Agreement. The Company assumes no responsibility and is under no obligation to notify a Permitted Transferee (as hereafter defined in section 13) of early termination of an Option on account of a Grantee's termination of employment.

(ii) Whether termination of employment or other service is a termination "for cause" or whether a Grantee is a Disabled Grantee shall be determined in each case, in its discretion, by the Committee and any such determination by the Committee shall be final and binding.

(iii) Following the death of a Grantee during employment, any outstanding and exercisable Options held by such Grantee at the time of death shall be exercisable, in accordance with the provisions of the Option Agreement, by the person or persons entitled to do so under the Will of the Grantee, or, if the Grantee shall fail to make testamentary disposition of the stock option or shall die intestate, by the legal representative of the Grantee at any time prior to the expiration date of such Option or within one year after the date of death, whichever is the shorter period.

(iv) The Committee may grant Options, or amend Options previously granted, to provide that such Options continue to be exercisable up to ten years after the date of grant irrespective of the termination of the Grantee's employment with the Company, and which vest upon grant or become vested upon the happening of an event or events specified by the Committee, although the exercise of such vested Options in the case of Incentive Options more than three months after termination of employment may convert such Options to Nonstatutory Options with respect to the income tax consequences of such exercise.

7. **Payment for Shares**

(a) **Cash.** Payment in full for shares purchased under an Option shall be made in cash (including check, bank draft or money order) or pursuant to a cashless exercise provision, if any is available under the Option Agreement, at the time that the Option is exercised.

(b) **Stock.** In lieu of cash an Optionee may, with the consent of the Committee, make payment for Stock purchased under an Option, in whole or in part, by tendering to the Company in good form for transfer, shares of Stock valued at Fair Market Value on the date the Option is exercised. Such shares will have been owned by the Optionee or the Optionee's representative for the time specified by the Committee but in no case shall the Optionee or his representative have held a beneficial interest in such tendered shares for a period less than six months prior to the exercise of the Option.

8. **Use of Proceeds from Stock.**

Cash proceeds from the sale of Stock pursuant to Options granted under the Plan shall constitute general funds of the Company.

9. **Adjustments.**

Changes or adjustments in the Option price, number of shares subject to an Option or other specifics as the Committee should decide will be considered or made pursuant to the following rules:

(a) **Upon Changes in Stock.** If the outstanding Stock is increased or decreased, or is changed into or exchanged for a different number or kinds of shares or securities, as a result of one or more reorganizations, recapitalization, stock splits, reverse stock splits, split-up, combination of shares, exchange of shares, change in corporate structure, or otherwise, appropriate adjustments will be made in the exercise price and/ or the number and/or kind of shares or securities for which Options may thereafter be granted under this Plan and for which Options then outstanding under this Plan may thereafter be exercised. The Committee will make such adjustments as it may deem fair, just and equitable to prevent substantial dilution or enlargement of the rights granted to or available for Optionees. No adjustment provided for in this Section 9 will require the Company to issue or sell a fraction of a share or other security. Nothing in this Section will be construed to require the Company to make any specific or formula adjustment.

(b) **Prohibited Adjustment.** If any such adjustment provided for in this Section 9 requires the approval of stockholders in order to enable the Company to grant or amend Options, then no such adjustment will be made without the required stockholder approval. Notwithstanding the foregoing, if the effect of any such adjustment would be to cause an Incentive Option to fail to continue to qualify under Section 422 of the Code or to cause a modification, extension or renewal of such stock option within the meaning described in Section 424 of the Code, the Committee may elect that such

adjustment not be made but rather shall use reasonable efforts to effect such other adjustment of each then outstanding Option as the Committee, in its sole discretion, shall deem equitable and which will not result in any disqualification, modification, extension or renewal (within the meaning of Section 424 of the Code) of such Incentive Option.

(c) Further Limitations. Nothing in this Section will entitle the Optionee to adjustment of his Option in the following circumstances:

- (i) The issuance or sale of additional shares of the Stock, through public offering or otherwise;
- (ii) The issuance or authorization of an additional class of capital stock of the Company;
- (iii) The conversion of convertible preferred stock or debt of the Company into Stock;
- (iv) The payment of dividends except as provided in Section 9 (a).

The grant of an Option shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

10. Legal Requirements:

(a) Compliance with All Laws. The Company will not be required to issue or deliver any certificates for shares of Stock prior to (a) the listing of any such Stock to be acquired pursuant to the exercise of any Option on any stock exchange on which the Stock may then be listed, and (b) the compliance with any registration requirements or qualification of such shares under any federal securities laws, including without limitation the Securities Act of 1933, as amended ("1933 Act"), the rules and regulations promulgated thereunder, or state securities laws and regulations, the regulations of any stock exchange or interdealer quotation system on which the Company's securities may then be listed, or obtaining any ruling or waiver from any government body which the Company may, in its sole discretion, determine to be necessary or advisable, or which, in the opinion of counsel to the Company, is otherwise required.

(b) Compliance with Specific Code Provisions. It is the intent of the Company that the Plan and its administration conform strictly to the requirements of Section 422 of the Code with respect to Incentive Options. Therefore, notwithstanding any other provision of this Plan, nothing herein will contravene any requirement set forth in Section 422 of the Code with respect to Incentive Options and if inconsistent provisions are otherwise found herein, they will be deemed void and unenforceable or automatically amended to conform, as the case may be.

(c) Plan Subject to Delaware Law. All questions arising with respect to the provisions of the Plan will be determined by application of the Code and the laws of the state of Delaware except to the extent that Nevada laws are preempted by any federal law.

11. Rights as a Stockholder.

An Optionee shall have no rights as a stockholder with respect to any Stock covered by his or her Option until the date of issuance of the stock certificate to him or her after receipt of the consideration in full set forth in the Option Agreement. Except as provided in Section 9 hereof, no adjustments will be made for dividends, whether ordinary or extraordinary, whether in cash, securities, or other property, or for distributions for which the record date is prior to the date on which the Option is exercised.

12. Restrictions on Shares.

Prior to the issuance or delivery of any shares of the Stock under the Plan, the person exercising the Option may be required to:

(a) represent and warrant that the shares of the Stock to be acquired upon exercise of the Option are being acquired for investment for the account of such person and not with a view to resale or other distribution thereof;

(b) represent and warrant that such person will not, directly or indirectly, sell, transfer, assign, pledge, hypothecate or otherwise dispose of any such shares unless the sale, transfer, assignment, pledge, hypothecation or other disposition of the shares is pursuant to the provisions of this Plan and effective registrations under the 1933 Act and any applicable state or foreign securities laws or pursuant to appropriate exemptions from any such registrations; and

(c) execute such further documents as may reasonably be required by the Committee upon exercise of the Option or any part thereof, including but not limited to any stock restriction agreement that the Committee may choose to require.

Nothing in this Plan shall assure any Optionee that shares issuable under this Option are registered on a Form S-8 under the 1933 Act or on any other Form. The certificate or certificates representing the shares of the Stock to be issued or delivered upon exercise of an Option may bear a legend evidencing the foregoing and other legends required by any applicable securities laws. Furthermore, nothing herein or any Option granted hereunder will require the Company to issue any Stock upon exercise of any Option if the issuance would, in the opinion of counsel for the Company, constitute a violation of the 1933 Act, applicable state securities laws, or any other applicable rule or regulation then in effect. The Company shall have no liability for failure to issue shares upon any exercise of Options because of a delay pending the meeting of any such requirements.

13. Transferability.

The Committee shall retain the authority and discretion to permit a Nonstatutory Option, but in no case an Incentive Option, to be transferable as long as such transfers are made only to one or more of the following: family members, limited to children of Grantee, spouse of Grantee, or grandchildren of Grantee, or trusts for the benefit of Grantee and/or such family members ("Permitted Transferee"), provided that such transfer is a bona fide gift and accordingly, the Grantee receives no consideration for the transfer, and that the Options transferred continue to be subject to the same terms and conditions that were applicable to the Options immediately prior to the transfer. Options are also subject to transfer by will or the laws of descent and distribution. Options granted pursuant to this Plan shall not be otherwise transferred, assigned, pledged, hypothecated or disposed of in any way, whether by operation of law or otherwise. A Permitted Transferee may not subsequently transfer an Option. The designation of a beneficiary shall not constitute a transfer.

14. No Right to Continued Employment.

This Plan and any Option granted under this Plan will not confer upon any Optionee any right with respect to continued employment or engagement by the Company nor shall they alter, modify, limit or interfere with any right or privilege of the Company under any employment agreement

heretofore or hereafter executed with any Optionee, including the right to terminate any Optionee's employment or engagement at any time for or without cause, to change his or her level of compensation or to change his or her responsibilities or position.

15. Corporate Reorganizations.

Upon the dissolution or liquidation of the Company, or upon a reorganization, merger or consolidation of the Company as a result of which the outstanding securities of the class then subject to Options hereunder are changed into or exchanged for cash or property or securities not of the Company's issue, or upon a sale of substantially all the property of the Company to, or the acquisition of stock representing more than eighty percent (80%) of the voting power of the stock of the Company then outstanding by another corporation or person, the Plan will terminate and all Options will lapse. The result described above will not occur if provision is made in writing in connection with such transaction for the continuance of the Plan and/or for the assumption of Options earlier granted, or the substitution for such Options of options covering the stock of a successor employer corporation, or a parent or a subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices, in which event the Plan and Options theretofore granted will continue in the manner and under the terms so provided. If the Plan and unexercised Options shall terminate pursuant to the foregoing, all persons holding any unexercised portions of Options then outstanding shall have the right, at such time prior to the consummation of the transaction causing the termination as the Company shall designate, to exercise the unexercised portions of their options, including the portions thereof which would but for this Section 15 not yet be exercisable.

16. Modification, Extension and Renewal.

(a) Options. Subject to the conditions of and within the limitations prescribed in the Plan herein, the Committee may modify, extend, cancel or renew outstanding Options. Notwithstanding the foregoing, no modification will, without the prior written consent of the Optionee, alter, impair or waive any rights or obligations associated with any Option earlier granted under the Plan.

(b) Plan. The Board may at any time and from time to time interpret, amend or discontinue the Plan.

17. Plan Date and Duration.

The Plan shall take effect on the date it is adopted by the Board. Options may not be granted under this Plan after December 31, 2026.



**DATED** 11 September **2023**

**SHARE PURCHASE AGREEMENT**

amongst

**DANI ALYAMOUR**

**DAVID COOK**

**PAUL DAVID SEBRIGHT**

**NISHANT JOHN FARIA**

**OSAMA MUNIR RAGHEB ALKALOTI**

**TRIPLE R HOLDINGS LLC**

**WEST IRELAND INVESTMENT LIMITED**

**DUPLOYS HOLDINGS LIMITED**

and

**LOTTERY.COM, INC.**

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THIS AGREEMENT is dated 11 September 2023

#### PARTIES

- (1) **DANI ALYAMOUR**, a Canadian national with passport number HP123618 and whose residential address is at 107 Burj Khalifa, 500161, Dubai, UAE;
- (2) **DAVID COOK**, a British national with passport number 138948587 and whose residential address is at Masakin Al Furjan, Block B 101, Al Furjan, Dubai, UAE;
- (3) **PAUL DAVID SEBRIGHT**, a British national with passport number 124326446 and whose residential address is Glencruitten House, Oban, Scotland, PA34 4QB;
- (4) **NISHANT JOHN FARIA**, a Canadian national with passport number AS2004407 and whose residential address is at Apt 402, Tower 6, Burj Residences, Downtown Dubai, Dubai, UAE;
- (5) **OSAMA MUNIR RAGHEB ALKALOTI**, a Jordanian national with passport number 9771000767 and whose residential address is at Villa 367, Plot No. 3, Um Al Sheif, Dubai, UAE;
- (6) **TRIPLE R HOLDINGS LLC**, a limited liability company incorporated in Sharjah Media City Free Zone Company (SHAMS) with registered number 1803853.01 and having its registered address at Sharjah Media City, Sharjah, UAE;
- (7) **WEST IRELAND INVESTMENT LIMITED**, a freezone offshore company incorporated in Jebel Ali Free Zone with registered number 197344 and having its registered address at Suite 1901, Level 19, Boulevard Plaza Tower 1, Sheikh Mohammed Bin Rashid Boulevard, Downtown Dubai, Dubai, UAE;  
(together the **Sellers**); and
- (8) **LOTTERY.COM, INC.**, a Delaware corporation and having its registered address at 20808 State Highway 71W, Spicewood, TX 78669 or Assignees, as defined by clause 9.2 (jointly or severally the **Buyer**),

each a **Party**, and together, the **Parties**.

#### BACKGROUND

The Sellers have agreed to sell and the Buyer has agreed to buy the Sale Shares subject to the terms and conditions of this agreement.

#### AGREED TERMS

##### 1. INTERPRETATION

- 1.1 The definitions and rules of interpretation in this clause apply in this agreement.

**ADGM:** Abu Dhabi Global Market.

**AED:** United Arab Emirate Dirham, the lawful currency of the UAE.

**Business:** the business carried on by the Company and the Subsidiary, namely the provision of coworking space and serviced offices to, and incubation activities for the benefit of, sports-related business customers in the UAE.

**Business Day:** a day other than a Saturday, Sunday or public holiday in the UAE when banks are open for non-automated business.

**Claim:** a claim for breach of any of the Warranties.

**Closings:** First Closing and Second Closing.

**Commission:** has the meaning given in clause 3.4.

**Company:** Nook Holdings Limited, a private limited company incorporated and registered in the ADGM with company number 000001429 whose registered office is at DD-15-134-004-007, Level 15, Wework Hub71, Al Khatem Tower, Al Maryah Island, Al Maryah Island, Abu Dhabi, United Arab Emirates, further details of which are set out in Schedule 1.

**Control:**

- (a) owning or controlling (directly or indirectly) more than 50% of the voting share capital of the relevant undertaking;
- (b) being able to direct the casting of more than 50% of the votes exercisable at general meetings of the relevant undertaking on all, or substantially all, matters;
- (c) having the right to appoint or remove directors of the relevant undertaking holding a majority of the voting rights at meetings of the board on all, or substantially all, matters; or
- (d) having the power to determine the conduct of business affairs of an undertaking (whether through ownership of equity interest or partnership or other ownership interests, by contract or otherwise),

and **Controlled** and **Controlling** shall have a corresponding meaning;

**Deposit:** has the meaning given in clause 3.1(a).

**Encumbrance:** any interest or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement.

**First Closing:** the completion of the sale and purchase of the First Closing Shares in accordance with this agreement.

**First Closing Consideration** has the meaning given in clause 3.1(b).

**First Closing Date:** has the meaning given in clause 4.1.

**First Closing Shares:** the Sale Shares set out in column 4 of the table at Schedule 2.

**Group:**

- (a) in respect of any person, any other person directly or indirectly Controlled by, or Controlling of, or under common Control with, that person; and
- (b) in respect of any individual, any Relative of that individual.

**Purchase Price:** the purchase price for the Sale Shares, as set out in clause 3.1.

**Relative:** in relation to an individual:

- (a) the spouse, parent, son, daughter, brother or sister (whether by blood or adoption) of that individual; or
- (b) any person married to any of the persons specified in paragraph (a) of this definition;

**Relevant Percentage:** the percentage of Sale Shares held by each Seller as set out in column 6 of the table at Schedule 2.

**Sale Shares:** 8,000,000 preference shares and 500,000 ordinary shares of USD0.0001 each in the Company, all of which have been issued and are fully paid and which are held by the Sellers in the numbers shown in column 3 of the table at Schedule 2 comprising the First Closing Shares and the Second Closing Shares.

**Second Closing:** the completion of the sale and purchase of the Second Closing Shares in accordance with this agreement.

**Second Closing Consideration:** has the meaning given in clause 3.1(c).

**Second Closing Shares:** the Sale Shares set out in column 5 of the table at Schedule 2.

**Sellers' Bank Account:** in respect of:

- (a) the Deposit, means the account of the Company having the following details:
  - Bank name: Emirates NBD
  - Account name: Nook Office DMCC
  - IBAN: AE74 0260 0010 1550 5051 701; and
- (b) in respect of all other payments due to the Sellers, such bank accounts as each Seller shall notify the Buyer and the Company;

**Subsidiary:** Nook Office DMCC, a limited liability company incorporated under the laws of the Dubai Multi Commodities Centre with registration number DMCC107621 and having its registered address at OneJLT-02-02, One JLT, DMCC-EZ1-1AB, Jumeirah Lakes Towers, Dubai, UAE, and which is a wholly-owned subsidiary of the Company.

**UAE:** United Arab Emirates.

**USD:** United States Dollars, the lawful currency of the United States of America.

**Warranties:** the warranties set out in Schedule 4.

- 1.2 References to clauses and Schedules are to the clauses of and Schedules to this agreement and references to paragraphs are to paragraphs of the relevant Schedule.
- 1.3 The Schedules form part of this agreement and shall have effect as if set out in full in the body of this agreement. Any reference to this agreement includes the Schedules.
- 1.4 This agreement shall be binding on and enure to the benefit of, the Parties to this agreement and their respective successors and permitted assigns, and references to a **Party** shall include that Party's successors and permitted assigns.
- 1.5 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.
- 1.6 A reference to **writing** or **written** includes email (unless otherwise expressly provided in this agreement).
- 1.7 A **subsidiary** is a corporate entity Controlled by another corporate entity and a **wholly-owned subsidiary** is a subsidiary which is owned 100 per cent. by the other corporate entity.
- 1.8 Any words following the terms **including**, **include**, **in particular**, **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.
- 1.9 References to a document in **agreed form** are to that document in the form agreed by the Parties and initialled by them or on their behalf for identification.
- 1.10 Unless otherwise provided, a reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force as at the date of this agreement. A reference to a statute or statutory provision shall include all subordinate legislation made as at the date of this agreement under that statute or statutory provision.

## 2. SALE AND PURCHASE

The Sellers shall sell and the Buyer shall buy, with effect from each Closing, the Sale Shares with full title guarantee, free from all Encumbrances and together with all rights attached or accruing to them on the terms and subject to the conditions of this agreement.

## 3. PURCHASE PRICE

- 3.1 The Purchase Price is AED8,500,000 and shall be paid by the Buyer in cash as follows:
  - (a) AED500,000 as a non-refundable deposit on the Business Day following the date of this agreement (**Deposit**);
  - (b) AED5,000,000 on or before First Closing (**First Closing Consideration**);
  - (c) AED2,000,000 on or before Second Closing (**Second Closing Consideration**);
  - (d) AED1,000,000 on or before 30 November 2024.
- 3.2 The Purchase Price shall be deemed to be reduced by the amount of any payment made to the Buyer in respect of any Claim.
- 3.3 The Deposit constitutes part of the Purchase Price but shall in no circumstances be refundable and the Parties agree that the Deposit represents a reasonable pre-estimate of the losses suffered by the Sellers as a result of the transactions contemplated in this agreement not completing for any reason whatsoever.
- 3.4 The Sellers have agreed pursuant to prior arrangements to pay to Duplays Holdings Limited a commission of AED425,000 being 5 per cent. of the total Purchase Price (the **Commission**)

and, provided always that the Buyer shall under no circumstances have any liability to any person in respect of the Commission, agrees to pay, at the request and on behalf of the Sellers, 5 per cent. of all payments in respect of the Purchase Price to such account as Duplays Holdings Limited shall notify to the Buyer in respect of the Commission.

- 3.5 Each Seller shall be entitled to its Relevant Percentage of the Purchase Price (less the Commission).

#### **4. CLOSINGS**

- 4.1 First Closing shall take place on 31 October 2023 or such date as the Parties may agree in writing (the **First Closing Date**) at such place as the Parties agree.

- 4.2 At First Closing, the Sellers shall comply with their obligations in Part 1 of Schedule 3.

- 4.3 Subject to the Sellers complying with clause 4.2, the Buyer shall pay, to the extent not paid prior to First Closing, the First Closing Consideration to the Sellers' Bank Account.

- 4.4 Second Closing shall take place on 30 November 2023 or such date as the Parties may agree in writing at such place as the Parties agree in writing.

- 4.5 At Second Closing, the Sellers shall comply with their obligations in Part 2 of Schedule 3.

- 4.6 Subject to the Sellers complying with clause 4.5, the Buyer shall:

- (a) to the extent not paid prior to Second Closing, pay the Second Closing Consideration;
- (b) pay the residual part of the Purchase Price pursuant to, and (to the extent not paid prior to such date) on the date stated in, clause 3.1(d),

to the Sellers' Bank Account.

- 4.7 Payment of the Purchase Price made in accordance with clause 3.4 and this clause shall be a good and valid discharge of the Buyer's obligation towards the Sellers to pay the Purchase Price.

- 4.8 This agreement (other than obligations that have already been fully performed) remains in full force after each Closing.

#### **5. WARRANTIES AND UNDERTAKINGS**

- 5.1 The Sellers warrant to the Buyer that each Warranty is, to the best of their knowledge, true, accurate and not misleading in any material respect.

- 5.2 Each of the Warranties is separate and, unless expressly provided otherwise, is not limited by reference to any other Warranty or any other provision in this agreement.

- 5.3 The Sellers covenant with the Buyer:

- (a) not to sell, transfer, assign or create (or allow to exist) any Encumbrance on any Sale Share during the term of this agreement; and
- (b) to hold all Sale Shares as encumbered in favour of the Buyer pending transfer to the Buyer on the terms of this agreement,

provided that the obligations of the Sellers pursuant to this clause 5.3 shall:

- (y) cease to apply to the extent that the Sellers are no longer obliged to transfer shares to the Buyer, whether because of the termination or expiry of this agreement, on default of the Buyer or otherwise; and
- (z) not include an obligation to create any kind of registered or registerable security over the Sale Shares.

#### **6. LIMITATIONS ON CLAIMS**

- 6.1 The Sellers shall be jointly, but not severally, liable for any Claims.

- 6.2 The aggregate liability of the Sellers for all Claims shall not exceed an amount equal to 30 per cent. of the Purchase Price.

- 6.3 The Sellers shall not be liable for a Claim unless notice in writing of the Claim, summarising the nature of the Claim and, as far as is reasonably practicable, the amount claimed, has been given by or on behalf of the Buyer to the Sellers on or before the first anniversary of First Closing.
- 6.4 Nothing in this clause 6 applies to exclude or limit the Sellers' liability to the extent that a Claim arises or is delayed as a result of dishonesty, fraud, wilful misconduct or wilful concealment by the Seller, its agents or advisers intended to deceive or induce the Buyer.
7. **CONFIDENTIALITY AND ANNOUNCEMENTS**
- 7.1 Except to the extent required by law or any legal or regulatory authority of competent jurisdiction:
- (a) each Seller shall not (and shall procure that no member of its Group shall) at any time disclose to any person (other than its professional advisers) the terms of this agreement or any trade secret or other confidential information relating to the Company, the Business or the Buyer, or make any use of such information other than to the extent necessary for the purpose of exercising or performing its rights and obligations under this agreement; and
  - (b) subject to clause 7.2, no Party shall make, or permit any person to make, any public announcement, communication or circular concerning this agreement without the prior written consent of the other Parties.
- 7.2 The Buyer may, at any time after First Closing, announce its acquisition of the Sale Shares to any employees, clients, customers or suppliers of the Company or any other member of the Buyer's Group.
- 7.3 Nothing in this agreement shall prevent the Buyer from complying with any reporting, disclosure or press release obligations arising from the Buyer being listed on NASDAQ or any other regulatory obligations.
8. **FURTHER ASSURANCE**
- The Sellers shall (and shall use reasonable endeavours to procure that any relevant third Party shall) promptly execute and deliver such documents and perform such acts as the Buyer may reasonably require from time to time for the purpose of giving full effect to this agreement.
9. **ASSIGNMENT**
- 9.1 Sellers may not assign, mortgage, charge, declare a trust of, or deal in any other manner with any or all of its rights and obligations under this agreement without the prior written consent of the Buyer.
- 9.2 At any time, the Buyer at its sole discretion shall have the right to assign this agreement, including any of its rights or obligations, in whole or in part, to any affiliated entities or third parties it deems necessary in the performance of this agreement or in the operations of the Company (the **Assignees**), and no consent on the part of Seller shall be required for such assignment(s). Seller shall not be released from this agreement by any such assignment(s).
10. **ENTIRE AGREEMENT**
- This agreement constitutes the entire agreement between the Parties and supersedes and extinguishes all previous discussions, correspondence, negotiations, drafts, agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to their subject matter.
11. **COSTS AND SET-OFF**
- 11.1 Each Party shall pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and implementation of this agreement and the transaction contemplated by this agreement.
- 11.2 The Parties shall be entitled to set-off any amount which is due by one Party to the other Parties under this agreement against any amount owed to the first Party by the second Party.



**12. DEFAULT INTEREST**

Any sums not paid when due pursuant to this agreement shall accrue interest at the rate of two per cent. per calendar month or part thereof from the due date until the date of actual payment.

**13. VARIATION AND WAIVER**

13.1 No variation of this agreement shall be effective unless it is in writing and signed by the Parties (or their authorised representatives).

13.2 No failure or delay by a Party to exercise any right or remedy provided under this agreement or by law shall constitute a waiver of that or any other right or remedy, nor shall it prevent or restrict the further exercise of that or any other right or remedy. No single or partial exercise of such right or remedy shall prevent or restrict the further exercise of that or any other right or remedy. A waiver of any right or remedy under this agreement or by law is only effective if it is in writing.

13.3 Except as expressly provided in this agreement, the rights and remedies provided under this agreement are in addition to, and not exclusive of, any rights or remedies provided by law.

**14. NOTICES**

14.1 Any notice or other communication (**Notice**) to be given under this agreement must be given in English and in writing and may be delivered in person or sent by pre-paid international courier or email (to the extent details are set out below) to the relevant Party as follows:

to the **Buyer**:

Address: Lottery.com, Inc., 20808 State Highway 71W,  
Spicewood, Texas 78669

Email: matthew.mcghan@lottery.com

to the **Sellers**:

Address: Nook Holdings Limited, DD-15-134-004-007, Level  
15, Wework Hub71, Al Khatem Tower, Al Maryah  
Island, Al Maryah Island, Abu Dhabi, United Arab  
Emirates

Email: ravi@duplays.com

or at any such other address or email address as it may notify the other Parties under this clause 14.

14.2 Any Notice shall be effective upon receipt and shall be deemed to have been received:

- (a) if delivered in person, at the time of delivery;
- (b) if sent by pre-paid international courier, at 9.00am on the fifth Business Day after posting or at the time recorded by the delivery service; or
- (c) if sent by email, on the date a delivery receipt is received by the sender in respect of the Notice.

14.3 If any Notice is sent by email, a hard copy of such Notice shall be couriered to the recipient of the Notice immediately at the address set out in clause 14.1. No Notice in relation to the service of proceedings under clause 17 may be served by email.

**15. SEVERANCE**

If any provision or part-provision of this agreement is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this agreement.

**16. THIRD PARTY RIGHTS**

A person who is not a party to this agreement shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement.

**17. GOVERNING LAW AND JURISDICTION**

17.1 This agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales.

17.2 Each Party irrevocably agrees that the courts of the ADGM shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this agreement or its subject matter or formation.

This agreement has been entered into on the date stated at the beginning of it.

## SIGNATURES

DocuSigned by:

  
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**Dani Alyamour**

Date: 9/11/2023

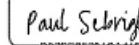
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**David Cook**

Date: 9/11/2023

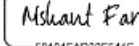
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**Paul David Sebright**

Date: 9/11/2023

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**Nishant John Faria**

Date: 9/12/2023

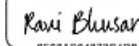
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**Osama Munir Ragheb Alkaloti**

Date: 9/11/2023

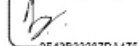
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**Ravi Bhusari** for and on behalf of Duplays Holdings Limited

Date: 9/11/2023

DocuSigned by:

  
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**Mahesh Gobind Dalamal** for and on behalf of Triple R Holdings LLC

Date: 9/12/2023

DocuSigned by:

  
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**Steven Daniel Mayne** for and on behalf of West Ireland Investment Limited

Date: 9/10/2023

DocuSigned by:

  
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**Matthew McGahan** for and on behalf of Lottery.com, Inc.

Date: 9/13/2023

**Schedule 1 Particulars of the Company**

<b>Registered name:</b>	Nook Holdings Limited
<b>Registration number:</b>	000001429
<b>Place of incorporation:</b>	ADGM
<b>Registered office:</b>	DD-15-134-004-007, Level 15, WeWork Hub71, Al Khateem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates,
<b>Issued share capital:</b>	<b>Amount:</b> USD1,000 <b>Divided into:</b> 1,500,000 ordinary shares and 8,500,000 preference shares of USD0.0001 each
<b>Directors and shadow directors:</b>	Ravi Nagesh Bhusari Dani Alyamour David Cook Paul David Sebright Davinder Rao Vilhelm Nikolai Paus Hedberg Steven Daniel Mayne
<b>Authorised signatories:</b>	Ravi Nagesh Bhusari
<b>Secretary:</b>	None

## Schedule 2 Shareholdings and Sale Shares

1	2		3		4		5		6	7
Shareholder	Number and class of shares held		Number of Sale Shares		First Closing Shares		Second Closing Shares		Relevant Percentage	Purchase Price allocation in AED
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares		
Duplays Holdings Limited	0 500,000	1,000,000 0	- -	- -	- -	- -	- -	- -	- -	425,000
Dani Alyamur	0 500,000	500,000 0	0 500,000	500,000 0	0 325,000	325,000 0	0 175,000	175,000 0	11.7647	950,000
David Cook	2,000,000	0	2,000,000	0	1,300,000	0	700,000	0	23.5294	1,900,000
Paul David Sebright	1,500,000	0	1,500,000	0	975,000	0	525,000	0	17.6471	1,425,000
Nishant John Faria	1,000,000	0	1,000,000	0	650,000	0	350,000	0	11.7647	950,000
Osama Munir Ragheb Alkaloti	1,000,000	0	1,000,000	0	650,000	0	350,000	0	11.7647	950,000
Triple R Holdings LLC	1,000,000	0	1,000,000	0	650,000	0	350,000	0	11.7647	950,000
West Ireland Investment Limited	1,000,000	0	1,000,000	0	650,000	0	350,000	0	11.7647	950,000
<b>Totals</b>	<b>8,500,000</b>	<b>1,500,000</b>	<b>8,000,000</b>	<b>500,000</b>	<b>5,200,000</b>	<b>325,000</b>	<b>2,800,000</b>	<b>175,000</b>	<b>100.00%</b>	<b>8,500,000</b>

**Schedule 3 Seller's Closing obligations****PART 1: FIRST CLOSING****1. DOCUMENTS TO BE DELIVERED AT FIRST CLOSING**

At First Closing, the Sellers shall deliver to the Buyer:

- (a) transfers of the First Closing Shares executed by the Sellers in favour of the Buyer;
- (b) the share certificates for the Sale Shares or an indemnity for any lost certificates;
- (c) resignations of all directors of the Company other than Ravi Bhusari, Davinder Rao and David Cook;
- (d) where required, a written resolution of the board of the Company appointing Matthew McGahan to the board of the Company and accepting the resignations of the resigning directors;
- (e) executed copies of all documents required by the Company's registered agent to transfer the First Closing Shares from the Sellers to the Buyer and removing the resigning directors from the board of the Company;
- (f) signed minutes, in agreed form, of the board meeting held by the Company pursuant to paragraph 2 of this Schedule 3;

**2. CLOSING BOARD MEETING**

The Sellers shall cause a board meeting of the Company to be held at First Closing at which the matters set out in this agreement as they relate to First Closing shall be resolved and approved.

**3. POST-CLOSING**

The Sellers shall cause the issuance of share certificates to the Buyer and each Seller reflecting the post-First Closing shareholdings, as follows:

Shareholder	Preference shares held post-First Closing	Ordinary shares held post-First Closing
Lottery.com, Inc. or Assignee	5,200,000	325,000
Duplays Holdings Limited	500,000	1,000,000
Dani Alyamour	175,000	0
	0	175,000
David Cook	700,000	0
Paul David Sebright	525,000	0
Nishant John Faria	350,000	0
Osama Munir Ragheb Alkaloti	350,000	0
Triple R Holdings LLC	350,000	0
West Ireland Investment Limited	350,000	0
<b>Totals</b>	<b>8,500,000</b>	<b>1,500,000</b>

**PART 2: SECOND CLOSING**

**1. DOCUMENTS TO BE DELIVERED AT SECOND CLOSING**

At Second Closing, the Sellers shall deliver to the Buyer:

- (a) transfers of the Second Closing Shares executed by the Sellers in favour of the Buyer;
- (b) the share certificates for the Second Closing Shares or an indemnity for any lost certificates;
- (c) resignations of all directors of the Company other than Ravi Bhusari and Matthew McGahan;
- (d) where required, the written resolution of the board of the Company appointing a person designated by the Buyer to the board of the Company and as the Company's authorised signatory and accepting the resignations of Davinder Rao and David Cook;
- (e) executed copies of all documents required by the Company's registered agent to transfer the shares from the Sellers to the Buyer and removing all directors from the board and authorised signatory positions of the Company, other than Ravi Bhusari and any person appointed by the Buyer;
- (f) any corporate credit card, debit card, and all other banking documents, credentials and instruments relating to the bank accounts of the Company and the Subsidiary;
- (g) signed minutes, in agreed form, of the board meeting held by the Company pursuant to paragraph 2 of this Schedule 1;

**2. CLOSING BOARD MEETING**

The Sellers shall cause a board meeting of the Company to be held at Second Closing at which the matters set out in this agreement and not previously resolved upon pursuant to paragraph 2 of Part 1 of this Schedule 3 shall be resolved and approved.

#### **Schedule 4 Warranties**

- 1. POWER TO SELL THE SALE SHARES**
  - 1.1 Each Seller has the requisite power and authority to enter into and perform this agreement and the documents referred to in it (to which it is a party), and they constitute valid, legal and binding obligations on each Seller in accordance with their respective terms.
  - 1.2 The execution and performance by the Sellers of this agreement and the documents referred to in it will not breach or constitute a default under any Seller's articles of association, or any agreement, instrument, order, judgment or other restriction which binds any Seller.
- 2. SHARES IN THE COMPANY**
  - 2.1 The Sale Shares constitute 85 per cent. of the allotted and issued share capital of the Company and are fully paid or credited as fully paid.
  - 2.2 Each Seller is the sole legal and beneficial owner of the Sale Shares set against its name in column 3 of the table at Schedule 2 and is entitled to transfer the legal and beneficial title to such Sale Shares to the Buyer free from all Encumbrances, without the consent of any other person.
  - 2.3 No person has any right to require at any time the transfer, creation, issue or allotment of any share, loan capital or other securities of the Company (or any rights or interest in them), and no person has agreed to confer or has claimed any such right.
  - 2.4 No Encumbrance has been granted to any person or otherwise exists affecting the Sale Shares or any unissued shares, debentures or other unissued securities of the Company, and no commitment to create any such Encumbrance has been given, nor has any person claimed any such rights.
  - 2.5 The Subsidiary is a wholly-owned subsidiary of the Company.
- 3. CONSTITUTIONAL AND CORPORATE DOCUMENTS**

So far as each Seller is aware, all deeds and documents belonging to the Company Group (or to which it is a party) are in the possession of the Company Group.
- 4. INFORMATION**
  - 4.1 The particulars set out in Schedule 1 are true, accurate and complete.
  - 4.2 All information (excluding information received by the Sellers from the Buyer) given by or on behalf of the Sellers to the Buyer (or its agents or advisers) in the course of the negotiations leading up to this agreement, was when given, and is now, true, accurate and, so far as the Sellers are aware, complete.
- 5. COMPLIANCE AND CONSENTS**
  - 5.1 The Company Group has at all times conducted its business in accordance with, and has acted in compliance with, all applicable laws and regulations.
  - 5.2 The Company Group holds all licences, consents, permits and authorities necessary to carry on the Business in the places and in the manner in which it is carried on at the First Closing Date (**Consents**).
  - 5.3 Each of the Consents is valid and subsisting, the Company Group is not in breach of the terms or conditions of the Consents (or any of them) and there is no reason why any of the Consents may be revoked or suspended (in whole or in part) or may not be renewed on the same terms.
- 6. EFFECT OF SALE OF THE SALE SHARES**

The acquisition of the Sale Shares by the Buyer will not:

  - (a) cause the Company Group to lose the benefit of any right, asset or privilege it presently enjoys; or
  - (b) relieve any person of any obligation to the Company Group, or enable any person to determine any such obligation, or any right or benefit enjoyed by the Company Group, or to exercise any other right in respect of the Company Group.



**7. No INSOLVENCY**

No insolvency event has occurred in relation to any Seller.

**AMENDMENT TO SHARE PURCHASE AGREEMENT**

THIS AMENDMENT TO SHARE PURCHASE AGREEMENT ("First Amendment"), is made as of the 18<sup>th</sup> day of December, 2023 (the "Effective Date"), by and between **LOTTERY.COM, INC.**, a Delaware corporation (the "Buyer"), with its principal place of business located at 20808 State Hwy. 71, Spicewood, Texas 78669 and **RAVI BHUSARI** (on behalf of the "Sellers").

**WITNESSETH:**

WHEREAS, Buyer and Sellers entered into that certain Share Purchase Agreement dated September 11, 2023 (the "Agreement"), under which Buyer agreed to purchase from Sellers, and Sellers agreed to sell to Buyer the Sale Shares in Nook Holdings Limited, a private company incorporated and registered in Abu Dhabi Global Market ("ADGM"), under and subject to the terms and conditions set forth in such Agreement;

WHEREAS, the Agreement is incorporated into this Amendment by reference and made a part of this Amendment;

WHEREAS, pursuant to the Agreement, the parties were to perform the completion of the sale and purchase of the First Closing Shares on October 31, 2023 (the "First Closing");

WHEREAS, pursuant to the Agreement, the parties were to perform the completion of the sale and purchase of the Second Closing Shares on November 30, 2023 (the "Second Closing");

WHEREAS, Buyer and Sellers have agreed to amend the Agreement under the terms and conditions contained in this Amendment in order to facilitate the delay of the parties completion of the First Closing and Second Closing.

NOW, THEREFORE, with the foregoing background incorporated herein by reference, and in consideration of the mutual covenants and agreements set forth herein, intending to be legally bound, the parties hereto agree to amend the Agreement as follows:

1. Interpretation of Agreed Terms. Save as defined in this Amendment, the terms, words and expressions defined in the Agreement shall have the same effect and meaning in this Amendment.

2. Date of Closing: The Closing shall occur on or before March 30, 2024 (the "Amended Closing").

3. Deposit. Sellers acknowledge that the balance of the Deposit has been paid in full on or before the Effective Date of this Amendment.

4. Miscellaneous.

a. Except as specifically set forth above in this Amendment, the Agreement shall continue unmodified and otherwise remain in full force and effect in accordance with its

terms in all respects and Buyer and Sellers hereby ratify and restate all the terms and conditions thereof. This Amendment does not address any other provision or rights under the Agreement or Applicable Law.

b. This Amendment may be executed in counterparts. Each such counterpart shall for all purposes be deemed to be an original, and all such counterparts shall further constitute and be but one and the same instrument. Facsimile/PDF copies shall be deemed originals.

c. In the event of a conflict between this Amendment and the Agreement, the terms of this Amendment shall prevail. This Amendment shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, executors, personal representatives, successors and assigns. All capitalized terms used but not defined in this Amendment shall have the meanings ascribed to such terms in the Agreement.

**-BALANCE OF PAGE INTENTIONALLY LEFT BLANK-**

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the Effective Date.

**BUYER: LOTTERY.COM, INC., a Delaware corporation**

By:  DocuSigned by:  
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Name: Matthew McGahan  
Title: Chairman, CEO and President  
Date: December 18, 2023

**ON BEHALF OF SELLERS: RAVI BHUSARI**

By:  DocuSigned by:  
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Name: Ravi Bhusari  
Title: Authorized Representative  
Date: December 18, 2023

**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: May 20, 2024

By: /s/ Matthew McGahan

Matthew McGahan  
Chief Executive Officer  
(Principal Executive Officer)

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**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: May 20, 2024

By: /s/ Robert J. Stubblefield

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

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**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 September 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: May 20, 2024

By: /s/ Matthew McGahan

Matthew McGahan  
Chief Executive Officer  
(Principal Executive Officer)

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**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 September 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: May 20, 2024

By: /s/ Robert J. Stubblefield

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

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