



**Enthusiast Gaming Holdings Inc.  
(Formerly Tova Ventures II Inc.)**

**Management's Discussion and Analysis  
For the Three and Nine Month Periods Ended September 30, 2018**



# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## Management's Discussion And Analysis

The following discussion and analysis is management's assessment of the results and financial condition of Enthusiast Gaming Inc. (collectively, "Enthusiast Gaming", "we" or the "Company").

The following information should be read in conjunction with the Company's condensed interim financial statements for the three months and nine month periods ended September 30, 2018 and the audited consolidated financial statements for the year ended December 31, 2017 and the notes to those financial statements, all of which are available on Enthusiast Gaming's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The date of this management's discussion and analysis ("MD&A") is November 27, 2018. The Company's comparative amounts in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are stated in Canadian Dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

## Cautionary Statement Regarding Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation ("forward-looking information"). Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under **RISKS AND UNCERTAINTIES** in this MD&A.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is given as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

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Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## Description of Enthusiast Gaming Business

Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.) (the “**Company**” or “**Enthusiast**”) (TSXV: EGLX), is a digital media company building the largest community of authentic gamers in North America. The Company has an online network of over 85, owned and affiliated, video gaming websites and 75 million visitors on a monthly basis. Enthusiast also owns and operates Canada’s largest video-gaming expo, Enthusiast Gaming Live Expo “EGLX”. Enthusiast’s network is generating over 12 bn ad requests a month and is a leading advertising platform for brands targeting the gamer demographic. Between its online digital media properties, its network of partner websites, and video-gaming expo, Enthusiast engages gaming enthusiasts worldwide. The Company was incorporated in 2014 as a corporation in the Province of Ontario and listed on the Toronto Venture Stock Exchange on October 4, 2018 under the symbol “EGLX”

## Principal Products and Services

Enthusiast’s products and services fall into three principal segments: content, advertising and events.

### *Content*

Enthusiast’s digital media content platform is comprised of over 85 websites that are wholly owned by Enthusiast or exclusively monetized by Enthusiast and contain news, reviews, videos, live streams, blog posts, tips, chats, message boards, and other video-gaming related content. Central to Enthusiast’s ability to create valuable advertising space that can be sold on its websites (referred to as “**Inventory**”) is the ability to both develop content rich digital media and foster the interaction and contributions from the community with gaming rich content. Enthusiast possesses a network of full and part-time content creators to develop robust, regular content updates across its platform which focus on new developments in the world of video games, in the form of videos, articles, blog posts, and other content.

The gaming community is drawn to different aspects and forms of content on Enthusiast’s network of websites. Part of Enthusiast’s strategy is to acquire profitable video gaming websites with differentiating content from the current portfolio, providing valuable, relevant content for any gaming enthusiast. Some of the different types of content includes: long form, short form, documentary, Esports coverage and video game journalism. A largely popular portion of the content on Enthusiast’s sites is video game journalism, an aspect of the video gaming industry whereby individuals will review, critique, and provide commentary on new and old video games, particular aspects of video games, upgrades, new hardware platforms, and other aspects of video games.

### *Advertising*

Enthusiast’s network has become a leading advertising platform for brands targeting the gamer demographic. The network has over 75 million viewers on a monthly basis and is currently generating 12bn ad requests a month. For any publishing company, Enthusiast included, the key mission is to build a dedicated following of engaged visitors. Just like online publishers trying to engage visitors, brands are looking for high levels of engagement within a target market to run successful advertising campaigns. For online companies, this tends to be measured through monitoring Monthly Active Users (“**MAUs**”) or visitors. Website properties and gaming publishers are focused on measuring circulation through MAUs and expend resources to generate robust content which is appealing to visitors. Many forms of digital content publishers, from sports websites, to digital magazines, bloggers, and gaming properties, secure advertising deals predicated upon “monthly actives” or MAUs.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## *Events*

Enthusiast started in person gaming meet ups in 2014 at a local pub in Toronto. The idea behind these meet ups was to engage the gaming community through personal interactions. As the meet ups continued to grow in popularity and size, the venue also grew to accommodate the increase in numbers. These small meet up which started in a pub, quickly escalated to a university, and then eventually, to an exhibition hall. Over the years, these meet ups graduated into Enthusiast Gaming Live Expo or “EGLX” which is now Canada’s largest video gaming expo. At the last EGLX, in October 2018, at the Metro Toronto Convention centre, over 30,000 gaming enthusiasts attended over the three day weekend. Enthusiast continues to explore opportunities to grow its events division to coincide with the significant growth of its network online.

## **Completion of Business Transaction (“RTO”) and Concurrent Private Placement**

On September 24, 2018 Enthusiast and Tova Ventures II Inc. (TSXV: TOVA.P) (“Tova”) completed its previously announced business combination (the “**Transaction**”). In connection with the Transaction, the Company consolidated its common shares on the basis of one post-consolidation share for each 4.2 pre-consolidation shares (the “**Consolidation**”) and changed its name to “Enthusiast Gaming Holdings Inc.” The Transaction will constitute the Company’s “Qualifying Transaction” pursuant to Policy 2.4 of the TSX Venture Exchange (the “**Exchange**”) and the Company will carry on the business of Enthusiast.

The Exchange issued its conditional approval of the Transaction on August 28, 2018. The focus of the Company’s business going forward will be to assume the Enthusiast business of owning and operating an online network of websites devoted to video gaming and Canada’s largest video gaming expo, EGLX.

The Company acquired all of the issued and outstanding shares of Enthusiast through a three-cornered amalgamation (the “**Amalgamation**”) involving a wholly-owned subsidiary of the Company and Enthusiast. Upon closing of the Amalgamation, the Company has 43,479,785 Common Shares issued and outstanding and 20,941,071 Common Shares reserved for issuance. The Common Shares reserved for issuance include 17,268,178 warrants and 3,672,893 stock options. As at the date of the Transaction, the former shareholders of Enthusiast owned approximately 96.8% of the Common Shares and shareholders of Tova held appropriately 3.2% of the Common Shares.

At the completion of the Transaction, the Company issued 6,799,300 units at a price of \$1.25 per unit (“**RTO Unit**”) for gross proceeds of \$8,499,125. Each RTO Unit consisted of one common share and one-half of one common share purchase warrant (each full common share purchase warrant, (an “**RTO Warrant**”). Each RTO Warrant entitles the holder thereof to acquire one share at a price of \$1.60 for a period of 24 months following the completion of the qualifying transaction, subject to adjustment and acceleration.

## *Directors and Executive Team*

In connection with the completion of the Transaction, Enthusiast’s board of directors is as follows: Menashe Kestenbaum, Meir Bulua, Alan Friedman (Independent), Chris Frostad (Independent) and Ben Colabrese (Independent). The independent Audit Committee of the Company will be comprised of Chris Frostad (Chair), Ben Colabrese and Alan Friedman. The independent Compensation Committee of the Company will be comprised of Ben Colabrese (Chair), Alan Friedman and Chris Frostad.

In addition, the Company’s executive management team is as follows:

Menashe Kestenbaum – Founder, Chief Executive Officer and President  
Eric Bernofsky – Chief Operating Officer and Senior VP, Finance  
Gadi Levin – Chief Financial Officer  
Meir Bulua – Chief Information Officer

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## Listing on the Toronto Venture Stock Exchange

On October 4, 2018 Enthusiast commenced trading on the Toronto Venture Stock Exchange under the symbol “EGLX”. The listing was a significant milestone for the Company, and the access to institutional capital is important to execute on Enthusiast’s growth plan through strategic acquisitions.

## Strategic Growth Through Acquisitions

Enthusiast’s defined growth strategy consists of continued organic growth and strategic growth through acquisitions which will increase EBITDA and top line revenue.

On February 1, 2018, the Company acquired all the assets of Pixelfame LLC (“**Pixelfame**”). Pixelfame assets consist of a suite of video game content focused Facebook pages.

On February 16, 2018, the Company acquired all the assets of Gamnesia Media (“**Gamnesia**”). Gamnesia is a leading online video game news, analyst, opinion, and overall entertainment venue for gamers.

On March 15, 2018, the Company acquired all the assets of www.dailyesports.tv (“**Dailyesports**”). Dailyesports is an online content platform covering the latest news and opinions about the E-Sports industry. The acquisition of Dailyesports greatly increases Enthusiast’s coverage of the Esports industry

On June 22, 2018, the Company acquired all the assets of Gameumentary, a video games journalism outlet that produces video game documentaries.

On July 6, 2018, Enthusiast acquired the IncGamers Brand (“**IncGamers**”), including PC Invasion and Diablo and purchased all related assets. IncGamers is a leading online video game news, analyst, opinion, and overall entertainment venue for gamers.

On July 25 2018, Enthusiast acquired Escapist Magazine (“**Escapist**”), and brought back founding Editor, Russ Pitts, as Editor-in-Chief. Escapist is a leading online magazine covering mostly video games as well as movies, comics, TV, and more. With approximately 6.5 million monthly viewers, the acquisition significantly grows Enthusiast Gaming’s network and continues to enhance the company’s growth strategy as the fastest growing community of online gamers.

On November 14, 2018, Enthusiast acquired the assets of Operation Sports LLC (“**Operation Sports**”), one of the largest online sports video gaming news and community forums, through the Company’s wholly-owned subsidiary, Enthusiast Gaming Inc. The site reaches approximately 1 million unique visitors per month and has 50 million pages viewed year-to-date according to Google Analytics. In addition, the site has a thriving forum community of over 900,000 registered members who have written 14 million posts to date.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## Enthusiast Gaming Live Expo, EGLX

Enthusiast hosted the largest video gaming expo in Canada, Enthusiast Gaming Live Expo, EGLX, on October 26-28 at the Metro Toronto Convention Centre. The expo drew over 30,000 people over the three day event, selling out on Saturday and reaching capacity. The main stage hosted the World Electronic Sports Games “WESG”, Olympic-style Esports competition. Canadian finalists had the opportunity to compete for \$150,000 and represent Canada at the WESG Global Grand Finals in Shanghai in March 2019.

EGLX attendees had the opportunity to meet and play with celebrities and gaming enthusiasts like Mitch Marner of the Toronto Maple Leafs, Michael Bisping, UFC Champion, and Roy Hibbert, 2x NBA Allstar. The Toronto Overwatch team revealed key player signings and branding of the new Esports team, Defiant. Special guests also included, Greg Miller and Nick Scarpino of Kinda Funny, Naomi Kyle of Everybody Games, and the Heads-Up Daily team.

Next year EGLX will be expanding its footprint to accommodate a larger expo and more attendees. Due to the extensive growth and success of EGLX, Enthusiast is exploring opportunities for strategic expansion in North America.

## Non Brokered Convertible Debenture Private Placement

On November 8, 2018 Enthusiast completed an over-subscribed, non-brokered private placement of convertible debenture units for total gross proceeds of \$9,000,000. Canaccord Genuity Corp. (“**Canaccord Genuity**”) acted as advisors to the Company with respect to the Offering. The closing of the oversubscribed financing was largely due to the demand of current shareholders and demonstrates the high-level of confidence the market has in Enthusiast’s unique business model. Funds from this financing will be used to complete significant acquisitions to increase top line revenue and EBITDA.

Each Unit, issued at a price of \$1,000, was comprised of one unsecured convertible debenture (each a “**Debenture**” and collectively, the “**Debentures**”), having a principle amount of \$1,000 and accruing interest at 9% per annum, payable semi-annually until maturity, and 315 common share purchase warrants of the Company (each, a “**Warrant**” and collectively, the “**Warrants**”). Each Debenture is convertible into common shares of the Company (each, a “**Common Share**”) at a conversion price of \$1.60 per Common Share (the “**Conversion Price**”), subject to acceleration in certain events. The Debentures mature on December 31, 2021. Each Warrant entitles the holder to acquire one Common Share at a price of \$2.00 per Common Share for a period of two years, subject to acceleration in certain events. The Debentures and the Warrants contain customary anti-dilution provisions.

Beginning on March 9, 2019, the Company may, at its option, require the conversion of the then outstanding principle amount of the Debentures (plus accrued and unpaid interest thereon) at the Conversion Price on not less than 30 days’ notice, should the daily volume-weighted average trading price of the Common Shares be greater than \$2.40 for each of seven consecutive trading days, ending five trading days prior to the applicable date.

The Company may accelerate the expiry date of the then outstanding Warrants on not less than 30 days’ notice, should the volume-weighted average trading price of the Common Shares be greater than \$3.00 for the twenty consecutive trading days, ending five trading days prior to the applicable date.

Each Debenture ranks pari passu in right of payment of principle and interest with all other Debentures issued under the Offering.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

## Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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The Debentures and Warrants issued pursuant to the Offering and any Common Shares issued on conversion of the Debentures or exercise of the Warrants will be subject to a statutory hold period in Canada of four months and one day following the closing of the Offering in accordance with applicable securities laws. Additional resale restriction may be applicable under the laws of other jurisdictions.

### Other Significant Equity Issuances

During the nine months ended September 30, 2018, the Company issued shares as follows:

- the Company completed a non-brokered private placement with several closings, of 9,405,729, units at a price of \$0.47 per unit (the “Unit”) for gross proceeds of \$43,77,620, including funds held in trust in December 2017. Each Unit was comprised of one common share and one common share purchase warrant. The Warrants are exercisable for \$0.58 per common share from the date of issue until such date as is 18 months following the completion of a going-public transaction.
- 394,996 warrants were exercised at \$0.20 per warrant for a total consideration of \$76,814, for which the Company issued 394,996 shares.
- 189,036 warrants were exercised at \$0.58 per warrant for a total consideration of \$109,641, for which the Company issued 189,036 shares.
- 1,130,769 options were exercised at \$0.13 per option for a total consideration of \$147,000, for which the Company issued 1,130,769 shares.
- 300,000 shares were issued in respect to the acquisition of the assets of Destructoid LLC, which was completed in June 2017.
- 125,470 shares were issued in respect of business combinations that were concluded during the nine months ended September 30, 2018
- On November 21, 2018, 50,000 options were granted to two directors at an exercise price of \$1.25 per option. 50% of the options vest on the date of grant; and the other 50% vest on the date which is one year from the date the options were granted. The options expire five years from the grant date.

### Proposed transactions

Management periodically enters into informal discussions with prospective business partners in the normal course of business. However, management does not believe that any of these discussions constitute proposed transactions for the purpose of this report.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

## Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

### Financial Review

The following financial data prepared in accordance with IFRS in Canadian dollars is presented for the three and nine month periods ended September 30, 2018 and 2017.

|   | For the three months ended<br>September 30 |                   | For the nine months ended<br>September 30 |                     |
|---|--|-------------------|---|---------------------|
|   | 2018                                       | 2017              | 2018                                      | 2017                |
|   | (unaudited)                                | (unaudited)       | (unaudited)                               | (unaudited)         |
| Revenue                                       | \$ 2,818,337                               | 659,333           | \$ 7,387,850                              | \$ 1,018,770        |
| Cost of Sales                                 | 3,227,680                                  | 737,119           | 7,427,420                                 | 1,345,803           |
| <b>Gross Margin</b>                           | <b>(409,343)</b>                           | <b>(77,786)</b>   | <b>(39,570)</b>                           | <b>(327,033)</b>    |
| <b>Expenses</b>                               |  |                   |   |                     |
| Technology support and web development        | 23,044                                     | -                 | 237,592                                   | -                   |
| Financing fees                                | 13,136                                     | (210)             | 18,367                                    | 5,612               |
| Advertising and promotion                     | 369,182                                    | 778               | 625,900                                   | 6,927               |
| Professional and consulting fees              | 931,267                                    | 71,306            | 1,793,204                                 | 151,780             |
| Office and general                            | 89,795                                     | 30,063            | 423,929                                   | 64,639              |
| Salaries and wages                            | 235,422                                    | 67,274            | 569,116                                   | 198,201             |
| Amortization and depreciation                 | 7,142                                      | 9,283             | 42,108                                    | 9,283               |
| Stock based compensation                      | 71,466                                     | 11,288            | 212,068                                   | 16,839              |
| Change in fair value of warrant liability     | 4,259,234                                  | -                 | 4,259,234                                 | -                   |
| RTO expense                                   | 1,624,425                                  | -                 | 1,624,425                                 | -                   |
| <b>Total expenses</b>                         | <b>7,624,113</b>                           | <b>189,782</b>    | <b>9,805,943</b>                          | <b>453,281</b>      |
| <b>Net loss for the period</b>                | <b>(8,033,456)</b>                         | <b>(267,568)</b>  | <b>(9,845,513)</b>                        | <b>(780,314)</b>    |
| <b>Other comprehensive loss</b>               |  |                   |   |                     |
| Foreign exchange translation loss             | (109,124)                                  | -                 | (284,905)                                 | -                   |
| <b>Net loss for the period</b>                | <b>\$ (8,142,580)</b>                      | <b>(267,568)</b>  | <b>\$ (10,130,418)</b>                    | <b>\$ (780,314)</b> |
| <b>Net loss per share - basic and diluted</b> | <b>\$ (0.23)</b>                           | <b>(0.02)</b>     | <b>\$ (0.31)</b>                          | <b>\$ (0.06)</b>    |
| <b>Weighted average shares outstanding</b>    | <b>35,678,224</b>                          | <b>13,977,049</b> | <b>32,806,135</b>                         | <b>13,977,049</b>   |

### Three months ended September 30, 2018 compared to the three months ended September 30, 2017

#### Revenues

For the three months ended September 30, 2018, revenues amounted to \$2,818,337 as compared to \$659,333 for the three months ended September 30, 2017. The increase in revenues in 2018 is primarily as a result of Enthusiast Gaming executing on its growth strategy through acquisitions. There was a significant increase in the number of websites joining the network which the Company monetizes. Enthusiast also acquired the assets associated with numerous online websites already in the platform, enabling the Company to capitalize on 100% of the revenues generated by the websites. Both factors support the significant growth in revenue.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

## Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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### *Cost of sales*

For the three months ended September 30, 2018, cost of sales amounted to \$3,277,680 as compared to \$737,119 for the three months ended September 30, 2017. The increase in cost of sales in 2018 is as a result of increased revenue share associated with a higher number of websites the Company monetized over the period.

### *Expenses*

For the three months ended September 30, 2018, expenses amounted to \$7,624,113 as compared to \$189,782 for the three months ended September 30, 2017. The increase in expenses in 2018 primarily is as a result of the significant increase in our operations over the last year, RTO expenses and the change in fair value of the warrant liability.

### *Net loss for the period*

For the three months ended September 30, 2018, the net loss amounted to \$8,033,456 as compared to a net loss of \$267,568 for the three months ended September 30, 2017. The increase in 2018 is primarily as a result of increased operations, RTO costs and the change in fair value of warrant liability.

## **Nine months ended September 30, 2018 compared to the nine months ended September 30, 2017**

### *Revenues*

For the nine months ended September 30, 2018, revenues amounted to \$7,387,850 as compared to \$1,018,770 for the nine months ended September 30, 2017. The increase in revenues in 2018 is primarily as a result of Enthusiast Gaming executing on its growth strategy through acquisitions. There was a significant increase in the number of websites joining the network which the Company monetizes. Enthusiast also acquired the assets associated with numerous online websites already in the platform, enabling the Company to capitalize on 100% of the revenues generated by the websites. Both factors support the significant growth in revenue.

### *Cost of sales*

For the nine months ended September 30, 2018, cost of sales amounted to \$7,427,420 as compared to \$1,345,803 for the nine months ended September 30, 2017. The increase in cost of sales in 2018 is as a result of increased revenue share associated with a higher number of websites the Company monetized over the period.

### *Expenses*

For the nine months ended September 30, 2018, expenses amounted \$9,805,943 as compared to \$453,281 for the nine months ended September 30, 2017. The increase in expenses in 2018 primarily is as a result of the significant increase in our operations over the last year, RTO expenses and the change in fair value of the warrant liability.

### *Net loss for the period*

For the nine months ended September 30, 2018, the net loss amounted to \$9,845,513 as compared to a loss of \$780,314 for the nine months ended September 30, 2017. The increase in 2018 is primarily as a result of increased operations, RTO costs and the change in fair value of warrant liability.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

## Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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### **Liquidity**

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to increase revenues until our operations are profitable.

As at September 30, 2018, the Company has total current assets of \$10,130,314 (December 31, 2017 - \$3,482,260) and working capital of \$7,321,067 (December 31, 2017 - \$2,012,969).

### **Nine months ended September 30, 2018, compared to the nine months ended September 30, 2017**

During the nine months ended September 30, 2018, the Company's overall position of cash and cash equivalents increased by \$5,034,761. This increase in cash can be attributed to the following:

The Company's net cash used in operating activities during the nine months ended September 30, 2018 was \$4,011,748 as compared to \$552,569 for the nine months ended September 30, 2017. The significant increase in 2018 is primarily due to increase operations in 2018.

Cash used in investing activities for the nine months ended September 30, 2018 was \$1,234,899 as compared to \$335,075 for the nine months ended September 30, 2017. The cash used in 2018 cash was used primarily for the acquisition of business combinations and strategic investments, and was partially offset by cash received in the RTO. In 2017, cash was used exclusively for acquisition of business combinations and strategic investments. The increase in investment in 2018 has contributed to the increased revenues during the same period.

Cash generated by financing activities during the nine months ended September 30, 2018 was \$10,566,313 as compared to \$679,747 for nine months ended September 30, 2017. In 2018 we completed a private placement, which commenced during the last quarter of 2017, we received proceeds from the exercise of warrants and options and we raised funds in a concurrent private placement at the time of the RTO. In 2017, the cash generated was from the issuance of preference shares.

### **Capital Resources**

At September 30, 2018, the Company's capital resources consist primarily of cash and cash equivalents, accounts receivables, other receivables and prepaid expenses.

### **Off Balance Sheet Arrangements**

The Company has not entered into any off-Balance Sheet arrangements.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

## Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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### Transactions Between Related Parties

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors, Chief Executive Officer and Chief Financial Officer. Compensation of key management personnel may include short-term and long-term benefits. Short-term benefits include salaries, bonuses and consulting fees. Long-term benefits include stock options vesting. Compensation earned by key management for the three and nine months ended September 30, 2018 and 2017, are as follows:

|                     | <b>Three months ended<br/>September 30, 2018</b> | Three months ended<br>September 30, 2017 | <b>Nine months ended<br/>September 30, 2018</b> | Nine months ended<br>September 30, 2017 |
|---------------------|--|--|---|---|
| Short-term benefits | \$ 173,462                                       | \$ 46,719                                | \$ 533,047                                      | \$ 130,964                              |
| Long-term benefits  | 59,106   | 3,960                                    | 175,391   | 11,751                                  |
|                     | \$ 232,568                                       | \$ 50,679                                | \$ 708,438                                      | \$ 142,715                              |

Additionally, for the nine months ended September 30, 2018, \$40,818 (2017 - \$6,191) of technology consulting services were paid to a Company owned by a director.

As at September 30, 2018, \$67,763 was due to related parties (December 31, 2017 - \$45,961) and \$154,500 was owing by related parties (December 31, 2017 – nil). The amounts due to related parties represent unpaid salaries, compensation and unpaid expenses. The amounts owing by related parties relate to short term loans. These amounts are non-interest bearing, unsecured and have no specified terms of repayment. These amounts are included in accounts receivable and in accounts payable and accrued liabilities in the condensed consolidated statements of financial position.

### Financial Instruments and Financial Risk Exposures

The Company's financial instruments consist of cash and cash equivalents, short term deposits, accounts receivables, other receivables and inventory and trade payables and other accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Management understands that the Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates as its operations are located in Israel, and the Company's functional and presentation currency is the USD. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objectives of the Board are to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

## Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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The type of risk exposure and the way in which such exposure is managed is as follows:

a) Credit risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments is remote.

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. As at December 31, 2017, the Company had a working capital balance of \$7,321,167 (December 31, 2017 - \$2,012,969). As a result, the Company currently has little exposure to liquidity risk.

c) Market Risk

i) Interest rate risk

The Company has cash and short-term investments and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

ii) Foreign currency risk

The Company is exposed to foreign exchange risk as its research operations are conducted primarily in the United States.

d) Fair Values

The carrying values of short term deposits, trade account receivable other receivables, inventory, trade accounts payable and other accounts payables approximate their fair values due to their short terms to maturity.

The cash, short term investments and investments are valued using quoted market prices in active markets.

## Critical Estimates and Judgements

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

The critical judgments and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are:

### *Determining the fair value of share-based payment transactions*

The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price and exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## *Fair value of derivative financial instruments*

Management assesses the fair value of the Company's financial derivatives in accordance with the accounting policies in the consolidated financial statements. Fair value of the warrant liability has been measured using the Black-Scholes model, taking into account the terms and conditions upon which the warrants are granted. These calculations require the use of estimates and assumptions. Changes in assumptions concerning volatilities, interest rates, foreign exchange rates, and expected life could have a significant impact on the fair value attributed to the Company's financial derivatives.

## *Income Taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

## *Goodwill Impairment*

The Company's impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model over a five-year period and estimated fair value less cost to sell. The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost to sell is based on assessment of comparable company multiples and precedent transactions.

## *Business Combination*

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

## *Amortization of intangible assets*

Amortization of intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment and market comparable information.

## **New Accounting Policies Adopted**

During the nine months ended September 30, 2018, the Company adopted accounting policy IFRS 15, Revenue from Contracts with Customers.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## Accounting Standards Issued But Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future accounting periods. Many are not applicable to or do not have a significant impact on Enthusiast Gaming and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on Enthusiast Gaming.

The IASB issued new standards and amendments, but are not yet effective:

IFRS 16, Leases (“IFRS 16”) was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company is currently assessing the effects of IFRS 16 and intends to adopt on its effective date.

## Commitments

The Company is committed under a lease agreement with respect to its office premises located in Toronto, Ontario, expiring December 31, 2020. The commitment for the years ended 2018 and 2019 is \$36,225. The commitment for year ended 2020 is \$38,640.

## Other information

The Company has 43,479,785 common shares, 17,258,059 warrants, 9,540 convertible debentures (which are convertible into 8,967,600 common shares) and 3,673,893 stock options outstanding as of the date of this MD&A and after completion of the Transaction.

## Risks and Uncertainties

### *Enthusiast has a limited operating history*

Enthusiast was incorporated under the laws of the Province of Ontario on January 10, 2014. Enthusiast’s lack of operating history may make it difficult for investors to evaluate Enthusiast’s prospects for success and there is no guarantee that Enthusiast’s business model will continue to achieve its strategic objectives. There is no assurance that Enthusiast will be successful and the likelihood of success must be considered in light of its relatively early stage of operation.

### *Uncertainty of future revenues*

Although management is optimistic about Enthusiast’s prospects, there is no guarantee that expected outcomes and sustainable revenue streams will be achieved. Enthusiast faces risks frequently encountered by early-stage companies. In particular, its growth and prospects depend on its ability to expand its operation and grow its revenue streams whilst at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on Enthusiast’s business, financial condition and results.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

## Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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*Enthusiast cannot be certain that additional financing will be available on reasonable terms when required, or at all*

From time to time, Enthusiast may need additional financing. Its ability to obtain additional financing, if and when required, will depend on investor demand, Enthusiast's operating performance, the condition of the capital markets, and other factors. Enthusiast cannot assure investors that additional financing will be available to it on favourable terms when required, or at all. If Enthusiast raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of its common shares, and existing shareholders may experience dilution.

*Enthusiast has grown and plans to continue to grow at a rapid pace*

Enthusiast's business has grown rapidly since its inception. If Enthusiast continues its rapid growth, it may incur additional expenses, and its growth may place a strain on resources, infrastructure, and ability to maintain the quality of its offerings. Enthusiast's inability to properly manage or support its growth could have a material adverse effect on Enthusiast's business, financial condition and results of operations and could cause the market value of the Resulting Issuer Shares to decline.

*Reliance on advertisers for revenue*

Enthusiast relies on advertisers to purchaser inventory from Enthusiast's network of digital media publishers and advertising related to its Expo for future revenue. Enthusiast's inability to secure contracts for advertising revenues may have a material adverse effect on its business, financial condition, and results of operations. Additionally, this is a relatively new and rapidly evolving industry and as such, it is difficult to predict the prospects for growth. There is no assurance that advertisers will continue to increase their purchases of online advertising or that the supply of advertising inventory on gaming digital media properties will not exceed the demand. If the industry grows more slowly than anticipated or Enthusiast's existing products and services lose, or its new products and services fail to achieve, market acceptance, Enthusiast may be unable to achieve its strategic business objectives, which could have a material adverse effect on its prospects, business, financial condition or results of operation.

*Enthusiast depends on third parties, including users and content providers*

Enthusiast is reliant to an extent on third parties, including content providers, users, and affiliate network publishers. Enthusiast's success is partially dependent on its ability to attract and retain quality content providers. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships or failure to engage contractors could be detrimental to the future business, operating results and/or profitability of Enthusiast. Moreover, Enthusiast's financial performance will be significantly determined by its success in adding, retaining, and engaging active users of its network of digital media properties. If users do not perceive Enthusiast's content as interesting, unique and useful, Enthusiast may not be able to attract or retain additional users, which could adversely affect the business.

*Enthusiast may be unable to complete favourable acquisitions*

As part of Enthusiast's business strategy, it may attempt to acquire businesses that it believes are a strategic fit with its business, such as gaming digital media publishers. Enthusiast may not be able to complete such acquisitions on favourable terms, if at all. Any future acquisitions may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of its business. Since Enthusiast may not be able to accurately predict these difficulties and expenditures, these costs may outweigh the value it realizes from a future acquisition, and any acquisition Enthusiast completes could be viewed negatively by its advertisers. Future acquisitions could result in issuances of securities that would dilute shareholders' ownership interest, the incurrence of debt, contingent liabilities, amortization of expenses related to other intangible assets, and the incurrence of large, immediate write-offs.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## *Limited long-term agreements for advertising revenue*

Enthusiast's success requires it to maintain and expand its current advertising revenue-generating relationships and to develop new relationships. Enthusiast's contracts that help drive advertising revenue generally do not include long-term obligations requiring third parties to purchase Enthusiast's inventory and services or Enthusiast to market their advertising inventory. As a result, Enthusiast may have limited visibility as to its future advertising revenue streams. Enthusiast cannot ensure its advertising revenue generating sources will continue to operate or that Enthusiast will be able to replace, in a timely or effective manner, departing clients with new sources that generate comparable revenue. Any non-renewal, renegotiation, cancellation or deferral of significant advertising contracts that in the aggregate account for a significant amount of revenue, could have a material adverse effect on Enthusiast's prospects, business, financial condition, and results of operations.

## *Brand development*

The brand identity that Enthusiast has developed has significantly contributed to the success of its business. Maintaining and enhancing the "Enthusiast" brand is critical to expanding Enthusiast's user base, network of publishers, and advertisers. Enthusiast believes that the importance of brand recognition will increase due to the relatively low barrier to entry in the industry. The "Enthusiast" brand may be negatively impacted by a number of factors, including software malfunctions, delivery of incorrect information, and data privacy and security issues. If Enthusiast fails to maintain and enhance its brand, or if Enthusiast incurs excessive expenses in this effort, it could have a material adverse effect on Enthusiast's prospects, business, financial condition, and results of operations. Maintaining and enhancing the "Enthusiast" brand will depend largely on Enthusiast's ability to continue to provide high-quality products and services, which Enthusiast may not continue to do successfully.

The loss of one or more of Enthusiast's key personnel, or its failure to attract and retain other highly qualified personnel in the future, could harm its business

Enthusiast currently depends on the continued services and performance of its key personnel. The loss of key personnel, including members of management as well as other key personnel, could disrupt Enthusiast's operations and have an adverse effect on its business and customer relationships. Additionally, Enthusiast's success depends on the efforts and abilities of management to attract and retain qualified personnel to manage operations and growth. Failure to attract key individuals may have an adverse effect on the business, operations, and results.

## **Risk Factors Related To Enthusiast's Business Model and Use of Technology**

*The adtech and programmatic optimization tools utilized by Enthusiast are highly technical, and if not utilized properly, Enthusiast's business could be adversely affected*

The adtech and programmatic optimization tools utilized by Enthusiast enable Enthusiast to target advertisements by a number of factors, including age, gender, income, occupation, etc. There can be no assurance that the adtech and programmatic optimization tools utilized by Enthusiast will not be enhanced or rendered obsolete by advances in technology, or that Enthusiast will be able to utilize the adtech or programmatic tools necessary to remain competitive. This could have an adverse effect on Enthusiast's business, operations and financial condition. Moreover, the adtech and programmatic optimization tools utilized by Enthusiast are highly technical and complex and may now or in the future contain, undetected errors, bugs, or vulnerabilities which may result in unsuccessful advertising campaigns. Any unsuccessful advertising campaigns could result in damage to Enthusiast's reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect Enthusiast's business and financial results.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## *Users may use ad-blockers*

The success of Enthusiast's business model depends on its ability to deliver targeted, highly relevant ads to users of Enthusiast's network of digital media properties. Targeted advertising is done primarily through analysis of data, much of which is collected on the basis of user-provided permissions. This data might include a user's location, or data collected when users view an advertisement or when they click on or otherwise engage with an advertisement. Users may elect not to allow data sharing for targeted advertising for a number of reasons, such as privacy concerns. In addition, companies are constantly developing products that enable users to prevent advertisements from appearing on their web browsers. Wider adoption of these products could have a material adverse effect on Enthusiast's prospects, business, financial conditions, and results of operations.

## *Enthusiast IP may be subject to misappropriation*

Protection of Enthusiast's trademarks and domain names are important to its success. Enthusiast currently protects its IP rights by relying on common law rights. These steps may not be sufficient to prevent the misappropriation of Enthusiast's proprietary information or deter independent development of similar products and services by others.

In the future, should Enthusiast proceed to register its IP, it would be a process that is likely expensive and time consuming and ultimately, it may not be successful in registering its IP. The absence of registered IP rights, or the failure to obtain such registrations in the future, may result in Enthusiast being unable to successfully prevent its competitors from imitating its products, services, and processes. Such imitation may lead to increased competition. Even if Enthusiast's IP rights were registered, its IP rights may not be sufficiently comprehensive to prevent its competitors from developing similar competitive products, services, and processes.

Litigation may be necessary to enforce Enthusiast's IP rights. Litigation of this nature, regardless of the outcome, could result in substantial costs, adverse publicity or diversion of management and technical resources, any of which could adversely affect Enthusiast's business and operating results. Moreover, due to the differences in foreign laws concerning proprietary rights, Enthusiast's IP may not receive the same degree of protection in foreign countries as it would in Canada or the United States. Enthusiast's failure to possess, obtain or maintain adequate protection of its IP rights for any reason could have a material adverse effect on its business, results of operations, and financial condition.

*Enthusiast may face allegations that it has infringed the trademarks, copyrights, patents, and other IP rights of third parties, including from its competitors and former employers of Enthusiast's personnel.*

If Enthusiast's products, services, or solutions employ subject matter that is claimed under its competitors' IP, those companies may bring infringement actions against Enthusiast. Whether a product infringes a patent or other IP right involves complex legal and factual issues, the determination of which is often uncertain.

Infringement and other IP claims, with or without merit, can be expensive and time consuming to litigate, and the results are difficult to predict. Enthusiast may not have the financial and human resources to defend against any infringement suits that may be brought. As the result of any court judgment or settlement, Enthusiast may be obligated to stop offering certain features, pay royalties or significant settlement costs, purchase licenses or modify its software and features, or develop substitutes.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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*Enthusiast's business is highly competitive. Competition presents an ongoing threat to the success of its business*

The digital media advertising market is highly competitive and quickly changing. Enthusiast faces competition from a variety of digital media publishers all over the world. Some of Enthusiast's current and potential competitors have significantly greater resources and better competitive positions in certain markets than Enthusiast does. These factors may allow Enthusiast's competitors to respond more effectively than Enthusiast to new or emerging technologies and changes in market requirements. Including changes to government regulation.

There is no certainty that Enthusiast's competitors will not develop similar or superior services which may render Enthusiast uncompetitive. Certain competitors have more established relationships and greater financial resources and they can use their resources against Enthusiast in a variety of competitive ways, including by making acquisitions, investing aggressively in research and development, and competing aggressively for advertisers, technologies, digital media rights, websites, and applications. If competitors are more successful than Enthusiast in developing compelling products and engaging content or in attracting and retaining users, advertisers, and digital media rights, Enthusiast's revenues, growth rates, and the value of its digital assets could be negatively affected. There is no assurance that Enthusiast will be able to maintain its position in the marketplace.

## *Regulation*

Enthusiast is subject to general business regulations and laws as well as regulations and laws specifically governing gaming and the internet. Existing and future laws and regulations may impede Enthusiast's growth strategies. These regulations and laws may cover taxation, privacy, data protection, pricing, content, copyrights, distribution, consumer protection, web services, websites, and the characteristics and quality of products and services. Unfavourable changes in regulations and laws could decrease demand for Enthusiast's digital media properties and inventory and increase its cost of doing business or otherwise have a material adverse effect on Enthusiast's reputation, popularity, results of operations, and financial condition.

*Enthusiast's management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of its business*

The individuals who now constitute Enthusiast's management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Enthusiast's management team may not successfully or efficiently manage a public company that is subject to significant regulatory oversight and reporting obligations.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

## Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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*The requirements of being a public company may strain the Resulting Issuer's resources, divert management's attention and affect its ability to attract and retain executive management and qualified board members*

As a reporting issuer, the Resulting Issuer will be subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the listing requirements of the TSXV and other applicable securities rules and regulations. Compliance with these rules and regulations will increase the Resulting Issuer's legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on its systems and resources. Applicable securities laws require the Resulting Issuer to, among other things, file certain annual and quarterly reports with respect to its business and results of operations. In addition, applicable securities laws require the Resulting Issuer to, among other things, maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve its disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. Specifically, due to the increasing complexity of its transactions, it is anticipated that the Resulting Issuer will improve its disclosure controls and procedures and internal control over financial reporting primarily through the continued development and implementation of formal policies, improved processes and documentation procedures, as well as the continued sourcing of additional finance resources. As a result, management's attention may be diverted from other business concerns, which could harm the Resulting Issuer's business and results of operations. To comply with these requirements, Enthusiast may need to hire more employees in the future or engage outside consultants, which will increase its costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Enthusiast intends to continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue generating activities to compliance activities. If its efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against the Resulting Issuer and the Resulting Issuer's business may be adversely affected.

As a public company subject to these rules and regulations, the Resulting Issuer may find it more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for the Resulting Issuer to attract and retain qualified members of its board of directors, particularly to serve on its audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in filings required of a public company, Enthusiast's business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, the Resulting Issuer's business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in its favor, these claims, and the time and resources necessary to resolve them, could divert the resources of the Resulting Issuer's management and harm its business and results of operations.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## *Reliance on third party owned communication networks*

The delivery of Enthusiast's products and services and a significant portion of Enthusiast's revenues are dependent on the continued use and expansion of third party owned communication networks, including wireless networks and the internet. No assurance can be given of the continued use and expansion of these networks as a medium of communications for Enthusiast.

Effective delivery of Enthusiast's products and services through the internet is dependent on Internet service providers continuing to expand high-speed Internet access, maintaining reliable networks with the necessary speeds, data capacity and security, and developing complementary products and services for providing reliable and timely access and services. Changes in access fees (for example, revising the application of bandwidth caps or other metered usage schemes) to users may adversely affect the ability or willingness of users to access Enthusiast's content. Changes in access fees to distributors, such as Enthusiast or its service providers, or a departure from "net neutrality" (the principle that all forms of Internet traffic (including video, voice, and text) are subject to equal treatment in transmission speed and quality) or its governing regulations, could result in increased costs to Enthusiast. All of these factors are out of Enthusiast's control and manifestation of any of them could ultimately have a material adverse effect on Enthusiast's prospects, business, financial condition or results of operations.

In addition, increasing traffic, user numbers or bandwidth requirements may result in a decline in Internet (or a subset thereof, including in particular mobile Internet) performance and/or reliability. Internet outages, delays or loss of network connectivity may result in partial or total failure of Enthusiast's services, additional and unexpected expenses to fund further product development or to add programming personnel to complete a development project, or the loss of revenue because of the inability of users to access Enthusiast's network of digital properties, any of which could have a material adverse effect on Enthusiast's prospects, business, financial condition or results of operations.

## *Security of Enthusiast's digital media properties*

Enthusiast cannot guarantee absolute protection against unauthorized attempts to access its IT systems, including malicious third party applications or denial of service attacks that may interfere with or exploit security flaws in its digital media properties. Viruses, worms, and other malicious software programs could jeopardize the security of information stored in a user's computer or in Enthusiast's computer systems or attempt to change the internet experience of users by interfering with Enthusiast's ability to connect with a user. If any compromise to Enthusiast's security measures were to occur and Enthusiast's efforts to combat this breach were unsuccessful, Enthusiast's reputation may be harmed leading to an adverse effect on Enthusiast's financial condition and future prospects.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

## Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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*The price of the securities of the Resulting Issuer may fluctuate significantly, which may make it difficult for holders of securities of the Resulting Issuer to sell their securities at a time or price they find attractive*

The Resulting Issuer's stock price may fluctuate significantly as a result of a variety of factors, many of which are beyond its control. In addition to those described under "Forward Looking Information" these factors include:

- actual or anticipated quarterly fluctuations in its operating results and financial condition;
- changes in financial estimates or publication of research reports and recommendations by financial analysts with respect to it or other financial institutions;
- reports in the press or investment community generally or relating to the Resulting Issuer's reputation or the industry in which it operates;
- strategic actions by the Resulting Issuer or its competitors, such as acquisitions, restructurings, dispositions, or financings;
- fluctuations in the stock price and operating results of the Resulting Issuer's competitors;
- future sales of the Resulting Issuer's equity or equity-related securities;
- proposed or adopted regulatory changes or developments; and
- domestic and international economic factors unrelated to the Resulting Issuer's performance.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect the Resulting Issuer's stock price, notwithstanding the Resulting Issuer's operating results. Enthusiast expects that the market price of the Resulting Issuer Shares will fluctuate and there can be no assurances about the market prices of such shares.

Enthusiast does not know whether an active, liquid and orderly trading market will develop for the securities of the Resulting Issuer or what the market price of the securities of the Resulting Issuer will be and as a result it may be difficult for investors to sell their securities of the Resulting Issuer

An active trading market for securities of the Resulting Issuer may never develop or be sustained following the Amalgamation. The lack of an active market may impair an investor's ability to sell their securities of the Resulting Issuer at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair market value of an investor's securities of the Resulting Issuer. Further, an inactive market may also impair the Resulting Issuer's ability to raise capital by selling securities of the Resulting Issuer and may impair its ability to enter into collaborations or acquire companies or products by using securities of the Resulting Issuer as consideration. The market price of securities of the Resulting Issuer may be volatile, and an investor could lose all or part of their investment.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## *Enthusiast does not intend to pay dividends on the Resulting Issuer Shares for the foreseeable future*

Enthusiast currently does not plan to declare dividends on the Resulting Issuer Shares in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of the board of directors of the Resulting Issuer. Consequently, an investor's only opportunity to achieve a return on the investment in the Resulting Issuer will be if the market price of the Resulting Issuer Shares appreciates and the investor sells shares at a profit. There is no guarantee that the price of the Resulting Issuer Shares that will prevail in the market after the Amalgamation will ever exceed the price that an investor paid.

If research analysts do not publish research about the Resulting Issuer's business or if they issue unfavourable commentary or downgrade the Resulting Issuer Shares, the Resulting Issuer's stock price and trading volume could decline

The trading market for the securities of the Resulting Issuer may depend in part on the research and reports that research analysts publish about the Resulting Issuer and its business. If the Resulting Issuer does not maintain adequate research coverage, or if one or more analysts who covers the Resulting Issuer downgrades its stock, or publishes inaccurate or unfavourable research about the Resulting Issuer's business, the price of the Resulting Issuer Shares could decline. If one or more of the research analysts ceases to cover the Resulting Issuer or fails to publish reports on it regularly, demand for securities of the Resulting Issuer could decrease, which could cause the Resulting Issuer's stock price or trading volume to decline.

## *Currency fluctuations*

Enthusiast's reporting currency is Canadian dollars but an increasing proportion of Enthusiast's revenue may be earned and expenses may be incurred in other currencies, including the US dollar. The movement of the US dollar against the Canadian dollar could have a material adverse effect on Enthusiast's prospects, business, financial condition, and results of operation.

## *Historical Losses and Negative Operating Cash Flows*

Enthusiast has a history of operating losses and may generate continued operating losses and negative cash flows in the future while it carries out its current business plan to further develop and expand its network of digital media properties. Enthusiast has made significant up-front investments in acquiring significant digital media assets, marketing, and general and administrative expenses in order to rapidly develop and expand its business. The successful development and commercialization of these operations will depend on a number of significant financial, logistical, technical, marketing, legal, competitive, economic and other factors, the outcome of which cannot be predicted. There is no guarantee that Enthusiast's operations will be profitable or produce positive cash flow or that Enthusiast will be successful in generating significant revenues in the future or at all. While Enthusiast can utilize cash and cash equivalents to fund its operating and growth expenditures, it does not have access to significant committed credit facilities or other committed sources of funding. Enthusiast's inability to ultimately generate sufficient revenues to become profitable and have positive cash flows could have a material adverse effect on its prospects, business, financial condition, results of operations or overall viability as an operating business.

# Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2018

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## **MD&A Preparation**

This MD&A was prepared as of November 27, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements for the three and nine month periods ended September 30, 2018. This MD&A is intended to assist the reader's understanding of the Company and its' operations, business, strategies, performance and future outlook from the perspective of management. The documents mentioned above, as well as news releases and other important information may be viewed through the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **Managements Responsibility for Financial Statements**

The information provided in this report, is the responsibility of management. During the preparation of financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Enthusiast Gaming's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management quarterly to review the financial statement results, including the MD&A, and to discuss other financial, operating and internal control matters. The Audit Committee receives a report from the independent auditors annually and is free to meet with them throughout the year.