



# **Enthusiast Gaming Holdings Inc**

**(formerly Tova Ventures II Inc)**

**Condensed Consolidated Interim Financial Statements  
For the Three and Nine Months Ended September 30, 2018  
(In Canadian Dollars)**

## **NOTICE TO SHAREHOLDERS**

The accompanying unaudited condensed consolidated interim financial statements of Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.) for the three and nine months ended September 30, 2018 and 2017 have been prepared by management in accordance with International Financial Reporting Standards applicable to consolidated interim financial statements (Note 2). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited condensed consolidated interim financial statements, management is satisfied that these unaudited condensed consolidated interim financial statements have been fairly presented.

Under National Instrument 51-102, part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Unaudited)  
(Expressed in Canadian Dollars)

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 6,867,359	\$ 1,362,215
Cash in trust		363,877	834,260
Accounts receivable	11	2,751,861	1,236,075
Prepaid expenses		147,217	49,710
<b>Total current assets</b>		<b>10,130,314</b>	<b>3,482,260</b>
<b>Non-current</b>			
Fixed Assets, net		139,089	-
Investment in associated company		120,000	-
Intangible assets	6	277,192	243,856
Goodwill	7	1,971,892	765,532
<b>Total Assets</b>		<b>\$ 12,638,487</b>	<b>\$ 4,491,648</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	11	\$ 2,809,247	\$ 1,469,291
Warrant liability	9	7,673,960	1,167,900
<b>Total current liabilities</b>		<b>10,483,207</b>	<b>2,637,191</b>
<b>Non-current</b>			
Loan payable		43,160	50,000
<b>Total liabilities</b>		<b>\$ 10,526,367</b>	<b>\$ 2,687,191</b>
<b>Shareholders' Equity</b>			
Share capital	8	15,390,941	3,654,069
Contributed surplus	8,9	831,890	2,130,681
Accumulated other comprehensive loss		(324,176)	(39,271)
Deficit		(13,786,535)	(3,941,022)
<b>Total shareholders' equity</b>		<b>2,112,120</b>	<b>1,804,457</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 12,638,487</b>	<b>\$ 4,491,648</b>

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

**Basis of preparation and going concern** (Note 2)

**Subsequent events** (Note 15)

**Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
(Unaudited)  
(Expressed in Canadian Dollars)

		For the three months ended September 30		For the nine months ended September 30	
	Note	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	10	71,466	11,288	212,068	16,839
Change in fair value of warrant liability	9	4,259,234	-	4,259,234	-
RTO expense	1	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>

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

**Enthusiast Gaming Holdings Inc. (formerly Tova Ventures Inc.)**  
**Condensed Consolidated Interim Statements in Shareholders' Equity (Deficiency)**  
(Unaudited)  
(Expressed in Canadian Dollar)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total Shareholders' Equity (Deficiency)
<b>Balance December 31, 2016 (audited)</b>	13,977,049	\$ 527,100.00	\$ 280,780	\$ -	\$ (1,547,188)	\$ (739,308)
Stock based compensation		-	16,839	-	-	16,839
Net loss for the period		-	-	-	(780,314)	(780,314)
<b>Balance September 30, 2017 (unaudited)</b>	<b>13,977,049</b>	<b>\$ 527,100</b>	<b>\$ 297,619</b>	<b>\$ -</b>	<b>\$ (2,327,502)</b>	<b>\$ (1,502,783)</b>
Private placements and share issuances	1,679,746	562,224	-	-	-	562,224
Share issue costs	-	(42,267)	-	-	-	(42,267)
Stock based compensation	-	-	223,796	-	-	223,796
Conversion of preferred shares to common shares	7,900,036	2,607,012	-	-	-	2,607,012
Other comprehensive loss	-	-	-	(39,271)	-	(39,271)
Shares to be issued	-	-	1,609,266	-	-	1,609,266
Net profit for the period	-	-	-	-	(1,613,520)	(1,613,520)
<b>Balance December 31, 2017 (audited)</b>	<b>23,556,831</b>	<b>\$ 3,654,069</b>	<b>\$ 2,130,681</b>	<b>\$ (39,271)</b>	<b>\$ (3,941,022)</b>	<b>\$ 1,804,457</b>
Shares issued in a private placement (Note 8(b)(i))	9,296,078	2,934,620	(1,555,691)	-	-	1,378,929
Shares issued for services (Note 8(b)(i))	109,651	51,536	-	-	-	51,536
Share issued for the acquisition of assets in the prior year (Note 8(b)(ii))	300,000	53,575	(53,575)	-	-	-
Shares issued for the acquisition of two assets during the current period (Note 8(b)(iii))	125,470	41,405	-	-	-	41,405
Exercise of warrants (Note 8(b)(iv) & (v))	781,782	343,470	-	-	-	343,470
Exercise of options (Note 8(b)(vi))	1,130,769	204,541	(57,541)	-	-	147,000
To record the effect of the RTO transaction (Note vii)	1,379,904	1,724,880	155,948	-	-	1,880,828
Shares issued in the RTO private placement (Note 8(b)(viii))	6,799,300	6,382,845	-	-	-	6,382,845
Stock based compensation (Note 10)	-	-	212,068	-	-	212,068
Other comprehensive loss	-	-	-	(284,905)	-	(284,905)
Net loss for the period	-	-	-	-	(9,845,513)	(9,845,513)
<b>Balance September 30, 2018 (unaudited)</b>	<b>43,479,785</b>	<b>\$ 15,390,941</b>	<b>\$ 831,890</b>	<b>\$ (324,176)</b>	<b>\$ (13,786,535)</b>	<b>\$ 2,112,120</b>

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

**Enthusiast Gaming Holdings Inc. (formerly Tova Ventures Inc.)**  
**Condensed Consolidated Interim Statements of Cash Flows**  
(Unaudited)  
(Expressed in Canadian Dollars)

	For the nine months ended September 30	
	2018	2017
	(unaudited)	(unaudited)
<b>Cash flows from operations</b>		
Net loss for the period	\$ (9,845,513)	\$ (780,314)
Items not affecting cash:		
Amortization	42,108	9,283
Stock based compensation	212,068	16,839
Revaluation loss on warrant liability	4,259,234	-
RTO expenses	1,624,425	
Changes in working capital		
Changes in accounts receivable	(1,515,786)	(124,965)
Changes in prepaid expenses	(97,507)	(3,434)
Changes in accounts payable and accrued liabilities	1,309,223	330,022
	(4,011,748)	(552,569)
<b>Investing activities</b>		
Net cash paid for business combinations and other strategic investments	(1,389,217)	(335,075)
Acquisition of fixed assets	(151,676)	-
Cash Acquired on reverse takeover	305,994	-
	(1,234,899)	(335,075)
<b>Financing activities</b>		
Proceeds from the issuance of shares net of issuance costs	10,199,464	-
Proceeds from the issuance of preference shares	-	629,747
Proceeds from the exercise of warrants	226,689	-
Proceeds from the exercise of options	147,000	-
Change in loan payable	(6,840)	50,000
	10,566,313	679,747
Foreign exchange effect on cash	(284,905)	-
Net change in cash	5,034,761	(207,897)
Cash, beginning of period	2,196,475	351,167
<b>Cash, end of period</b>	<b>\$ 7,231,236</b>	<b>\$ 143,270</b>

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

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

## Notes to the Condensed Consolidated Interim Statements

For the Three and Nine Months Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

### 1. Nature of Operations

Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.) (the “Company” or “Enthusiast”) was incorporated under the Canada Business Corporations Act on February 27, 2017 and upon incorporation was classified as a Capital Pool corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”).

On September 21, 2018, the Company completed a qualifying transaction and business combination with Enthusiast Gaming Inc. (“EG Inc”), a corporation incorporated in the Province of Ontario (“Business Combination Agreement”). The Business Combination Agreement entered into between the Company, a subsidiary of the Company and EG Inc. was structured as a three-cornered amalgamation under the Business Corporations Act (Ontario) (the “Transaction”). As a result of the Transaction, EG Inc became a wholly-owned subsidiary of the Company. Completion of the Transaction resulted in a Reverse Takeover and Change of Business for the Company (the “RTO”).

The terms of the RTO provided for the Company to consolidate its common shares prior to the RTO on a 1:4.2 basis resulting. All periods presented have been retroactively adjusted to reflect this reverse split. The Company also exchanged 100% of the issued and outstanding securities of EG Inc with the then securityholders of EG Inc for comparable securities in the capital of the Company.

Upon the completion of the Transaction, Tova Ventures II Inc. changed its name to Enthusiast Gaming Holdings Inc. Subsequent to the Transaction, the Company’s principal business activity is owning and operating an online network of websites devoted to video gaming as well as Canada’s largest video-gaming expo. Between its online digital media properties, its network of partner websites, and video-gaming expo, Enthusiast engages video gaming enthusiasts online worldwide.

The Company obtained final approval for the Transaction from the Exchange on October 2, 2018 and trades on the Exchange under the symbol “EGLX.V”.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 27, 2018.

#### *Accounting for the Reverse Take Over*

The Transaction has been accounted for in accordance with IFRS 2, Share-Based Payment. The Transaction is considered to be a reverse takeover of the Company by EG Inc. and has been accounted for as a continuation of the financial statements of EG Inc, together with a deemed issuance of shares, equivalent to the shares held by the former shareholders of the Company. The fair value of the shares issued was determined based on the fair value as determined in the table below. Comparative figures presented within these condensed consolidated interim statements are of EG Inc.

The total purchase price for the acquisition of the Company by EG Inc. is as follows:

Fair value of 1,379,904 common shares issued	\$	1,724,880
Fair value of 65,33 warrants and 136,190 options issued		174,806
<b>Total Purchase Price</b>	<b>\$</b>	<b>1,899,686</b>
Cash and cash equivalents	\$	305,994
Accounts payable and accrued liabilities		(30,733)
<b>Excess attributed to the Listing costs</b>	<b>\$</b>	<b>1,624,425</b>

#### *Concurrent Offering*

At the completion of the Transaction, the Company issued 6,799,300 Units at a price of \$1.25 per Unit for gross proceeds of \$8,499,125 (see note 8(b)(viii)).

**Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)**  
**Notes to the Condensed Consolidated Interim Statements**  
**For the Three and Nine Months Ended September 30, 2018 and 2017**  
(Expressed in Canadian Dollars)

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## **2. Basis of Preparation**

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### **Statement of Compliance**

The Company prepares its unaudited condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (“IFRS”) using the accounting policies described herein as issued by International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. The unaudited condensed consolidated interim financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS have been omitted or condensed. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2017.

This is the first set of the Company’s consolidated financial statements where IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” have been applied. The changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2017 are described in note 4.

### **Basis of Presentation**

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

### **Foreign currencies**

The functional currency of the Company is the United States dollar and the presentation currency is the Canadian dollar. The functional currency of the Company’s two subsidiaries is the Canadian dollar

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that time. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses are recognized in profit or loss.

The consolidated accounts of the Company are presented in Canadian dollars. The financial statements of foreign entities for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive loss and in accumulated other comprehensive loss in shareholders’ equity (deficiency).

### **Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its directly owned 100% subsidiary, Enthusiast Gaming Inc, which owns 100% of Enthusiast Gaming Live Inc., 100% of Hexagon Games Corp and 20% of 2643067 Ontario Ltd.

All inter-company balances, and transactions, have been eliminated upon consolidation.



## **2. Basis of Preparation (continued)**

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### **Going Concern**

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary, should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cause significant doubt about the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$13,786,535 as at September, 2018 (December 31, 2017 – \$3,941,022). The recoverability of the carrying value of the assets and the Company's continued existence is dependent upon the achievement of profitable operations. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities.

### **Significant accounting judgments and estimates**

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, the reported amounts of revenues and expenses and to exercise judgment in the process of applying the accounting policies.

#### *Critical accounting estimates*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties, considered by management.

#### *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, exercise price, assumptions regarding expected volatility, expected life of share option and expected dividend yield.

#### *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.

## **2. Basis of Preparation (continued)**

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### **Significant accounting judgments and estimates (continued)**

#### *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 ("CGU") 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.

**Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)**  
**Notes to the Condensed Consolidated Interim Statements**  
**For the Three and Nine Months Ended September 30, 2018 and 2017**  
(Expressed in Canadian Dollars)

### **3. Accounting Standards**

#### **Accounting standards implemented in 2018**

The following accounting standards came into effect commencing in the Company's 2018 fiscal year:

##### **(a) Financial Instruments**

The Company has adopted IFRS 9 with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairments model.

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities. The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 had no impact on the measurement of financial instruments, which are summarized in the following table:

Financial assets and liabilities	IAS 39	IFRS 9	IAS 39/IFRS 9 Carrying value
Cash	Loans and receivables	Amortized cost	\$ 6,867,359
Cash in trust	Loans and receivables	Amortized cost	\$ 363,877
Accounts receivable	Loans and receivables	Amortized cost	\$ 2,751,861
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	\$ 2,809,247
Warrant liability	Other financial liabilities	Amortized cost	\$ 7,673,960
Loan payable	Other financial liabilities	Amortized cost	\$ 43,160

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated (see note 4) and applied from January 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2018. The Company has adopted IFRS 9 retrospectively, and the adoption of IFRS 9 did not result in any transition adjustments being recognized as at January 1, 2018.

### **3. Accounting Standards (continued)**

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#### **Accounting standards implemented in 2018 (continued)**

##### **(b) Revenue from contracts with customers**

The Company has adopted IFRS 15 with a date of initial application of January 1, 2018. IFRS 15 includes a single, five-step revenue recognition model that requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods and services. The standard also requires more informative, relevant disclosures. IFRS 15 supersedes IAS 11 “Construction Contracts” and IAS 18 ‘Revenue’, as well as various IFRIC and SIC interpretations regarding revenue.

The Company has applied IFRS 15 using the cumulative effect method (without practical expedients) and therefore the comparative information has not been restated. The adoption of IFRS 15 did not result in any transition adjustments being recognized as at January 1, 2018.

As a result of the adoption of IFRS 15, the Company’s accounting policies have been updated. See note 4 for these changes in accounting policies, as well as the new disclosure requirements. The changes in accounting policies will also be reflected in the Company’s consolidated financial statements as at and for the year ending December 31, 2018.

#### **Standards Issued but Not Yet Effective**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future. The International Accounting Standards Board has issued some new standards and amendments that will be effective in the coming years. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The impact on the Company is currently being assessed.

#### **IFRS 16 Leases**

IFRS 16 was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on the Company’s consolidated financial statements.

#### **4. Accounting Policies**

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##### **(a) Revenue**

The Company has adopted IFRS 15 with an initial application date of January 1, 2018. The updated accounting policies, the impact on the 2018 unaudited condensed consolidated interim financial statements and additional disclosures are detailed as follows:

The Company determines revenue recognition through the following steps: a) identification of the contract with a customer; b) identification of the performance obligations in the contract; c) determination of the transaction price; d) allocation of the transaction price for the performance obligations in the contract and e) recognition of revenue when the Company satisfies a performance obligation.

Revenue is recognized when control of a product is transferred to a customer and the performance obligation is satisfied. Revenue is measured based on the consideration specified in a contract with a customer, net of returns and discounts, if applicable. For customer contracts where the Company expects to be paid within one year, the consideration is not adjusted for the effects of a financing component.

Contract liabilities are recorded when cash payments are received or due in advance of the Company's performance.

##### ***Impact on the 2018 unaudited condensed consolidated interim financial statements***

IFRS 15 had no impact on the Company's unaudited condensed consolidated interim statement of loss and comprehensive loss for the nine month period ended September 30, 2018.

##### **(b) Financial instruments**

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated as described below. There was no impact on the unaudited condensed consolidated interim financial statements as at and for the nine month period ended September 30, 2018.

###### **(i) Financial assets and liabilities**

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income (loss) or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The adoption of IFRS 9 did not impact the Company's accounting policies for the financial liabilities.

###### **(ii) Impairment of financial assets**

For trade and other receivables, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all trade and other receivables. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

**Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.)**  
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**5. Investment in an Associated Company**

On June 6, 2018, the Company purchased a 20% interest in 2643067 Ontario Ltd, an Ontario corporation trading as Canada Cup Gaming (“Canada Cap”) in consideration for \$120,000. The investment is accounted based on the equity method. Canada Cup has been hosting annual e-sports competitions since 2009 and in 2015 became the final Premier Event of the Capcom Pro Tour season. In terms of the agreement signed between the Company and Canada Cup, the Company has an option to purchase the remaining 80% of Canada Cup within two years, subject to the fulfilment of certain milestones. The Company has also committed to invest up to \$80,000 in services of the Company towards Canada Cups’ 2018 fall tournament to be hosted at the Company’s EGLX event in October 2018.

**6. Intangibles Assets**

	Website Content	Application & Technology Development	Destructoid Trademark	Daily Esports	Gamnesia	Gameumentary	The Escapist	IncGamers	Total
As at December 31, 2016	\$ 35,180	\$ 156,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,292
Additions	-	-	-	-	-	-	-	-	-
Additions from business combination	-	-	148,534	-	-	-	-	-	148,534
<b>As at December 31, 2017</b>	<b>35,180</b>	<b>156,112</b>	<b>148,534</b>						<b>339,826</b>
Additions (Note 7)				10,000	9,911	579	32,622	9,745	62,857
<b>As at September 30, 2018</b>	<b>35,180</b>	<b>156,112</b>	<b>148,534</b>	<b>10,000</b>	<b>9,911</b>	<b>579</b>	<b>32,622</b>	<b>9,745</b>	<b>402,683</b>
<b>Accumulated Amortization</b>									
As at December 31, 2016	10,260	18,330	-	-	-	-	-	-	28,590
Amortization	17,589	31,225	18,566	-	-	-	-	-	67,380
<b>As at December 31, 2017</b>	<b>27,849</b>	<b>49,555</b>	<b>18,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,970</b>
Amortization	7,331	10,408	6,189	1,354	1,549	42	2,039	609	29,521
<b>As at September 30, 2018</b>	<b>35,180</b>	<b>59,963</b>	<b>24,755</b>	<b>1,354</b>	<b>1,549</b>	<b>42</b>	<b>2,039</b>	<b>609</b>	<b>125,491</b>
<b>Net Book Value</b>									
As at December 31, 2016	24,920	137,782	-	-	-	-	-	-	162,702
As at December 31, 2017	7,331	106,557	129,968	-	-	-	-	-	243,856
<b>As at September 30, 2018</b>	<b>\$ -</b>	<b>\$ 96,149</b>	<b>\$ 123,779</b>	<b>\$ 8,646</b>	<b>\$ 8,362</b>	<b>\$ 537</b>	<b>\$ 30,583</b>	<b>\$ 9,136</b>	<b>\$ 277,192</b>

**7. Business Combinations**

- a. During the nine months ended September 30, 2018, the Company acquired all of the following the assets:
- (i) Pixelfame LLC, a suite of video game content focused Facebook pages.
  - (ii) Gamnesia Media, a leading online video game news, analyst, opinion, and overall entertainment venue for gamers
  - (iii) www.dailyesports.tv, an online content platform covering the latest news and opinions about the E-Sports industry
  - (iv) www.gameumentary.com and related social media accounts, a video games journalism outlet that produces video game documentaries.
  - (v) The Escapist online gaming magazine brand, a well-known online video gaming content brand magazine with content across multiple platforms of interest to video gamers.
  - (vi) IncGamers brand, including PC Invasion and Diablo Wiki. IncGamers is a leading online video game news, analyst, opinion, and overall entertainment venue for gamers.

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**7. Business Combinations (continued)**

- b. The total consideration paid was \$1,267,330 and 125,470 common shares of the Company which were valued at \$41,405. The acquisitions were accounted for as a business combination under IFRS 3. Transaction costs incurred were expensed in the period.

The preliminary purchase price allocation for the above-mentioned acquisitions is shown below:

Cash Paid	\$	1,227,812
Fair value of 125,470 common shares (see also note 8(b)(iii))		41,405
<b>Total Purchase Price</b>	<b>\$</b>	<b>1,269,217</b>
Initial identification of intangible assets		62,857
Excess attributed to Goodwill		1,202,360
<b>Total</b>	<b>\$</b>	<b>1,269,217</b>

The allocation of the consideration paid will be adjusted once a valuation of certain intangible assets has been finalized. Management expects to complete the assessment within the next fiscal year.

**8. Share Capital**

- a. The Company is authorized to issue an unlimited number of common shares.
- b. Share issuances during the nine months ended September 30, 2018
- (i) The Company completed a non-brokered private placement with several closings of 9,296,078 units at a price of \$0.47 per unit ("Unit") for gross proceeds of \$4,369,147, including funds held in trust in December 2017. Each Unit is comprised of one common share and one common share purchase warrant ("Non-Brokered Private Placement Warrant"). The Non-Brokered Private Placement 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. The Company incurred \$49,992 of share issuance costs relating to this issuance, which has been capitalized as share issue costs.

In addition, the company issued 109,691 Units to service providers with a fair value of \$51,536.

The Non-Brokered Private Placement Warrants have been valued using the Black & Scholes option pricing model, with the following assumptions: Stock Price: \$0.30, Exercise Price: \$0.58, Risk-free rate: 1.77%, Dividend yield: Nil, Volatility factor: 105.4%, Expected life: 2 years.

Since the Non-Brokered Private Placement Warrants have an exercise price denominated in a different currency (Canadian Dollars) than the functional currency of the Company (US Dollars), these warrants are recorded at their fair value as a derivative liability.

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**8. Share Capital (continued)**

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b. Share issuances during the nine months ended September 30, 2018 (continued)

- (ii) The Company issued 300,000 shares in respect to the acquisition of the assets of Destructoid LLC, which was completed in June 2017.
- (iii) As disclosed in note 7, the Company completed six business combinations during the nine months ended September 30, 2018. The fair value (\$41,405) of the 125,470 shares to be issued as part of the consideration for those business combinations have been recorded as contributed surplus in the statement of changes in equity.
- (iv) During the nine months ended September 30, 2018, 592,746 warrants were exercised at \$0.197467 per warrant for a total consideration of \$117,048, for which the Company issued 592,746 shares. The fair value of the warrants that had previously been accounted for as a liability amounted to \$95,331 and have been credited to Share Capital.
- (v) During the nine months ended September 30, 2018, 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. The fair value of the warrants that had previously been accounted for as a liability amounted to \$21,450 and have been credited to Share Capital.
- (vi) During the nine months ended September 30, 2018, 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. The fair value of the options amounted to \$57,541.
- (vii) Under the RTO accounting, EG Inc is considered to have issued 1,379,904 common shares, 65,333 warrants, and 136,190 options to the former shareholders', warrant holders and option holders of the Company to acquire the net assets and public listing status of the Company.

The fair value of the 1,379,904 common shares issued of \$1,724,880 were charged to Share Capital and was determined by reference to the share price at the time of the RTO.

The fair value of the 65,333 warrants issued and 136,190 options issued had a fair value of \$174,806, which was charged to Contributed Surplus and was determined using the Black Scholes option pricing model and the following assumptions: Stock Price: \$1.06, Exercise Price: \$0.42, Risk-free rate: 1.93%, Dividend yield: Nil, Volatility factor: 105.4%, Expected life: 3.58 years. The fair value of the 65,333 warrants, amounting to \$33,0621 were recorded as a warrant liability.



**8. Share Capital (continued)**

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b. Share issuances during the nine months ended September 30, 2018 (continued)

- (viii) At the completion of the Transaction, the Company issued 6,799,300 Units at a price of \$1.25 per Unit for gross proceeds of \$8,499,125 ("RTO Units").

Each RTO Unit consists 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.

The RTO Warrants have been valued at \$1,677,200 using the Black & Scholes option pricing model, with the following assumptions: Stock Price: \$1.07, Exercise Price: \$1.60, Risk-free rate: 2.18%, Dividend yield: Nil, Volatility factor: 105.4%, Expected life: 2 years.

Since the RTO Warrants have an exercise price denominated in a different currency (Canadian Dollars) than the functional currency of the Company (US Dollars), these warrants are recorded at their fair value as a derivative liability.

The agents received a cash commission equal to 5.0% of the aggregate gross proceeds realized by Enthusiast from the Brokered Financing ("Issuance Expenses"), and 339,465 compensation options (the "Compensation Options").

The portion of the Issuance Expenses (\$341,096) that relates to the equity portion of the financing has been capitalized as share issue costs against Share Capital, and the balance has been expensed as they relate to the warrant liability.

Each Compensation Option entitles the holder thereof to acquire one share at an exercise price of \$1.25 for a period of 24 months following the closing of the Transaction. The Compensation Options have been valued at \$167,473 using the Black & Scholes option pricing model, with the following assumptions: Stock Price: \$0.76, Exercise Price: \$1.60, Risk-free rate: 2.18%, Dividend yield: Nil, Volatility factor: 105.4%, Expected life: 2 years. As the issuance of the Compensation Options relate to the financings, the fair value has been set off against share capital.

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**9. Warrants**

**a. Common Share Warrants**

Each warrant entitles the holder to purchase one common share of the Company. The following table reflects the continuity of warrants for the periods presented:

Warrant activity	September 30, 2018	Weighted average exercise price	December 31, 2017	Weighted average exercise price
<b>Balance – Beginning of Period</b>	<b>7,948,525</b>	<b>\$ 0.504</b>	<b>942,182</b>	<b>\$ 0.197</b>
Warrants to be issued	(4,688,732)	0.580	4,688,732	0.580
Issued (note 8(b)(i))	9,405,729	0.580	2,317,611	0.475
Issued (note 8(b)(i))	1,580,007	0.190		
Exercised (note 8(b)(iv) and (v))	(781,782)	0.388		
Issued (note 8(b)(vii))	65,333	0.420		
Issued (note 8(b)(vii))	339,465	1.250		
Issued (note 8(b)(viii))	3,399,650	1.600		
Expired	(10,136)	0.197		-
<b>Balance – End of Period</b>	<b>17,258,059</b>	<b>\$ 0.73</b>	<b>7,948,525</b>	<b>\$ 0.50</b>

The following table summarizes information about warrants outstanding as at September 30, 2018 and December 31, 2017:

Date of issuance	Date of expiry	Exercise price	September 30, 2018	December 31, 2017
August 31, 2016	August 31, 2018	\$ 0.197	-	587,690
December 28, 2016	December 28, 2018	\$ 0.197	354,492	354,492
February 14, 2017	February 14, 2019	\$ 0.197	50,642	65,834
March 22, 2017	March 22, 2019	\$ 0.197	18,231	18,231
April 10, 2017	April 10, 2019	\$ 0.197	290,426	290,426
June 12, 2017	June 12, 2019	\$ 0.197	101,282	101,282
June 13, 2017	June 13, 2019	\$ 0.197	101,283	101,283
June 30, 2017	June 30, 2019	\$ 0.197	60,769	60,769
November 30 - December 6, 2017	April 4, 2020	\$ 0.580	1,679,786	1,679,786
January 1 - 31, 2018	April 4, 2020	\$ 0.580	4,688,732	4,688,732
January 31, 2018	April 4, 2020	\$ 0.580	3,680,635	-
April 17, 2018	April 4, 2020	\$ 0.580	420,106	-
May 7, 2018	April 4, 2020	\$ 0.580	32,000	-
May 10, 2018	April 4, 2020	\$ 0.580	203,838	-
May 11, 2018	April 4, 2020	\$ 0.580	42,500	-
May 16, 2018	April 4, 2020	\$ 0.580	42,500	-
May 22, 2018	April 4, 2020	\$ 0.580	106,382	-
September 24, 2018	September 23, 2023	\$ 0.197	1,580,007	-
September 24, 2018	September 23, 2020	\$ 1.600	3,399,650	-
September 24, 2018	October 17, 2022	\$ 0.420	65,333	-
September 24, 2018	October 4, 2020	\$ 1.250	339,465	-
			<b>17,258,059</b>	<b>7,948,525</b>

The warrants have been classified as a liability, as the Canadian Dollar exercise price differs from the Company's US Dollar functional currency. The warrant liability as at September 30, 2018 was valued at \$7,673,960 (December 31, 2017 - \$1,167,900). The warrants fair value as at September 30, 2018 was determined using the Black & Scholes option pricing model and the following assumptions: share price – \$0.76; exercise price – \$0.197 - \$1.60; expected life – 1– 4 years; annualized volatility – 105.4%; dividend yield - 0%; risk free rate – 2.18%.

The warrants fair value as at December 31, 2017 was determined using the Black & Scholes option pricing model and the following assumptions: share price – \$0.33; exercise price – \$0.197 - \$0.58; expected life – 1.01- 1.92 years; annualized volatility – 105.4%; dividend yield NIL; risk free rate – 1.68%.

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**9. Warrants (continued)**

**b. Liquidity Warrants**

Each liquidity warrant entitled the holder to purchase one common share of the Company if the Company does not file a final prospectus in relation to an initial public offering of the common shares of the Company. Following completion of the Transaction, the liquidity warrants expired. The following table reflects the continuity of the liquidity warrants for the periods presented:

Warrant activity	September 30, 2018	Weighted average exercise price	December 31, 2017	Weighted average exercise price
<b>Balance – Beginning of Year</b>	<b>903,206</b>	<b>\$ 0.0001</b>	<b>443,115</b>	<b>\$ 0.000</b>
Issued	-	-	460,091	\$ 0.0001
Expired	(903,206)	0	-	-
Exercised	-	-	-	-
<b>Balance – End of Period</b>	<b>-</b>	<b>\$ -</b>	<b>903,206</b>	<b>\$ 0.0001</b>

The warrants had been valued at a nominal amount as of December 31, 2017, and classified as a liability, as the Canadian Dollar exercise price differs from the Company's US Dollar functional currency. Therefore, the impact of the financial statements for the nine months ended September 30, 2018 is nominal.

**10. Stock Options**

The Company maintains a stock option plan (the "Plan") for the directors, officers, consultants and employees of the Company. The maximum number of options issuable under the Plan shall be equal to ten percent (10%) of the outstanding shares of the Company less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement of the Company.

A summary of the status of the Plan as at September 30, 2018, and changes during the nine-month ended September 30, 2018 is as follows:

	Number of options	Average Exercise Price
Balance outstanding at December 31, 2016	2,577,692	\$ 0.13
<b>Options granted:</b>		
November 18, 2017 grant	2,090,780	\$ 0.197
<b>Balance outstanding at December 31, 2017</b>	<b>4,668,472</b>	<b>\$ 0.15</b>
Issued (note 8(b)(vii))	136,190	\$ 0.42
Expired	-	-
Exercised (note 8(b)(vi))	(1,130,769)	\$ 0.13
<b>Balance outstanding at September 30, 2018</b>	<b>3,673,893</b>	<b>\$ 0.18</b>

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**10. Stock Options (continued)**

The following table summarizes information about the options outstanding as at September 30, 2018 and December 31, 2017:

<b>Options Outstanding</b>		<b>Options Exercisable</b>		
<b>Number Outstanding at September 30, 2018</b>	<b>Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Number Exercisable at September, 2018</b>	<b>Weighted Exercise Price</b>
1,446,923	\$ 0.130	2.40	1,446,923	\$ 0.13
2,090,780	\$ 0.197	4.40	696,927	\$ 0.197
136,190	\$ 0.420	3.00	136,190	\$ 0.420
<b>3,673,893</b>	<b>\$ 0.18</b>	<b>3.30</b>	<b>2,143,850</b>	<b>\$ 0.18</b>

Share-based compensation expense is recognized over the vesting period of options. During the three and nine months ended September 30, 2018, share-based compensation of \$71,466 and \$212,068 respectively (September 30, 2017 – 11,288 and \$16,839, respectively) was recognized based on options vested during period.

**11. Related Party Transactions and Balances**

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 September 30, 2018</b>	Three months ended September 30, 2017	<b>Nine months ended September 30, 2018</b>	Nine months ended 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
	<b>\$ 232,568</b>	<b>\$ 50,679</b>	<b>\$ 708,438</b>	<b>\$ 142,715</b>

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.

## **12. Financial and Capital Risk Management**

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The Company is exposed to varying degrees to a variety of financial instrument related risks:

### *Fair value*

The carrying value of cash, cash in trust, accounts receivable, accounts payable and accrued liabilities and warrant liability approximates their fair value because of the relatively short-term nature of these instruments.

### *Foreign exchange risk*

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

### *Credit risk*

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

### *Interest rate risk*

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

### *Capital management*

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the Company's operations. The Board of Directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned expansion, the Company will need to raise additional funds. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

### *Liquidity risk*

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

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**13. Commitments**

The Company is committed under a lease agreement with respect to its office premises located in Toronto, Ontario, expiring December 31, 2020. The annual commitment is \$90,846

**14. Segmented Information**

IFRS 8 “Operating Segments” defines an operating segment as i) a component of an entity that engages in business activities from which it may earn revenues and incur expenses; ii) whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and iii) for which discrete financial information is available.

The Company has one operating segment, which consists of providing digital media publishing services, digital advertising servicing, and live events.

The Company operates in three principal geographical areas, Canada, United States of America (“USA”) and International. Information about its non-current assets by locations are detailed below:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
USA	\$ <b>2,084,223</b>	\$ 895,500
Canada	<b>228,097</b>	113,888
International	<b>195,853</b>	-
	<b>\$ 2,508,173</b>	<b>\$ 1,009,388</b>

The Company’s revenue from external customers by location of operations is presented below:

	<b>Three months ended September 30, 2018</b>	<b>Three months ended September 30, 2017</b>	<b>Nine months ended September 30, 2018</b>	<b>Nine months ended September 30, 2017</b>
USA	\$ <b>1,662,819</b>	\$ 461,533	\$ <b>4,179,364</b>	\$ 713,139
Canada	<b>169,100</b>	39,560	<b>769,483</b>	61,126
International	<b>986,418</b>	158,240	<b>2,439,003</b>	244,505
	<b>\$ 2,818,337</b>	<b>\$ 659,333</b>	<b>\$ 7,387,850</b>	<b>\$ 1,018,770</b>

## **15. Subsequent Events**

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- a. On October 5, 2018, 13,617 options with an exercise price of \$0.42 were exercised for gross proceeds of \$5,720.
- b. On October 10, 2018, 65,333 warrants with an exercise price of \$0.42 were exercised for gross proceeds of \$27,439.
- c. On November 9, 2018, the Company completed a non-brokered private placement of convertible debenture units (the “Debenture Units”) for total gross proceeds of \$9,000,000 (the “Offering”).

Each Debenture Unit, issued at a price of \$1,000, is comprised of one unsecured convertible debenture (each a “Debenture” and collectively, the “Debentures”), having a principal 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 “Debenture Warrant”). Each Debenture is convertible into shares of the Company at a conversion price of \$1.60 per Share (the “Conversion Price”), subject to acceleration in certain events. The Debentures mature on December 31, 2021. Each Debenture Warrant entitles the holder to acquire one share at a price of \$2.00 per share for a period of two years, subject to acceleration in certain events. The Debentures and the Debenture Warrants contain customary anti-dilution provisions.

Beginning on March 9, 2019, the Company may, at its option, require the conversion of the then outstanding principal 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 shares of the Company 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 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 principal and interest with all other Debentures issued under the Offering.

The Debentures and Debenture Warrants issued pursuant to the Offering and any shares issued on conversion of the Debentures or exercise of the Debenture 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.

- d. 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. Operation Sports has grown from a small community driven news site into an industry leading destination for sports video gaming enthusiasts to connect online. The site reaches approximately one 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.
- e. 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 on five years from the grant date.