Enthusiast Gaming Holdings Inc.

(formerly Tova Ventures II Inc.)

Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2019
(Unaudited in Canadian Dollars)

Enthusiast Gaming Holdings Inc.
Condensed Consolidated Interim Statements of Financial Position
As at March 31, 2019 and December 31, 2018
(Unaudited – Expressed in Canadian Dollars)

	Note		**March 31, 2019**		December 31, 2018
ASSETS					
Current					
Cash	14	**$**	**10,123,505**	$	11,642,304
Cash in trust	14		**70,658**		270,387
Investments			**125,104**		-
Trade and other receivables	5		**1,821,038**		2,706,360
Loans receivable from related parties	12		**161,265**		147,000
Prepaid expenses			**168,135**		25,907
Total current assets			**12,469,705**		14,791,958
Non-current					
Property and equipment, net	6		**127,673**		130,410
Right-of-use asset, net			**58,398**		-
Loans receivable from related parties	12		**43,155**		44,283
Intangible assets	7		**1,277,471**		1,531,136
Total Assets		**$**	**13,976,402**	$	16,497,787
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	14	**$**	**2,786,055**	$	3,500,232
Current portion of long-term debt	14		**7,457**		9,960
Current portion of lease liability	14		**20,542**		-
Total current liabilities			**2,814,054**		3,510,192
Non-current					
Long-term debt			**29,880**		29,880
Long-term portion of lease liability			**31,731**		-
Convertible debentures	8		**7,434,715**		7,326,863
Deferred tax liability			**196,792**		196,792
Total liabilities		**$**	**10,507,172**	$	11,063,727
Shareholders' equity					
Share capital			**17,845,606**		16,733,136
Warrants reserve			**10,160,644**		10,749,946
Conversion option on convertible debentures			**313,780**		313,780
Contributed surplus			**790,487**		776,988
Accumulated other comprehensive loss			**(1,173,312)**		(831,664)
Deficit			**(24,467,975)**		(22,308,126)
Total shareholders' equity			**3,469,230**		5,434,060
Total liabilities and shareholders' equity		**$**	**13,976,402**	$	16,497,787

Going concern *(Note 2)*
Subsequent events *(Note 16)*
Approved by the Board of Directors of the Company

Signed: *"Menashe Kestenbaum"* — Director

Signed: *"Alan Friedman"* — Director

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

Enthusiast Gaming Holdings Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

	Note		Three months ended March 31, 2019		2018
Revenue	15	$	**2,060,709**	$	2,008,288
Cost of sales			**1,939,994**		2,267,774
Gross margin			**120,715**		(259,486)
Expenses					
Professional and consulting fees			**658,519**		620,694
Advertising and promotion			**444,687**		143,162
Office and general			**124,847**		247,307
Salaries and wages			**447,830**		169,055
Technology support and web development			**239,671**		150,565
Interest, accretion and bank charges	14		**316,299**		3,323
Foreign exchange gain			**(243,664)**		-
Gain on revaluation of warrant liability			**-**		(110,928)
Share-based compensation	11		**28,329**		69,913
Amortization and depreciation	6, 7		**264,047**		21,894
Total expenses			**2,280,564**		1,314,985
Net loss for the period			**(2,159,849)**		(1,574,471)
Other comprehensive income (loss)					
Foreign currency translation adjustment			**(341,648)**		(95,612)
Net loss and comprehensive loss for the period		**$**	**(2,501,497)**	$	(1,670,083)
Net loss and comprehensive loss per share, basic and diluted		**$**	**(0.06)**	$	(0.06)
Weighted average number of common shares outstanding, basic and diluted			**44,962,860**		29,432,300

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

Enthusiast Gaming Holdings Inc.
Condensed Consolidated Interim Statements of Shareholders' Equity
For the three months ended March 31, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

	Note	Number of shares	Share capital	Contributed surplus	Warrant reserve	Conversion option on convertible debentures	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
Balance December 31, 2017		23,556,831	$ 3,654,069	$ 2,130,681	$ -	$ -	$ (39,271)	$ (3,941,022)	$ 1,804,457
Private placements and share issuances	9(ii), (iii), (iv)	8,558,403	2,838,970	(1,555,691)	-	-	-	-	1,283,279
Shares issued for the acquisition of assets in the prior period	9(v)	300,000	53,575	(53,575)	-	-	-	-	-
Share-based compensation	11	-	-	69,913	-	-	-	-	69,913
Shares to be issued for the asset acquisitions	9(vi)	-	-	28,952	-	-	-	-	28,952
Shares to be issued for private placement	9(iv)	-	-	190,040	-	-	-	-	190,040
Other comprehensive loss		-	-	-	-	-	(95,612)	-	(95,612)
Net loss for the period		-	-	-	-	-	-	(1,574,471)	(1,574,471)
Balance March 31, 2018		32,415,234	$ 6,546,614	$ 810,320	$ -	$ -	$ (134,883)	$ (5,515,493)	$ 1,706,558
Balance December 31, 2018		44,663,253	$ 16,733,136	$ 776,988	$ 10,749,946	$ 313,780	$ (831,664)	$ (22,308,126)	$ 5,434,060
Shares issued upon exercise of warrants	9(vii), (viii)	961,437	1,082,040	-	(589,302)	-	-	-	492,738
Shares issued upon exercise of options	9(ix)	120,000	30,430	(14,830)	-	-	-	-	15,600
Share-based compensation	11	-	-	28,329	-	-	-	-	28,329
Other comprehensive loss		-	-	-	-	-	(341,648)	-	(341,648)
Net loss for the period		-	-	-	-	-	-	(2,159,849)	(2,159,849)
Balance March 31, 2019		**45,744,690**	**$ 17,845,606**	**$ 790,487**	**$ 10,160,644**	**$ 313,780**	**$ (1,173,312)**	**$ (24,467,975)**	**$ 3,469,230**

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

Enthusiast Gaming Holdings Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

	Note		Three months ended March 31, 2019		2018
Cash flows from operations					
Net loss for the period		**$**	**(2,159,849)**	$	(1,574,471)
Items not affecting cash:					
Amortization and depreciation	6, 7		**264,047**		21,894
Share-based compensation	11		**28,329**		69,913
Interest and accretion expense	14		**316,299**		-
Interest paid			**(8,721)**		-
Unrealized foreign exchange gain			**(492,626)**		(78,857)
Gain on revaluation of warrant liability			-		(110,928)
Changes in working capital					
Changes in trade and other receivables			**885,322**		(467,040)
Changes in prepaid expenses			**(142,227)**		37,141
Changes in accounts payable and accrued liabilities			**(714,177)**		339,860
			(2,023,603)		(1,762,488)
Investing activities					
Purchase of investments			**(125,104)**		-
Cash paid for asset acquisitions	4		**(26,726)**		(388,631)
Acquisition of property and equipment	6		**(7,787)**		-
			(159,617)		(388,631)
Financing activities					
Proceeds from the issuance of shares, net of issuance costs	9(iv)		-		1,818,745
Proceeds received for shares to be issued	9(iv)		-		190,040
Repayment of long-term debt			**(2,503)**		-
Proceeds from exercise of warrants	9(vii), (viii)		**492,738**		-
Proceeds from exercise of options	9(ix)		**15,600**		-
Loans receivable from related parties			**(13,137)**		-
			492,698		2,008,785
Effect on cash held in foreign currency			**(28,006)**		(95,612)
Net change in cash			**(1,718,528)**		(237,946)
Cash, beginning of period			**11,912,691**		2,196,475
Cash, end of period		**$**	**10,194,163**	$	1,958,529

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

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"). The registered head office of the Company is 150 Eglinton Avenue East, Suite 203, Toronto, ON, M4P 1E8.

On September 21, 2018, the Company completed a qualifying transaction 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. The completion of the Transaction resulted in a reverse takeover and change of business for the Company (the "RTO"). The terms of the RTO required the Company to consolidate its common shares prior to the RTO on a 1:4.2 basis. The Company also exchanged 100% of the issued and outstanding securities of EG Inc. on a 1:1 basis with the then securityholders of EG Inc. for 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.

The Company obtained final approval for the Transaction from the Exchange on October 2, 2018 and start trading on the TSX Venture Exchange ("TSX.V) under the symbol "EGLX".

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.

These unaudited condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on May 30, 2019.

2. Significant accounting policies

Basis of preparation

(i) 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. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") *34 Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

(ii) Basis of presentation

The unaudited condensed consolidated interim financial statements are prepared on a going concern basis, under the historical cost convention except for the revaluation of certain financial assets and liabilities to fair value. All financial information is presented in Canadian dollars, except per share amounts or as otherwise noted.

These unaudited condensed consolidated interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as those of the audited consolidated financial statements for the year ended December 31, 2018, except for the adoption of IFRS 16 - "Leases" which has been applied as of January 1, 2019.

The changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2018 are described below in Note 2(vii).

2. Significant accounting policies (continued)

(iii) Foreign currency

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars. The functional currency of Enthusiast Gaming Holdings Inc., Hexagon Games Corp., Enthusiast Gaming Live Inc., Enthusiast Gaming Media Inc., Enthusiast Gaming Media Holdings Inc., Enthusiast Gaming Media II Holdings Inc., Enthusiast Gaming (TSR) Inc. and Enthusiast Gaming Media III Holdings Inc. is Canadian dollars and the functional currency of Enthusiast Gaming Inc., Enthusiast Gaming Media (US) Inc. and Enthusiast Gaming TSR Sweden AB is United States dollars.

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the reporting period date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in the accumulated other comprehensive loss included in the unaudited condensed consolidated interim statements of changes in shareholders' equity. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the unaudited condensed consolidated interim statements of loss and comprehensive loss.

(iv) Basis of consolidation

The unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries; Enthusiast Gaming Inc. (Canada), Hexagon Games Corp. (Canada), Enthusiast Gaming Live Inc. (Canada), Enthusiast Gaming Media Inc. (Canada), Enthusiast Gaming Media (US) Inc. (United States of America), Enthusiast Gaming Media Holdings Inc. (Canada), Enthusiast Gaming Media II Holdings Inc. (Canada), Enthusiast Gaming Media III Holdings Inc. (Canada), Enthusiast Gaming (TSR) Inc. (Canada) and Enthusiast Gaming TSR Sweden AB (Sweden).

Subsidiaries are entities controlled by the Company where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the unaudited condensed consolidated interim financial statements from the date control is obtained until the date control ceases. All intercompany balances, transactions, income and expenses have been eliminated on consolidation.

(v) Going Concern

These unaudited condensed consolidated interim 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 condensed consolidated interim 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 $24,467,975 as at March 31, 2019 (December 31, 2018 – $22,308,126). 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. As at March 31, 2019, the Company had current assets of $12,469,705 (December 31, 2018 - $14,791,958) to cover current liabilities of $2,814,054 (December 31, 2018 - $3,510,192).

2. Significant accounting policies (continued)

(vi) Significant accounting judgments, estimates and uncertainties

The preparation of unaudited condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated interim financial statements and notes to the unaudited condensed consolidated interim financial statements. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the Company to make estimates include goodwill impairment testing and recoverability of assets, business combinations, income taxes, estimated useful life of long-lived assets, the fair value of share-based payments, provision for expected credit losses and calculation of warrant liability. These estimates and judgments are further discussed below:

(a) Goodwill impairment testing and recoverability of assets

The Company only has one cash-generating unit and reviews the value in use versus the carrying value both in total and for each of the individual assets. The recoverable amount of the cash-generating unit was estimated based on an assessment of value in use using a discounted cash flow approach. The approach uses cash flow projections based upon a financial forecast approved by management, covering a five-year period. Cash flows for the years thereafter are extrapolated using the estimated terminal growth rate. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions and other events.

(b) Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations 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.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

(c) Income taxes

At the end of each reporting period, the Company assesses whether the realization of deferred tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realized from available income tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available income tax strategies are lowered, or if changes in current income tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilize deferred tax benefits.

The Company's effective income tax rate can vary significantly quarter-to-quarter for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized. The Company's effective income tax rate can also vary due to the impact of foreign exchange fluctuations.

2. Significant accounting policies (continued)

(vi) Significant accounting judgments, estimates and uncertainties (continued)

(d) Estimated useful lives of long-lived assets

Management reviews the useful lives of depreciable assets at each reporting date. Management assesses that the useful lives represent the expected utilization in terms of duration of the assets to the Company. Actual utilization, however, may vary due to technical obsolescence, particularly relating to website content and application and technology development.

(e) Share-based payments

The fair value of all share-based payments granted are determined using the Black-Scholes option pricing model which incorporates assumptions regarding risk-free interest rates, dividend yield, expected volatility, estimated forfeitures, and the expected life of options. The Company has a significant number of options outstanding and expects to continue to make option grants.

(f) Provision for expected credit losses ('ECLs")

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs.

The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results are used to calculate the run rates of default which are then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

(g) Warranty liability

The Black-Scholes Option pricing model is used to determine the fair value of the warrants and utilizes subjective assumptions such as expected price volatility which is based on comparable companies, expected life of the warrant and the risk-free rate. Any changes in these input assumptions can significantly affect the fair value estimate.

(vii) Accounting standards implemented as at January 1, 2019

The Company adopted the following accounting standards which came into effect commencing January 1, 2019:

IFRS 16, Leases

The Company has adopted IFRS 16 with an initial adoption date of January 1, 2019. The Company utilized the modified retrospective method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 17, Leases and related interpretations.

IFRS 16 specifies how leases will be recognized, measured, presented and disclosed and it provides a single lessee model, requiring lessees to recognize right-of-use assets and lease liabilities for all major leases.

(Unaudited – Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(vii) Accounting standards implemented as at January 1, 2019 (continued)

The Company has applied IFRS 16 using the modified retrospective method and has recognized the following balances as of the January 1, 2019 adoption date:

Right-of-use asset:		**Property**
Building lease - cost		66,741
Depeciation recognized to date		-
Net book value as at January 1, 2019	**$**	**66,741**

Lease liability:		**Property**
Building lease - financing cost		66,741
Payments made to date		-
Balance as at January 1, 2019	**$**	**66,741**

The updated accounting policies, the impact on the March 31, 2019 condensed consolidated interim financial statements, and additional disclosures are detailed as follows:

The Company assesses, at the inception of contract, whether it contains a lease. A contract is classified as a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses:

- Whether the contract involves the use of an identified asset. This can be specified explicitly or implicitly and should be physically distinct or represents substantially all of the capacity of a physically distinct asset.
- Whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- Whether the Company has the right to direct use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct use of the asset if either:
    - The Company has the right to operate the asset; or
    - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred.

The right-to-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined using the same criteria as those for property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses and adjusted for certain remeasurements of the lease liability, if any.

(Unaudited – Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(vii) Accounting standards implemented as at January 1, 2019 (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate.

Short-term leases and leases of low-value assets
The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Reverse takeover transaction

On September 21, 2018, the Company completed its qualifying transaction (the "Transaction") in accordance with the policies of the TSX Venture Exchange (the "TSXV"), pursuant to which the security holders of Enthusiast Gaming Inc. exchanged all of the securities of Enthusiast Gaming Inc. for securities of the Company, resulting in Enthusiast Gaming Inc. becoming a wholly-owned subsidiary of the Company.

The amalgamation was accounted for in accordance with IFRS 2, Share Based-Payments. The Transaction is considered to be a reverse takeover of Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.) by Enthusiast Gaming Inc. A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a share-based payment transaction, rather than a business combination. The transaction is equivalent to the issuance of equity instruments (shares, stock options and warrants) by Enthusiast Gaming Inc. for the net assets and eventual public listing status of the nonoperating company, Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.). The fair value of the shares issued was determined based on the fair value of the common shares issued by Enthusiast Gaming Inc. Comparative figures presented within these condensed consolidated interim financial statements are those of Enthusiast Gaming Inc.

Immediately prior to the Transaction, the Company consolidated its outstanding share capital on a 1:4.2 basis from 5,795,600 common shares to 1,379,904 common shares outstanding. Upon closing of the Transaction, all outstanding common shares, warrants and options of Enthusiast Gaming Inc. were exchanged for common shares, warrants and options of the Company on a 1:1 basis.

In conjunction with the share consolidation, the Company consolidated its outstanding stock options on a 1:4.2 basis from 572,000 options at an exercise price of $0.10 to 136,190 options at an exercise price of $0.42, expiring October 17, 2022. The Company also consolidated its outstanding warrants on a 1:4.2 basis from 274,400 warrants at an exercise price of $0.10 to 65,333 warrants at an exercise price of $0.42, expiring on October 17, 2019.

The fair value of the stock options as at September 21, 2018 was $114,761 and was determined using the Black-Scholes Option pricing model with the following assumptions: a share price of $0.9975, an exercise price of $0.42, a volatility of 123.90% based on comparable companies; an expected life of 4.07 years, a dividend yield of 0%, and a risk-free interest rate of 2.29%.

The fair value of the warrants as at September 21, 2018 was $43,471 and was determined using the Black-Scholes Option pricing model with the following assumptions: a share price of $0.9975, an exercise price of $0.42, a volatility of 107.80% based on comparable companies; an expected life of 1.07 years, a dividend yield of 0%, and a risk-free interest rate of 2.18%.

The fair value of the consideration is as follows:

Consideration transferred - 1,379,904 shares @ $0.9975	$	1,376,454
Tova Ventures II Inc. stock options converted to resulting issuer stock options		114,761
Tova Ventures II Inc. warrants converted to resulting issuer warrants		43,471
Net working capital acquired		275,261
Listing expense	$	**1,259,425**

(Unaudited – Expressed in Canadian Dollars)

4. Asset acquisition transactions

During the three months ended March 31, 2019, the Company entered into an asset purchase agreement with an at-arm's length party to acquire a website, which comprises a URL, domain name and website content. Total consideration paid for the asset acquisition consisted of $26,726 in cash. In the year ended December 31, 2018 total consideration paid or payable consisted of $1,559,650 in cash, 243,394 common shares valued in the amount of $196,310 for total consideration of $1,755,960. As at March 31, 2019, the Company has $21,002 (December 31, 2018 - $53,274) in cash consideration payable related to the IncGamers Ltd. asset acquisition that is included in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

Asset acquisition transactions for the year ended March 31, 2019	**Date of acquisition**
Planet Destiny	March 13, 2019

Asset acquisition transactions for the year ended December 31, 2018	**Date of acquisition**
Pixelframe LLC	February 5, 2018
Gamnesia Media	February 16, 2018
Daily Esports	March 7, 2018
Gameumentary	June 22, 2018
The Escapist	July 31, 2018
IncGamers Ltd.	July 4, 2018
Operations Sports LLC	November 13, 2018

5. Trade and other receivables

Trade and other receivables consist of the following:

		March 31, 2019		December 31, 2018
Trade receivables	**$**	**1,637,068**	$	2,404,573
HST receivable		**224,312**		342,973
Expected credit loss provision		**(40,342)**		(41,186)
	$	**1,821,038**	$	2,706,360

The Company recognized bad debt expense in the amount of $nil for the three months ended March 31, 2019 and 2018.

(Unaudited – Expressed in Canadian Dollars)

6. Property and equipment

		Furniture and fixtures		Computer equipment		Leasehold improvements		Total
Cost	$		$		$		$	
Balance, December 31, 2017		-		-		-		-
Additions during the year		57,565		73,581		17,439		148,585
Balance, December 31, 2018		57,565	-	73,581	-	17,439		148,585
Additions during the period		-		7,787		-		7,787
Effect of movement in exchange rates		(262)		(1,452)		(357)		(2,071)
Balance, March 31, 2019	**$**	**57,303**	**$**	**79,916**	**$**	**17,082**	**$**	**154,301**
Accumulated depreciation								
Balance, December 31, 2017		-		-		-		-
Depreciation during the year		4,980		11,887		1,308		18,175
Balance, December 31, 2018		4,980		11,887		1,308		18,175
Depreciation during the period		2,561		4,851		436		7,848
Effect of movement in exchange rates		817		(190)		(22)		605
Balance, March 31, 2019	**$**	**8,358**	**$**	**16,548**	**$**	**1,722**	**$**	**26,628**
Net book value								
Balance, December 31, 2018	$	52,585	$	61,694	$	16,131	$	130,410
Balance, March 31, 2019	**$**	**48,945**	**$**	**63,368**	**$**	**15,360**	**$**	**127,673**

During the three months ended, the Company recognized depreciation expense in the amount of $7,848 (three months ended March 31, 2018 - $nil), which is included in the unaudited condensed consolidated interim statements of loss and comprehensive loss. The Company also recognized depreciation expense in the amount of $8,343 for the three months ended March 31, 2019 related to right-of-use asset.

(Unaudited – Expressed in Canadian Dollars)

7. Intangible assets

	Website	Application and technology development	Trademark	Total
Cost				
Balance, December 31, 2017	$ 35,180	$ 156,112	$ 148,534	$ 339,826
Additions during the year	-	-	-	-
Additions from asset acquisition transactions (Note 4)	1,755,960	-	-	1,755,960
Effect of movement in foreign exchange rates	92,488	8,061	7,670	108,219
Balance, December 31, 2018	$ 1,883,628	$ 164,173	$ 156,204	$ 2,204,005
Additions during the period	-	-	-	-
Additions from asset acquisition transactions (Note 4)	26,726	-	-	26,726
Effect of movement in foreign exchange rates	(49,211)	2,120	2,016	(45,075)
Balance, March 31, 2019	**$ 1,861,143**	**$ 166,293**	**$ 158,220**	**$ 2,185,656**
Accumulated amortization				
Balance, December 31, 2017	27,849	49,555	18,566	95,970
Amortization during the year	420,988	80,620	38,353	539,961
Effect of movement in foreign exchange rates	26,071	7,561	3,306	36,938
Balance, December 31, 2018	474,908	137,736	60,225	672,869
Amortization during the period	218,089	20,171	9,596	247,856
Effect of movement in foreign exchange rates	(9,992)	(1,703)	(845)	(12,540)
Balance, March 31, 2019	**$ 683,005**	**$ 156,204**	**$ 68,976**	**$ 908,184**
Net book value				
Balance, December 31, 2018	$ 1,408,720	$ 26,437	$ 95,979	$ 1,531,136
Balance, March 31, 2019	**$ 1,178,138**	**$ 10,089**	**$ 89,244**	**$ 1,277,471**

During the three months ended, the Company recognized amortization expense in the amount of $247,856 (three months ended March 31, 2018 - $21,894), which is included in the unaudited condensed consolidated interim statements of loss and comprehensive loss.

8. Convertible debentures

On November 8, 2018, the Company issued 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 common 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. The Company also issued 540 Debenture Units

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8. Convertible debentures (continued)

to the brokers as part of the transaction in addition to 2,835,000 Debenture Warrants.

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 Debenture 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.

Upon initial recognition, the convertible debentures have been presented as a liability and the embedded conversion feature and warrants have been presented as equity as the fixed-for-fixed criteria is met. The fair value of the convertible debentures (host debt) in the amount of $8,074,019 is measured using a market rate of 13.0% for a similar unsecured debt without the conversion feature. The residual amount of $925,981 was allocated proportionally based on relative fair values between conversion feature and warrants in the amount of $615,679 and $310,302, respectively. The fair value of the conversion feature was determined using Black-Scholes pricing model with the following assumptions: a share price of $1.01, an exercise price of $1.60, a volatility of 111.15%, an expected life of 3.15 years, a dividend yield of 0.0%, and a risk -free interest rate of 2.37%. The fair value of warrants was determined using Black-Scholes pricing model with the following assumptions: a share price of $1.01, an exercise price of $2.00, a volatility of 110.50%, an expected life of 2.0 years, a dividend yield of 0.0%, and a risk -free interest rate of 2.36%.

The Company incurred cash issuance costs of $590,580. In addition, the Company issued 540 warrants to the brokers, which are exercisable at $1,000 per Debenture Unit for a term of 2 years. The fair value of the broker warrants in the amount of $310,807 was determined using Black-Scholes pricing model with the following assumptions: a unit price of $1,000, an exercise price of $1,000, a volatility of 110.50%, an expected life of 2.0 years, a dividend yield of 0.0%, and a risk -free interest rate of 2.36%. The total issuance costs of $901,387 was allocated proportionally to convertible debentures, conversion feature on convertible debentures and warrants in the amount of $808,646, $61,663 and $31,078, respectively.

The Company recorded deferred tax expense in the amount of $240,236, which is offset against the value of equity portion of the conversion feature on convertible debentures in the consolidated statements of changes in equity. The convertible debentures are amortized at an effective interest rate of 16.94%. The Company recognized $199,726 in interest expense and $107,852 in accretion expense for the three months ended March 31, 2019. The fair value and related movement during the period for each of the components of the convertible debentures, conversion feature on convertible debentures and warrants is as follows:

	Convertible debenture	Conversion feature on convertible debentures	Warrant reserve	Total
Initial recognition at fair value	$ 8,074,019	$ 615,679	$ 310,302	$ 9,000,000
Issuance costs	(808,646)	(61,663)	(31,078)	(901,387)
Broker warrants issued	-	-	310,807	310,807
Deferred tax expense	-	(240,236)	-	(240,236)
Accretion expense	61,490	-	-	61,490
Balance as at December 31, 2018	$ 7,326,863	$ 313,780	$ 590,031	$ 8,230,674
Accretion expense	107,852	-	-	107,852
Balance as at March 31, 2019	**$ 7,434,715**	**$ 313,780**	**$ 590,031**	**$ 8,338,526**

9. Share capital

The Company is authorized to issue an unlimited number of common shares. The Company issued common shares as described below during the three months ended March 31, 2019 and 2018:

(i) In November and December 2017, Enthusiast Gaming Inc. closed a non-brokered private placement of 1,679,786 units at a price of $0.47 per unit for total gross proceeds of $789,500. Each unit was comprised of one common share and one common share purchase warrant. The warrants were 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. As the units were issued in Canadian dollars, which was different than Enthusiast Gaming Inc.'s functional currency of US dollars, warrants were presented as liability as the fixed for fixed criteria for equity classification was not met. Enthusiast Gaming Inc. incurred $61,267 of share issuance costs relating to this issuance, of which $42,267 had been capitalized as share issue costs, while $19,000 was expensed as they relate to the warrant liability. The warrants issued relating to this issuance were recorded as a warrant liability in the amount of $227,276. The fair value of the warrant liability in the amount of $227,276 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33, exercise price of $0.58, expected life of 1.92 years, annualized volatility of 105.4%, dividend yield of 0.0%, risk-free interest rate of 1.68%.

(ii) In addition, in December 2017, Enthusiast Gaming Inc. received $834,260 in respect of 1,775,022 units with similar terms as those disclosed in Note 9(i), which were not issued as of December 31, 2017 and as such, the value of the warrants in the amount of $240,093 in respect of these units had been recorded as a liability and the remaining amount of $594,167 as contributed surplus in the condensed consolidated interim statements of changes in shareholders' equity. The fair value of the warrant liability in the amount of $240,093 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33, exercise price of $0.58, expected life of 1.92 years, annualized volatility of 105.4%, dividend yield of 0.0%, risk-free interest rate of 1.68%. The shares were issued subsequent to December 31, 2017 year end and were reclassed from contributed surplus to share capital in the unaudited condensed consolidated interim statements of changes in shareholders' equity.

(iii) In November and December 2017, Enthusiast Gaming Inc. also received $1,369,444 of cash for 2,913,710 units with similar terms as those disclosed in Note 9 (i) and (ii), which were not issued as of December 31, 2017. The fair value of the warrants in the amount of $407,920 in respect of these units was recorded as a liability and the remaining amount of $961,524 as contributed surplus in the condensed consolidated interim statements of changes in shareholders' equity. The fair value of the warrant liability in the amount of $407,920 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33, exercise price of $0.58, expected life of 1.92 years, annualized volatility of 105.4%, dividend yield of 0.0%, risk-free interest rate of 1.68%. The shares were issued subsequent to December 31, 2017 year end and were reclassed from contributed surplus to share capital in the unaudited condensed consolidated interim statements of changes in shareholders' equity.

(iv) During the three months ended March 31, 2018, Enthusiast Gaming Inc. closed additional non-brokered private placement with several closings of 3,869,671 units at a price of $0.47 per unit for total gross proceeds of $1,818,745. 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. The fair value of the warrants in the amount of $535,466 in respect of these units was recorded as a liability and the remaining amount of $1,283,279 as share capital in the unaudited condensed consolidated interim statements of changes in shareholders' equity. The fair value of the warrant liability in the amount of $535,466 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33, exercise price of $0.58, expected life of 2.20 – 2.04 years, annualized volatility of 105.4%, dividend yield of 0.0%, risk-free interest rate of 1.79%. The Company also received $190,040 in gross proceeds as part of additional financing for which shares were issued subsequent to three months ended March 31, 2018.

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9. Share capital (continued)

(v) During the three months ended March 31, 2018, the Company issued 300,000 shares in respect to the acquisition of the assets of Destructoid LLC, which was completed in June 2017. The fair value of $53,575 was reclassified from contributed surplus to share capital in the unaudited condensed consolidated interim statements of changes in shareholders' equity.

(vi) As disclosed in Note 4, the Company entered into two asset acquisition transactions during the three months ended March 31, 2018, which required consideration in cash and common shares. The Company issued 87,734 common shares valued at $28,952 subsequent to three months ended March 31, 2018, which was recorded as contributed surplus in the unaudited condensed consolidated interim statements of changes in equity.

(vii) During the three months ended March 31, 2019, warrant holders of 791,790 warrants with an exercise price of $0.58 per share exercised their warrants for a total consideration of $459,238. As a result, fair value of the warrants in the amount of $485,386 was reclassed from warrant reserve to share capital for the underlying warrants exercised.

(viii) During the three months ended March 31, 2019, warrant holders of 169,647 warrants with an exercise price of $0.197467 per share, exercised their warrants for a total consideration of $33,500. As a result, fair value of the warrants in the amount of $103,916 was reclassed from warrant reserve to share capital for the underlying warrants exercised.

(ix) During the three months ended March 31, 2019, stock option holders of 120,000 stock options with an exercise price of $0.13 per share exercised their stock options for a total consideration of $15,600. As a result, an amount of $14,830 was credited from contributed surplus to share capital for the underlying options exercised.

10. Warrants

As discussed in Notes 8 and 9, each common share warrant entitles the holder to purchase one common share of the Company. The following table reflects the continuity of warrants as at March 31, 2019 and December 31, 2018:

Common share warrant activity	**March 31, 2019**		**Weighted average exercise price**	December 31, 2018		Weighted average exercise price
Balance – beginning of period	19,041,674	$	0.975	7,948,525	$	0.504
Issued	-		-	4,716,997		0.580
Issued	-		-	3,399,650		1.600
Issued	-		-	339,465		1.250
Exercised	-		-	(577,554)		(0.197)
Exercised	-		-	(189,036)		(0.580)
Issued	-		-	65,333		0.420
Exercised	-		-	(618,830)		(0.197)
Exercised	-		-	(382,954)		(0.580)
Exercised	-		-	(65,333)		(0.420)
Issued	-		-	1,580,007		0.197
Issued	-		-	2,835,000		2.000
Issued	-		-	540		1,000.000
Expired	-		-	(10,136)		(0.197)
Exercised (Note 9(viii))	(169,647)		(0.197)	-		-
Exercised (Note 9(vii))	(791,790)		(0.580)	-		-
Balance – end of period	**18,080,237**	**$**	**1.026**	19,041,674	$	0.975

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10. Warrants (continued)

The following table summarizes information about warrants outstanding as at March 31, 2019 and December 31, 2018:

Date of issuance	Date of expiry		Exercise price	March 31, 2019
April 10, 2017	April 10, 2019		0.197	67,102
June 13, 2017	June 13, 2019		0.197	101,288
June 30, 2017	June 30, 2019		0.197	35,449
November 30, 2017 to May 22, 2018	April 4, 2020		0.580	9,721,736
June 20, 2018	October 4, 2020		1.600	3,399,650
June 20, 2018	October 4, 2020		1.250	339,465
November 8, 2018	November 8, 2020		2.000	2,835,000
November 8, 2018	November 8, 2020		1000.000	540
December 31, 2018	December 31, 2020		0.197	1,580,007
		$	**1.026**	**18,080,237**

Date of issuance	Date of expiry		Exercise price	December 31, 2018
February 14, 2017	February 14, 2019	$	0.197	50,646
April 10, 2017	April 10, 2019		0.197	84,826
June 12, 2017	June 12, 2019		0.197	101,282
June 13, 2017	June 13, 2019		0.197	101,283
June 30, 2017	June 30, 2019		0.197	35,449
November 30, 2017 to May 22, 2018	April 4, 2020		0.580	10,513,526
June 20, 2018	October 4, 2020		1.600	3,399,650
June 20, 2018	October 4, 2020		1.250	339,465
November 8, 2018	November 8, 2020		2.000	2,835,000
November 8, 2018	November 8, 2020		1000.000	540
December 31, 2018	December 31, 2020		0.197	1,580,007
		$	0.975	19,041,674

11. Stock options

The Company has a stock option plan (the "plan") for directors, officers, employees and consultants of the Company. The number of common shares that may be set aside for issuance under the plan (and under all other management stock option and employee stock option plans) is limited to ten percent (10.0%) of the outstanding common 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. The board of directors has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company and provided that the Company complies with the provisions of policies, rules and regulations of applicable securities legislation.

Any common shares subject to a stock option, which for any reason is cancelled or terminated prior to exercise, will be available for a subsequent grant under the plan, subject to applicable regulatory requirements.

Stock options granted under the plan may be exercised during a period not exceeding ten years from the date of grant, subject to earlier termination on the termination of the optionee's employment, on the optionee's ceasing to be an employee, officer or director of the Company or any of its subsidiaries, as applicable, or on the optionee's retiring, becoming permanently disabled or dying, subject to certain grace periods to allow the optionee or his or her personal representative time to exercise such stock options. The stock options are non-transferable. The plan contains provisions for adjustment in the number of common shares issuable thereunder in the event of the subdivision, consolidation, reclassification or change of the common shares, a merger or other relevant changes

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11. Stock options (continued)

in the Company's capitalization. The board of directors may, from time to time, amend or revise the terms of the plan or may terminate the plan at any time.

The following table shows the movement in the stock option plan:

	March 31, 2019			December 31, 2018		
Measurement date	**Number of options**	**Weighted average exercise price**	**Weighted average grant date value**	Number of options	Weighted average exercise price	Weighted average grant date value
	#	**$**	**$**	#	$	$
Outstanding, beginning of period	3,710,274	0.19	0.24	4,668,472	0.16	0.19
Granted	-	-	-	186,190	0.64	0.84
Exercised	(120,000)	(0.13)	(0.13)	(1,144,388)	(0.13)	(0.13)
Outstanding, end of period	**3,590,274**	**0.20**	**0.24**	3,710,274	0.19	0.24
Options exercisable, end of period	**3,130,455**	**0.18**	**0.24**	3,072,360	0.18	0.23

The following table summarizes information about the stock options outstanding and exercisable as March 31, 2019:

	Options outstanding				Options exercisable		
Exercise price	Number of stock options outstanding	Weighted average exercise price per share	Weighted average remaining contractual life	Weighted average grant date fair value	Number of stock options exercisable	Weighted average exercise price per share	Weighted average grant date fair value
$	**#**	**$**	**Years**	**$**	**#**	**$**	**$**
0.13	1,326,923	0.13	1.66	0.12	1,326,923	0.13	0.12
0.20	2,090,780	0.20	3.63	0.27	1,649,711	0.20	0.27
0.42	122,571	0.42	3.55	0.84	122,571	0.42	0.84
1.25	50,000	1.25	4.62	0.82	31,250	1.25	0.82
Total	**3,590,274**	**0.20**	**2.87**	**0.24**	**3,130,455**	**0.18**	**0.24**

During the three months ended March 31, 2019, the Company recognized $28,329 in share-based compensation (three months ended March 31, 2018 - $69,913).

12. 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, Chief Operating Officer, Chief Financial Officer and Chief Information Officer. Compensation of key management personnel may include short-term and long-term benefits. Short-term benefits include salaries and bonuses. Share-based compensation include warrants and stock options vested during the period.

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12. Related party transactions and balances (continued)

Compensation provided to current and former key management are as follows:

	Three months ended March 31,	
	2019	2018
	$	$
Short-term benefits	**100,833**	206,583
Share-based compensation	**28,329**	60,730
	129,162	267,313

	Three months ended March 31,	
	2018	2017
	$	$
Total transactions during the period:		
Professional and consulting expense	**63,365**	27,587

	March 31, 2019	December 31, 2018
Loans receivable	**204,420**	191,283
Accounts payable and accrued liabilities	**22,750**	24,912

During the three months ended March 31, 2019, the Company paid consulting fees to the executive officers and their companies in the amount of $40,615 (three months ended March 31, 2018 - $27,587). During the three months ended March 31, 2019, the Company also paid consulting fees to two directors in the amount of $22,750 (three months ended March 31, 2018 - $nil).

As at March 31, 2019, the Company also have loans receivable due from the Chief Executive Officer, Chief Operating Officer and Chief Information Officer in the amount of $58,004, $55,265 and $47,996, respectively (December 31, 2018 - $49,000, $49,000 and $49,000, respectively). The loans receivable bears interest at bank's prime interest rate (March 31, 2019 – 3.95%) and matures on August 1, 2019. The Company also has an additional loan receivable from the Chief Executive Officer in the amount of $43,155 (December 31, 2018 - $44,283), which bears interest at bank's prime interest rate (March 31, 2019 – 3.95%) and matures on August 31, 2020.

As at March 31, 2019, $22,750 (December 31, 2018 - $24,912) was due to related parties for unpaid expenses, unpaid salaries and consulting fees.

13. Capital management

The Company considers its capital structure to consist of shareholders' equity, long-term debt and convertible debenture. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the acquisition, exploration and development of its business. The Board of Directors does 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.

The Company is a development stage entity; as such the Company is dependent on external equity financing to fund its activities. In order to carry out the planned operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended March 31, 2019 and 2018. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

(Unaudited – Expressed in Canadian Dollars)

13. Capital management (continued)

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company's ability to raise future capital is subject to uncertainty and the inability to raise such capital may have an adverse impact over the Company's ability to continue as a going concern (Note 2).

14. Financial instruments

Fair values

The fair values of the cash, cash in trust, investments, trade receivables, loans receivable from related parties, accounts payable and accrued liabilities, long-term debt, lease liability and convertible debentures approximate their carrying values due to the relatively short-term nature of these financial instruments.

Cash and cash equivalents are comprised of:

	March 31, 2019	December 31, 2018
	$	$
Cash at bank and on hand	**10,123,505**	11,642,304
Cash in trust	**70,658**	270,387
	10,194,163	11,912,691

Cash includes demand deposits with financial institutions and cash equivalents consist of short-term, highly liquid investments purchased with original maturities of three months or less. As at March 31, 2019 and December 31, 2018, the Company had no cash equivalents.

Total interest income and interest expense for financial assets or financial liabilities that are not at fair value through profit or loss can be summarized as follows:

	Three months ended March 31,	
	2019	2018
	$	$
Interest income	**(2,784)**	-
Interest expense	**319,083**	3,323
Net interest expense	**316,299**	3,323

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, foreign currency risk, interest rate risk and market risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations.

(Unaudited – Expressed in Canadian Dollars)

14. Financial instruments (continued)

Credit risk (continued)

The Company's maximum exposure to credit risk for its trade receivables is summarized as follows:

	March 31, 2019	December 31, 2018
	$	$
Trade receivables aging:		
0-30 days	**1,332,848**	1,071,883
31-60 days	**39,508**	41,640
61-90 days	**-**	797,105
Greater than 90 days	**264,712**	493,945
	1,637,068	2,404,573
Expected credit loss provision	**(40,342)**	(41,186)
Net trade receivables	**1,596,726**	2,363,387

The movement in the expected credit loss provision can be reconciled as follows:

	March 31, 2019	December 31, 2018
	$	$
Expected credit loss provision:		
Expected credit loss provision, beginning balance	**(41,186)**	-
Net provision used (recorded) during the period	**844**	(41,186)
Expected credit loss provision, ending balance	**(40,342)**	(41,186)

The following default rates are used to calculate the expected credit loss provision ("ECLs") on trade receivables as at March 31, 2019:

	Total	**Not past due**	**Over 30 days past due**	**Over 60 days past due**	**Over 90 days past due**
Default rates		0.29%	2.83%	1.88%	13.3%
Trade receivables	**$ 1,637,068**	$ 1,332,848	39,508	$ -	$ 264,712
Expected credit loss provision	**$ 40,342**	$ 3,917	$ 1,117	$ -	$ 35,308

All of the Company's cash and cash equivalents are held with a major Canadian financial institution and thus the exposure to credit risk is considered insignificant. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to trade receivables.

Concentration risk

As at March 31, 2019, the Company had four customers which accounted for approximately 61.65% of its trade receivables, with these four customers also accounting for 43.03%, 14.04%, 12.25% and 9.65% of revenues, respectively, for the three months ended March 31, 2019.

As at December 31, 2018, the Company had four customers which accounted for approximately 61.30% of its trade receivables, with these four customers also accounting for 30.03%, 11.80%, 11.29% and 10.31% of revenues, respectively, for the year ended December 31, 2018.

14. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements. The Company coordinates this planning and budgeting process with its financing activities through its capital management process.

The Company holds sufficient cash and cash equivalents and working capital, maintained through stringent cash flow management, to ensure sufficient liquidity is maintained. Maturity analysis of liabilities which are due in next twelve months can be summarized as follows:

	March 31, 2019	December 31, 2018
	$	$
Accounts payable and accrued liabilities	**2,786,055**	3,500,232
Long-term debt	**7,457**	9,960
Lease liability	**20,542**	-
	2,814,054	3,510,192

Foreign currency risk

A large portion of the Company's transactions occur in a foreign currency (mainly in US dollars) and, therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its U.S. denominated trade receivables, accounts payable and cash. As at March 31, 2019, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would have resulted in an approximate $325,000 (December 31, 2018 - $198,000) decrease or increase, respectively, in total loss and comprehensive loss.

Interest rate risk

The Company has no significant exposure as at March 31, 2019 to interest rate risk through its financial instruments.

15. Segment disclosures

The Company operates in one industry segment of digital media and entertainment. The majority of the Company's assets are located in Canada and the United States ("US"). The Company sells into three major geographic centers: United States of America ("USA"), Canada and other foreign countries. The Company has determined that it has a single reportable segment as the Company's decision makers review information on a consolidated basis.

Revenues for various services is summarized below for the three months ended March 31, 2019 and 2018:

	Three months ended March 31,	
	2019	2018
	$	$
Advertising revenue	**2,060,709**	1,571,769
Ticket sales	**-**	436,519
	2,060,709	2,008,288

15. Segment disclosures (continued)

The sales, in Canadian dollars, in each of these geographic locations for the three months ended March 31, 2019 and 2018 are as below:

	Three months ended March 31,	
	2019	2018
	$	$
USA	**1,139,572**	980,056
Canada	**94,793**	497,950
All other countries	**826,344**	530,282
	2,060,709	2,008,288

The non-current assets, in Canadian dollars, in each of the geographic locations as at March 31, 2019 and December 31, 2018 are below:

	March 31, 2019	December 31, 2018
	$	$
Canada	**1,060,043**	1,166,690
USA	**446,654**	539,139
	1,506,697	1,705,829

16. Subsequent events

(i) In April 2019, the Company granted 955,000 stock options to purchase common shares of the Company to employees, management, officers and consultants of the Company. Each of the stock options issued will be exercisable at $1.25 and has a term of five years. All stock options granted are pursuant to the Company's Stock Option Plan (the "Plan") and shall vest and become fully exercisable as one-third on the date of grant, one-third on the first anniversary and the remaining one-third on the second anniversary of the date of grant (subject to a longer vesting period for certain new employees in the discretion of the Chief Executive Officer of the Corporation).

(ii) In April 2019, the Company has through a wholly-owned subsidiary, signed a definitive agreement to purchase 20% of the issued and outstanding shares ("Purchased Shares") in Waveform Entertainment Inc. ("Waveform") for an aggregate consideration of $1,680,000 (the "Subscription Price"). Waveform is a leading esports broadcast and production company specializing in the organization of premium esports tournaments world-wide. Enthusiast has also secured an irrevocable option, at its sole discretion, to acquire a 100% interest in Waveform. (the "Buy-Out Option").

The Purchased Shares will be purchased pursuant to the terms of a share subscription agreement (the "Agreement"), among Waveform and a wholly owned subsidiary of Enthusiast created for the purpose of the transaction. Pursuant to the Agreement, Enthusiast agreed to purchase the Purchased Shares in three tranches: (i) on April 4, 2019, Enthusiast purchased 40.5% of the Purchased Shares for a portion of the Subscription Price, being $680,000.00; (ii) Enthusiast agreed to purchase, on or before (as decided by Enthusiast) October 4, 2019, 29.75% of the Purchased Shares for a portion of the Subscription Price, being $500,000.00; and (iii) Enthusiast agreed to purchase, on or before (as decided by Enthusiast) June 3, 2020, 29.75% of the Purchased Shares for a portion of the Subscription Price, being $500,000.00.

17. Subsequent events (continued)

Waveform and Enthusiast also entered into a Shareholders' Agreement for Waveform (the "Shareholders' Agreement"). The aggregate purchase price for all Waveform's shares, if the Buy-Out Option is exercised by Enthusiast shall be equal to the greater of: (i) four (4) times Waveform's gross revenue (as defined in the Shareholders' Agreement), multiplied by eighty percent (80%); or (ii) $7,680,000 (the "Option Purchase Price"). The Option Purchase Price will be subject to agreed adjustments. The purchase of the Purchased Shares on the two remaining tranches, as well as the exercise of the Buy-Out Option (if exercised by Enthusiast) are subject to obtainment of all applicable regulatory approvals (including by the TSX Venture Exchange).

(iii) In April 2019, the Company entered into a Senior Convertible Debenture Purchase Agreement (the "Agreement") to invest in Addicting Games Inc. ("Addicting Games"), one of the largest online game networks in the United States. Under the Agreement, Enthusiast will invest US$1.5 million by way of a 3-year secured convertible debenture (the "Debenture") with interest accruing at 2% per annum which is convertible into equity at the value of Addicting Games' next equity raise. Enthusiast invested in Addicting Games to capitalize on the rapidly growing .io games sector and a new niche of lifestyle gamer that the network currently doesn't reach.

(iv) In January 2019, the Company through a wholly-owned subsidiary, signed a definitive agreement (the "Agreement") to acquire 100% of the assets of The Sims Resource ("TSR") from Generatorhallen AB and IBIBI HB (the "Vendors") on an arm's length basis for US$18 million in cash and US$2 million in common shares for an aggregate purchase price of US$20 million (the "Purchase Price"). Thirty percent (30%) of the Purchase Price is payable on closing and the balance payable by the first anniversary date of closing, subject to certain customary adjustments. Completion of this acquisition is subject to satisfaction of a number of customary conditions, including the approval of the TSX Venture Exchange. The acquisition closed on April 12, 2019. The Company is still in the process of gathering information to perform a preliminary purchase price allocation.