



Enthusiast Gaming Holdings Inc.

**Management's Discussion and Analysis
For the three month period ended March 31, 2019**



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Management Discussion and Analysis

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Management's Discussion And Analysis

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

The following information should be read in conjunction with the Company's condensed consolidated interim financial statements for the three months ended March 31, 2019 and the notes to those condensed consolidated interim financial statements, all of which are available on Enthusiast's issuer profile on SEDAR at www.sedar.com.

The date of this management's discussion and analysis ("MD&A") is May 30, 2019. The Company's comparative amounts in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are stated in Canadian Dollars unless otherwise indicated.

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

Cautionary Statement Regarding Forward-Looking Information

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

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

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Description of Enthusiast Gaming Holdings Inc.

Enthusiast (TSXV: EGLX, OTCQB: EGHIF), is a gaming company building the largest community of authentic lifestyle gamers. The Company has an online network of over 80, owned and affiliated, gaming related websites and a network of 900 YouTube channels reaching 150 million visitors. The Company also owns and operates Canada's largest video-gaming expo, Enthusiast Gaming Live Expo "EGLX". Between its online digital media properties, its network of partner websites, and video gaming expo, Enthusiast engages gaming enthusiasts worldwide. The Company was incorporated February 27, 2017 under the Canada Business Corporations Act and listed on the Toronto Venture Stock Exchange (the "Exchange") on October 4, 2018 under the symbol "EGLX" and listed on the OTCQB under the symbol "EGHIF" on January 23, 2019.

Business Products and Services

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

Content

The network contains news, reviews, videos, live streams, blog posts, tips, chats, message boards, and other video-gaming related content. Central to Enthusiast's ability to create valuable advertising space is the ability to both develop content rich digital media and foster the interaction and contributions from the community with gaming rich content. Enthusiast possesses a network of full and part-time content creators to develop robust, regular content updates across its platform which focus on new developments in the world of video games, in the form of videos, articles, blog posts, and other content.

Gaming communities are drawn to different aspects and forms of content on Enthusiast's network of websites. Part of Enthusiast's strategy is to acquire profitable video gaming websites with differentiating content from the current portfolio, providing valuable, relevant content for any gaming enthusiast.

Advertising

For any publishing company, the key mission is to build a dedicated following of engaged visitors and brands are looking for high levels of engagement within a target market to run successful advertising campaigns. Enthusiast has amassed a network of engaged, lifestyle gamers that has become a leading advertising platform for brands targeting the gamer demographic. Enthusiast's network is generating over 30 billion advertisement ("ad") requests a month which are exclusively monetized by the Company. The majority of Enthusiast's revenue is driven by programmatic advertising across the platform. Enthusiast has built out a direct sales team to foster key relationships and drive revenue. The direct sales team is also responsible for developing long term clients looking for integrated advertising solutions across Enthusiast's brands.

Events

Enthusiast started in person gaming meet ups in 2014 at a local pub in Toronto to engage the gaming community through personal interactions. As the meet ups continued to grow in popularity and size, the venue also grew to accommodate the increase in numbers. These small meet ups quickly escalated to a university, and then eventually, to an exhibition hall. Over the years, these meet ups graduated into EGLX.

In 2018, over 55,000 people attended EGLX and the Company continues to explore opportunities to grow its events division to coincide with the significant growth of its network online.

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

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 (the “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 closing of the Amalgamation, the Company had 43,479,785 Common Shares issued and outstanding and 19,027,672 Common Shares reserved for issuance. The Common Shares reserved for issuance include 15,353,779 warrants and 3,673,893 stock options. As at the date of the Transaction, the former shareholders of EG Inc. owned approximately 96.8% of the Common Shares and shareholders of the former Tova Ventures II Inc. held appropriately 3.2% of the Common Shares. Additionally, upon the completion of the Transaction, the former 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.

In anticipation of the Transaction, EG Inc. closed securities offering of 6,799,300 units at a price of \$1.25 per unit (“RTO Unit”) for total gross proceeds of \$8,499,125. Each RTO Unit is comprised of one common share and one-half of one common share purchase warrant (each full common share purchase warrant, an “RTO Warrant”). The RTO Warrants are exercisable for \$1.60 per common share from the date of issuance until such date as is 24 months following the completion of a going-public transaction, subject to adjustment and acceleration.

Directors and Executive Team

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

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

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

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Listing on the Toronto Venture Stock Exchange

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

Listing on the OTCQB

On January 23, 2019, the Company’s common shares commenced trading on the OTCQB Venture Market (“OTCQB”), under the symbol “EGHIF”. Currently, over half of the network traffic is generated from the US and many of Enthusiast’s key partners and affiliates are US based, making the OTCQB listing an exciting next step in the Company’s North American expansion strategy.

Enthusiast Gaming Strategic Growth Priorities

Fiscal 2018 was a transition year for Enthusiast. The Company completed seven strategic acquisitions, raised more than \$20,000,000 in capital, completed its go public transaction via RTO (reverse take-over), increased revenue by 223% and attracted 54,000 gaming enthusiasts to its live events. Perhaps the most important accomplishment of the year; however, was laying the foundation to building the leading, vertically integrated video gaming media and esports company.

Seeds were planted in 2018 that ultimately led to three significant events in the first half of 2019 including; (1) the acquisition of The Sims Resource, the largest female video gaming website in the world, with over 2.5 billion monthly page views, (2) North American sales expansion with the opening of a US based sales office to capitalize on the epicentre of the video game publisher and advertising markets, and (3) significant investments in Waveform Entertainment, a leading esports broadcast and production company specializing in the organization of premium esports tournaments world-wide and Addicting Games, one of the largest multi-player, online game networks in the United States.

Gains in publisher growth in the Enthusiast advertising network, significant momentum achieved in the Company’s live events in 2018 combined with the recent events in 2019 have positioned Enthusiast to capitalize on the rapidly growing video game market.

Publisher Growth

Since early 2016, a main pillar of the Company’s core strategy has been consistent and focused building of its publisher advertising network. At December 31, 2018 the Company managed the advertising sales and monetization of more than 80 publisher sites, 900 YouTube channels and will continue to add several larger website to the Enthusiast network in 2019.

Acquisitions

Enthusiast’s defined growth strategy consists of continued organic growth and strategic growth through accretive acquisitions which will increase EBITDA and top line revenue. Following successful acquisition in 2017 (Destructoid), the Company completed eight more acquisitions in 2018 and 2019 including:

On February 5, 2018, the Company acquired all the assets of Pixelfame LLC (“Pixelfame”). Pixelfame assets consist of a suite of video game content focused Facebook pages.

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

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On March 7, 2018 – Enthusiast acquired all the assets of www.dailyesports.tv (“Dailyesports”). Dailyesports is an online content platform covering the latest news and opinions about the E-Sports industry. The acquisition of Dailyesports greatly increases Enthusiast’s coverage of the esports industry.

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

On July 4, 2018 - Enthusiast acquired the IncGamers Brand (“IncGamers”), which includes the PC Invasion and Diablo brands, and all related assets. IncGamers is a leading online video game news, analyst, opinion, and overall entertainment venue for gamers.

On July 31, 2018 - Enthusiast acquired Escapist Magazine (“Escapist”), a leading online magazine covering mostly video games as well as movies, comics, TV, and more.

On November 13, 2018 - Enthusiast acquired the assets of Operation Sports LLC, one of the largest online sports video gaming news and community forums, through the Company’s wholly-owned subsidiary, EG Inc.

On March 13, 2019 – Enthusiast acquired Planet Destiny, a leading news outlet providing comprehensive information pertaining to the Destiny franchise.

Revenue Optimization

Since its inception, the Company has been developing its know how in the area of adtech and programmatic optimization tools, through a combination of internal development and third-party software tools. Further, in 2018 the Company entered into several new supply side platform (SSP) relationships that contributed to increases in sell through rates and revenue performance. The Company continues to invest in new adtech tools and expertise and expects to be able to achieve further revenue optimization in 2019.

Live Event Activations

Following the buyout of its 50/50 joint venture partner in late 2017, the Company’s wholly-owned EGLX subsidiary successfully hosted two major events in 2018. The first event was held at The International Centre in March which attracted 24,000 attendees and exhibitors and welcomed Bell Canada as its title sponsor for the first time. Building on the momentum, the Company moved its event to the larger Metro Toronto Convention Centre in October and welcomed over 30,000 more attendees and exhibitors over the three-day event, selling out on Saturday and reaching venue capacity.

The October 2018 EGLX expanded its sponsorship partners to include, Bell, Nintendo, Warner Brothers, Alibaba, eBay, LG, HP, Microsoft, Cineplex, Sun Life Financial and OverActive Media, while also hosting Canada’s largest esports tournament, WESG Finals - the World Electronic Sports Games “WESG”, Olympic-style esports competition. EGLX attendees had the opportunity to meet and play with celebrities and gaming enthusiasts including Mitch Marner of the Toronto Maple Leafs, Greg Miller and Nick Scarpino of Kinda Funny, Naomi Kyle of Everybody Games, and the Heads-Up Daily team.

Combined, the two 2018 events reached over 1 million online viewers, watching live streams of its esports competitions on Twitch as well as the Company’s digital properties. Plans are already underway on the EGLX 2019 season which are expected to include a number of preliminary events leading up to a larger event in October in Toronto. Further, the Company is actively exploring a US expansion for its Live events in 2020. Subsequent to the year-end, Enthusiast announced it had agreed to purchase a 20% interest in Waveform Entertainment (“Waveform”), a leading esports broadcast and production company specializing in the organization of premium esports tournaments world-wide.

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Significant Events During First Quarter, and Subsequent Events after the Three Months

January 7, 2019 – Enthusiast announced the acquisition of The Sims Resource (TSR), the largest female video gaming website in the world, with over 2.5 billion monthly page views. On April 12, 2019, Enthusiast closed the acquisition of The Sims Resource.

January 23, 2019 - Enthusiast entered into a representation agreement with Blue Ant Media and Omnia Media (Blue Ant subsidiary). The Company will represent all Omnia Media’s platform of YouTube channels which creates, manages and operates a multi-channel YouTube network that distributes premium, original content targeting the video game and millennial segments. With over 50 million monthly visitors, 400 million subscribers across 900 channels, Omnia’s network is one of the most highly visited destinations on YouTube for video game related content.

February 6, 2019 – Enthusiast opened a San Francisco sales office and on April 1, 2019 welcomed its first LA based senior sales representative to drive advertising sales and brand partnerships with in the highly coveted California market, where a large number of ad agencies and game publishers are located.

March 5 and 7, 2019 - Enthusiast announced dates for EGLX 2019 to be held on October 18-20, 2019 at the Metro Toronto Convention Centre. Second, Enthusiast launched its own esports tournament and entertainment series, called “EGLX Rising Stars”. The series will leverage the distribution of its online network and the tens of thousands of attendees at its live video game expo, EGLX. The tournament will begin this summer and end with grand finals at EGLX 2019 in October.

March 20, 2019 – Enthusiast Ranked as Fastest Growing Gaming Information Property by ComScore with 324% Growth in Total YoY Page Views.

April 9, 2019 - Enthusiast entered into agreement to purchase 20% interest in Waveform Entertainment (“Waveform”), 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.

April 11, 2019 - Enthusiast invested in Addicting Games, one of the largest multi-player, online game networks in the United States. The Company also announced a representation agreement in which Enthusiast will exclusively monetize 100% of the 10 million gamers Addicting Games reaches monthly.

April 12, 2019 – Enthusiast closed The Sims Resources transaction

April 30, 2019 – Enthusiast filed 2018 Audited Financial Statements and reports revenue of \$11 million

On May 9, 2019 - Enthusiast entered into exclusive representation agreement with RankedBoost, a leading online video game resource and guide website.

Non Brokered Convertible Debenture Private Placement

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

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

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

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

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

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

Other Significant Equity Issuances

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:

- 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%.

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- In addition, in December 2017, Enthusiast Gaming Inc. received \$834,260 in respect of 1,775,022 units with similar terms as those disclosed above 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 reclassified from contributed surplus to share capital in the condensed consolidated interim statements of changes in shareholders' equity.
- 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 above, 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 reclassified from contributed surplus to share capital in the condensed consolidated interim statements of changes in shareholders' equity.
- 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 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.
- 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 condensed consolidated interim statements of changes in shareholders' equity.
- 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 condensed consolidated interim statements of changes in equity.
- 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 reclassified from warrant reserve to share capital for the underlying warrants exercised.

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- 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 reclassified from warrant reserve to share capital for the underlying warrants exercised.
- 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.

Proposed Transactions

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

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Financial Review

The following financial data prepared in accordance with IFRS in Canadian dollars is presented for the three month period ended March 31, 2019 and 2018.

	Three months ended March 31,	
	2019	2018
Revenue	\$ 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	316,299	3,323
Foreign exchange gain	(243,664)	-
Gain on revaluation of warrant liability	-	(110,928)
Share-based compensation	28,329	69,913
Amortization and depreciation	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

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Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Revenues

For the three months ended March 31, 2019, revenue increased 3% to \$2,060,709 (\$2,060,709 – digital advertising revenue) compared to \$2,008,288 (\$1,571,769 digital advertising revenue) for the three months ended March 31, 2018, representing an increase of 31% of digital advertising revenue. During the three months ended March 31, 2019, 100% of the Company’s revenue was comprised of digital advertising revenue as there was no EGLX live event in the period as it is scheduled for October 2019. The increase in revenue growth between the two periods was generated via organic growth, both through increases in the number of websites in the Enthusiast Network as well as the Company achieving higher sell-through rates via economies of scale.

Category revenue

	Three months ended March 31,	
	2019	2018
Advertising revenue	\$ 2,060,709	\$ 1,569,345
Ticket sales - EGLX live event	-	438,943
Total revenue	\$ 2,060,709	\$ 2,008,288

The decrease of revenue from the three months ended December 31, 2018 is due to lower advertising rates particularly around seasonality of Black Friday and the December Holiday spending period.

Cost of sales

For the three months ended March 31, 2019, cost of sales amounted to \$1,939,994 compared to \$2,267,774 for the three months ended March 31, 2018. The decrease in cost of sales between the two periods is as a result of no EGLX live event being held in the first quarter of 2019. Additionally, gross margin as a percentage of sales increased to 6% from (-13%) as the Company realized economies of scale and cost of sales optimization initiatives.

Category cost of sales

	Three months ended March 31,	
	2019	2018
Advertising cost of sales	\$ 1,939,994	\$ 1,397,320
ELGX live event cost of sales	-	870,454
Total cost of sales	\$ 1,939,994	\$ 2,267,774

Expenses

For the three months ended March 31, 2019, expenses amounted to \$2,280,564 compared to \$1,314,985 for the three months ended March 31, 2018. The increase is primarily due to the scaling up of operations, specifically advertising and promotion, content creation, salaries and wages, and technology support and web development required to meet the Company’s strategic growth initiatives. The Company incurred one-time expenses in the quarter including legal, regulatory, professional fees, in addition to one-time due diligence costs associated with its acquisition pipeline.

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Net loss for the period

For the three months ended March 31, 2019, the net loss amounted to \$2,159,849 compared to a net loss of \$1,574,471 for the three months ended March 31, 2018. The increase in the loss in the first quarter of 2019 is a result of the scaling up of operations generated via organic growth through increases in the number of websites in the Enthusiast Network and respective authentic content creation, in addition to no EGLX live event held in the three months ended March 31, 2019.

Quarterly Financial Information

The following table summarizes the results of our operations for the eight most recently completed fiscal quarters. This unaudited quarterly information has been prepared in accordance with IFRS. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
(Unaudited)								
Sales	2,060,709	3,583,005	2,818,337	2,561,225	2,008,288	2,375,754	659,333	298,739
Net loss and comprehensive loss	(2,501,497)	(9,029,079)	(8,142,580)	32,208	(1,670,083)	(165,271)	(267,568)	(296,804)
Net loss and comprehensive loss per share	(0.06)	(0.21)	(0.23)	0.00	(0.06)	(0.11)	(0.02)	(0.02)

Capital Resources

At March 31, 2019 the Company's capital resources consist primarily of cash and cash equivalents, accounts receivables and other receivables and prepaid expenses.

Off Balance Sheet Arrangements

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

Transactions Between Related Parties

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors, Chief Executive Officer, 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. Compensation earned by key management for the three months ended March 31, 2019 and 2018, are as follows:

	For the 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

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).

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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.

Financial Instruments and Financial Risk Exposures

The Company's financial instruments consist of cash, cash in trust, investments, trade and other receivables, loans receivable from related parties, accounts payable and accrued liabilities, long-term debt, lease liability and convertible debentures. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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

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

a) Credit Risk

The Company's maximum exposure to credit risk for its trade receivables as at March 31, 2019 is \$1,596,726 (December 31, 2018 - \$2,363,387).

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.

b) 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.

c) Liquidity Risk

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.

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d) 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.

e) Interest Rate Risk

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

f) Fair Values

The fair values of the cash, cash in trust, 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.

Critical Estimates and Judgements

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:

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.

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.

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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.

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.

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.

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.

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.

New Accounting Policies Adopted

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.

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
Depeiciation recognized to date	-
Net book value as at January 1, 2019	\$ 66,741
<hr/>	
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.

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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.

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.

Other Information

This MD&A was prepared as of May 30, 2019. As at this date the Company has 50,496,802 common shares. Additionally, the cash balance as at this date was \$1,603,190.

Risks and Uncertainties

Enthusiast has a limited operating history

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

Uncertainty of future revenues

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

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

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

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

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

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Reliance on advertisers for revenue

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

Enthusiast depends on third parties, including users and content providers

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

Enthusiast may be unable to complete favourable acquisitions

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

Limited long-term agreements for advertising revenue

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

Brand development

The brand identity that Enthusiast has developed has significantly contributed to the success of its business. Maintaining and enhancing the "Enthusiast" brand is critical to expanding Enthusiast's user base, network of publishers, and advertisers. Enthusiast believes that the importance of brand recognition will increase due to the relatively low barrier to entry in the industry. The "Enthusiast" brand may be negatively impacted by a number of

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factors, including software malfunctions, delivery of incorrect information, and data privacy and security issues. If Enthusiast fails to maintain and enhance its brand, or if Enthusiast incurs excessive expenses in this effort, it could have a material adverse effect on Enthusiast's prospects, business, financial condition, and results of operations. Maintaining and enhancing the "Enthusiast" brand will depend largely on Enthusiast's ability to continue to provide high-quality products and services, which Enthusiast may not continue to do successfully.

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

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

Risk Factors Related to Enthusiast's Business Model and Use of Technology

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

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

Users may use ad-blockers

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

Enthusiast IP may be subject to misappropriation

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

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

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

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

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

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

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

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

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

Regulation

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

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

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

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

As a reporting issuer, the Resulting Issuer will be subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the listing requirements of the TSXV and other applicable securities rules and regulations. Compliance with these rules and regulations will increase the Resulting

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

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Enthusiast intends to continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue generating activities to compliance activities. If its efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against the Resulting Issuer and the Resulting Issuer's business may be adversely affected.

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

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

Reliance on third party owned communication networks

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

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

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

Security of Enthusiast's digital media properties

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

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

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

- actual or anticipated quarterly fluctuations in its operating results and financial condition;
- changes in financial estimates or publication of research reports and recommendations by financial analysts with respect to it or other financial institutions;

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

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

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

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

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

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

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

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

Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis

For the three month period ended March 31, 2019

Currency fluctuations

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

Historical Losses and Negative Operating Cash Flows

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

MD&A Preparation

This MD&A was prepared as of May 30, 2019. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the three months ended March 31, 2019. This MD&A is intended to assist the reader's understanding of the Company and its' operations, business, strategies, performance and future outlook from the perspective of management. The documents mentioned above, as well as news releases and other important information may be viewed through the SEDAR website at www.sedar.com.

Managements Responsibility for Financial Statements

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

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

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