



**Enthusiast**  
G A M I N G

CREATORS | COMMUNITIES | CONTENT | EXPERIENCES

# **THE BUSINESS OF GAMING**



**Enthusiast Gaming Holdings Inc.**

Management's Discussion and Analysis  
For the Year Ended December 31, 2023

# Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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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. (the "Company" or "Enthusiast Gaming" or "we" or "our"). The following information should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2023, and 2022 and accompanying notes, all of which are available on Enthusiast Gaming's issuer profile on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

The date of this management's discussion and analysis ("MD&A") is April 1, 2024. Unless otherwise indicated, all financial data in this MD&A has been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. This MD&A has been prepared pursuant to the disclosure requirements under National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. All dollar amounts are stated in Canadian Dollars unless otherwise indicated.

## 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.

## NON-GAAP MEASURES

There are measures included in this MD&A that do not have a standardized meaning under generally accepted accounting principles ("GAAP") and therefore may not be comparable to similarly titled measures and metrics presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. In particular, "working capital", "EBITDA" and "Adjusted EBITDA" are non-GAAP measures. Enthusiast Gaming includes these measures because it believes certain investors use these measures and metrics as a means of assessing financial performance and that such measures highlight trends in the Company's financial performance that may not otherwise be apparent when one relies solely on GAAP measures.

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### NON-GAAP MEASURES (Continued)

The non-GAAP measure presented in this MD&A are:

- “working capital”, which is defined as current assets minus current liabilities;
- “EBITDA”, which is defined as earnings before interest, taxes, depreciation and amortization. Enthusiast Gaming calculates EBITDA using gross margin less total operating expenses plus share-based compensation, amortization and depreciation and annual general meeting legal and advisory costs; and,
- “Adjusted EBITDA”, which is defined as EBITDA plus severance and other non-recurring public costs. Non-recurring costs include items such as the annual Nasdaq listing fees and annual directors and officers (“D&O”) liability insurance specific to the Company’s former listing on Nasdaq.

Non-GAAP measures should not be considered in isolation or as a substitute for revenue, net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP, and may not be comparable to similarly titled measures used by other companies.

### DESCRIPTION OF ENTHUSIAST GAMING HOLDINGS INC.

Enthusiast Gaming is building a scaled media platform for gamers to connect and engage worldwide. Through its proprietary mix of digital media and entertainment assets, Enthusiast Gaming has built a vast network of engaged communities to deliver the ultimate gamer experience. This vertically integrated media platform engages a diverse, youthful and affluent audience who are watching, reading and consuming gaming content. Around 80%<sup>1</sup> of Enthusiast Gaming’s audience is comprised of Gen Zs and Millennials who rely on the Enthusiast Gaming platform to learn, engage, communicate, create, and share gaming related content.

Between its online digital media properties, its network of partner websites and video channels, its library of web and mobile casual games, its video gaming expo, and its esports organization (Luminosity Gaming Inc., “Luminosity Gaming” or “Luminosity”), the Company has become the #1 Gaming Property in the U.S. according to Comscore.<sup>2</sup>

Enthusiast Gaming was incorporated under the Business Corporation Act (British Columbia) on June 27, 2018. The Company is a publicly traded company listed on the Toronto Stock Exchange (“TSX”) and previously traded on the Nasdaq Capital Market (see *Nasdaq Minimum Bid Price Requirement*) under the symbol “EGLX”. On October 23, 2023, the Company announced that it has notified the Nasdaq Stock Market LLC (“Nasdaq”) of its intention to voluntarily delist its common shares from the Nasdaq Capital Market. The Company’s common shares were delisted from the Nasdaq Capital Market on November 9, 2023. On February 9, 2024, the Company filed a form with the Securities and Exchange Commissions (“SEC”) to deregister the Company’s common shares and to suspend the Company’s SEC reporting obligations. Enthusiast Gaming maintains its registered office at 510 West Georgia Street, Suite 1800, Vancouver, British Columbia, V6B 0M3 and its executive office at 90 Eglinton Avenue East, Suite 805, Toronto, Ontario, M4P 2Y3.

On April 28, 2022, the Company, through its wholly-owned subsidiary, Steel Media Limited, acquired all of the issued and outstanding treasury shares of Fantasy Media Ltd (“FML”) and Fantasy Football Scout Limited (“FFS”, which together with “FML” is herein referred to as “FFS”), pursuant to a share purchase agreement dated April 28, 2022 (the “FFS SPA”). The FFS SPA was accounted for in accordance with IFRS 3, as the operations of FFS constituted a business.

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<sup>1</sup> Calculated based on data provided by Comscore Plan Metrix as of January 2024.

<sup>2</sup> Comscore Media Metrix® Multi-Platform, Total Audience, May 2023, U.S.

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### DESCRIPTION OF ENTHUSIAST GAMING HOLDINGS INC. (Continued)

In the years ended December 31, 2022 and 2021, the Company completed the following mergers and acquisitions:

- (i) On April 28, 2022, the Company acquired all of the issued and outstanding treasury shares of FFS pursuant to the FFS SPA dated April 28, 2022;
- (ii) On November 22, 2021, the Company, through its wholly-owned subsidiary, Media US, acquired all of the issued and outstanding membership interest of Outplayed, Inc. (“Outplayed”) pursuant to a merger agreement dated November 22, 2021 (the “Outplayed MA”);
- (iii) On September 3, 2021, the Company, through its wholly-owned subsidiary, Media US, acquired all of the issued and outstanding shares of Addicting Games, Inc. and TeachMe, Inc. (“TeachMe”, which together with Addicting Games, Inc., is herein referred to a “Addicting Games”) pursuant to a share purchase agreement dated September 3, 2021 (the “Addicting Games SPA”);
- (iv) On August 30, 2021, the Company, through its wholly-owned subsidiary, Media US, acquired all of the issued and outstanding membership interest of GameKnot LLC (“GameKnot”) pursuant to an equity purchase agreement dated August 30, 2021 (the “GameKnot EPA”);
- (v) On June 21, 2021, the Company, through its wholly owned subsidiary, Enthusiast Gaming Media (US) Inc. (“Media US”), completed the acquisition of Tabwire LLC (“Tabwire”) pursuant to an equity purchase agreement dated April 22, 2021 (the “Tabwire EPA”); and
- (vi) On May 1, 2021, the Company acquired all of the outstanding common shares of Vedatis SAS (“Vedatis”) from the owners pursuant to a share purchase agreement dated May 1, 2021 (the “Vedatis SPA”).

The FFS SPA, Outplayed MA, Addicting Games SPA, GameKnot EPA, Tabwire EPA and Vedatis SPA are collectively called the “Mergers and Acquisitions” in this MD&A. For information relating to the accounting of the Mergers and Acquisitions see Note 5 of the Company’s audited annual consolidated financial statements for the year ended December 31, 2022. For a business overview of Outplayed, Addicting Games, GameKnot, Tabwire and Vedatis refer to the MD&A for the year ended December 31, 2022.

### BUSINESS OVERVIEW OF FANTASY FOOTBALL SCOUT

FFS owns the web properties FantasyFootballScout.co.uk and livefpl.net. FFS provides the fantasy football community, weekly scout report newsletters, integrated live rank data, data visualizations and three player comparison tools. LiveFPL is a free service to help members track their exact fantasy Premier League rankings in real time, both overall and in their mini-leagues and understand how to move up in rankings.

### BUSINESS PRODUCTS AND SERVICES

Enthusiast Gaming deploys its products and services as a single reportable segment in the digital media and entertainment industry. Enthusiast Gaming’s products and services fall into three principal pillars, which consist of Media and Content, Esports and Entertainment, and Subscription.

### MEDIA AND CONTENT

Enthusiast Gaming’s media and content revenue stream is comprised of approximately 50 websites that are wholly owned or monetized by the Company and contain news, reviews, videos, live streams, and all types of video-gaming related content and casual games. Central to Enthusiast Gaming’s ability to create valuable advertising space that can be sold on its websites, video channel and casual games (referred to as “Inventory”) is the ability to both develop content rich digital media and foster the interaction with its highly engaged communities.

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### BUSINESS PRODUCTS AND SERVICES (Continued)

#### MEDIA AND CONTENT (Continued)

The communities across the gaming landscape are drawn to different games, aspects and forms of content on Enthusiast Gaming's network of websites, including Addicting games which has a portfolio of casual games for desktop and mobile devices. Enthusiast Gaming's strategy is to acquire and operate these sites in order to provide relevant content for any gaming enthusiast.

Omnia Media Inc.'s ("Omnia"), a subsidiary of the Company, principal business activities include the creation, distribution, and exploitation of owned and talent-produced gaming-related video content, as well as the representation and management of underlying talent. Omnia generates advertising revenue from its external talent network, its owned and operated content, as well as through direct brand sales through delivery of targeted advertisements on YouTube and other platforms that users click on, leading to direct engagement between users and advertisers. Omnia owns content brands that matter to fans who love gaming and pop culture including BCC Gaming, Arcade Cloud and Wisecrack. BCC Gaming is a leading Fortnite community channel. Arcade Cloud is a gaming channel featuring original animations. Wisecrack is a collective of comedians, academics, filmmakers, and artists. The ownership of content allows for the exploitation of valuable intellectual property leading to direct engagement between users and advertisers.

For any digital media publishing company, the key mission is to build highly engaged communities that are also the targeted demographic for brands to run successful advertising campaigns. Enthusiast Gaming has amassed a platform of engaged, lifestyle gamers that have become a leading advertising platform for brands targeting the gamer demographic.

Enthusiast Gaming's web and video platforms generate billions of views per quarter (see *Select Operating Metrics*). This Inventory is available for sale both through direct sales and programmatically. Having this valuable Inventory alongside a direct sales team is allows for Enthusiast Gaming to provide its clients with integrated advertising solutions.

#### *Programmatic Media Value Chain*

The programmatic media value chain consists of various industry players seeking to facilitate optimal purchasing of advertising from targeted publishers. Importantly, both the supply side (websites or video properties with ad space) and the demand side (brands and/or advertisers seeking ad space) have their own respective options when it comes to platforms. Supply-side Platforms ("SSPs") and Display Side Platforms ("DSPs") have been created in order to streamline publishing and ad-buying processes. Companies strategically use both SSPs and DSPs to facilitate optimal purchasing of advertising from targeted publishers.

A common advertising spending metric utilized in the digital publishing industry, is known as "Cost Per Thousand" ("CPM") impressions.

CPM and other relevant metrics allow SSPs and DSPs to navigate on a common basis whereby a more targeted marketing campaign will typically demand a higher CPM given that each ad impression can justifiably be worth more to the advertiser.

#### *Sale of Inventory*

The digital media advertising revenue stream of Enthusiast Gaming's business flows from the digital media publishing revenue stream. With content-rich digital media properties drawing billions of monthly page and video views, Enthusiast Gaming is able to sell valuable Inventory on its digital media properties. In addition to selling its own Inventory, Enthusiast Gaming acts as a representative for the sale of third-party Inventory on websites and video properties and applications that also host similarly themed content. By combining the Inventory in its own network with third-party Inventory, and in some instances, acting as an exclusive provider of advertising to third parties, Enthusiast Gaming gets access to exclusive ad auctions and sales opportunities through which it is able to command higher advertising revenues and negotiate favorable profit-sharing arrangements.

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### BUSINESS PRODUCTS AND SERVICES (Continued)

#### MEDIA AND CONTENT (Continued)

##### *Sale of Inventory (Continued)*

Digital advertising revenue is determined by a number of metrics that are not always directly correlated to the amount of revenue being generated. Advertising revenues may factor in the number of individuals who view particular web pages or video properties in Enthusiast Gaming's network of digital media properties, how often the web pages or videos are viewed, and how much time a user spends on a website or video property during each visit. Revenue can be accorded based on the number of advertising impressions, and the rate at which advertisements lead to sales. The functioning of the advertisements themselves can have a significant effect on achieving key advertising metrics.

The Inventory or advertising space can be found in a variety of locations throughout the websites and video properties. New advertising impressions are generally created when a user opens a website or navigates to a different page, or when they watch a video. They can take on the form of pre-roll video advertisements, banner advertisements, ad-words, "skins" or background advertisements, in-application ads, or other forms of ad units as may be applicable to the respective property.

Enthusiast Gaming derives part of its total revenue from direct advertising campaigns. When a client opts for a direct campaign, Enthusiast Gaming will prepare a marketing plan with the client, consisting of the length of the campaign and set parameters which will define how the ad will be displayed such as, specific countries where the ad will be displayed, on desktop or mobile, whether the ad will click through to another site, etc. Additionally, depending on the campaign, Enthusiast Gaming may guarantee a certain amount of impressions. Additionally, Enthusiast Gaming may produce custom campaigns that involve activations by talent including conducting contests, livestreams, and social media posts to increase brand awareness.

Enthusiast Gaming's media and content revenue is primarily derived from the sales of ad inventory on its network of digital media properties. Enthusiast Gaming's revenue is largely dependent on supply and demand such as, in preparation for retail-oriented holidays, retail sector advertisers may increase their advertising budgets, thus reducing the availability of ad inventory and increasing its value.

Online advertisements can be sold in a variety of ways. Enthusiast Gaming enters into agreements with online advertising exchanges, through which advertisers will bid on space and time in Enthusiast Gaming Inventory and the Inventory of companies Enthusiast Gaming represents.

Under its affiliate agreements, Enthusiast Gaming provides advertising sales as a third-party representative, to digital media publishers. Generally, Enthusiast Gaming will receive the right to market and sell all available advertising space within the digital media publisher's website or video property for the duration of the agreement. In exchange for the opportunity to monetize the digital media publisher's property, Enthusiast Gaming will compensate the digital media publisher, either in the form of fixed monthly payments subject to page views, or a percentage of ad revenue, or a combination of the two.

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### BUSINESS PRODUCTS AND SERVICES (Continued)

#### MEDIA AND CONTENT (Continued)

##### *Sale of Inventory (Continued)*

The advertising technology space is ever evolving, but like most industries, the race tends to be toward optimal efficiency. Enthusiast Gaming therefore believes, as do many industry experts, that original content production, curation, and publishing will continue to thrive and generate more value given its importance to target consumers. Conversely, as better efficiency is pursued, middle-firms currently exacting fees in between advertisers and publishers, should see their revenues and margins decline. Large advertisers are interested in widely distributed publishers like Enthusiast Gaming, and firms in between will become more secondary.

#### ESPORTS AND ENTERTAINMENT

The Company's esports division, Luminosity Gaming, is a professional esports organization. It currently has fully-owned teams competing in Apex Legends, Rocket League, Overwatch, Super Smash Bros: Ultimate, Brawlstars, and Pokemon Unite. Luminosity Gaming's teams compete globally and Luminosity positions itself as a significant contender at the highest level of competition in all games in which it fields teams. In addition to its competitive esports teams, Luminosity also has a team of content creators on YouTube, Twitch, Kick, Instagram and TikTok.

Enthusiast Gaming's enterprise is made up of interrelated operations intended to derive revenue from assets acquired by Enthusiast Gaming across the esports value chain. Enthusiast Gaming leverages its esports operations to build content and develop an audience and fan base to facilitate merchandising and subscriptions, pursuant to direct sponsorships, endorsement deals, product placement deals, advertising sales and advertising.

The branding of Enthusiast Gaming and Luminosity Gaming is particularly important to its marketing initiatives and its ability to gain traction in the industry and engage marketing partners such as sponsors. The outcome of any contest, competition, or tournament for the teams and players that Enthusiast Gaming intends to manage and provide services to may affect the ability for Enthusiast Gaming to strengthen its brand. Enthusiast Gaming believes its business depends on identifiable intangible properties such as brand names.

Esports entities that rely on marketing initiatives as a source of revenue will need to have a large following in order to enable marketing partners to generate revenue by leveraging this following. To that end, Enthusiast Gaming has retained a management team that has business acumen, sports and entertainment experience and industry connections. Enthusiast Gaming leverages its direct sales team to not only sell advertising inventory, but to also sell sponsorships for its esports assets.

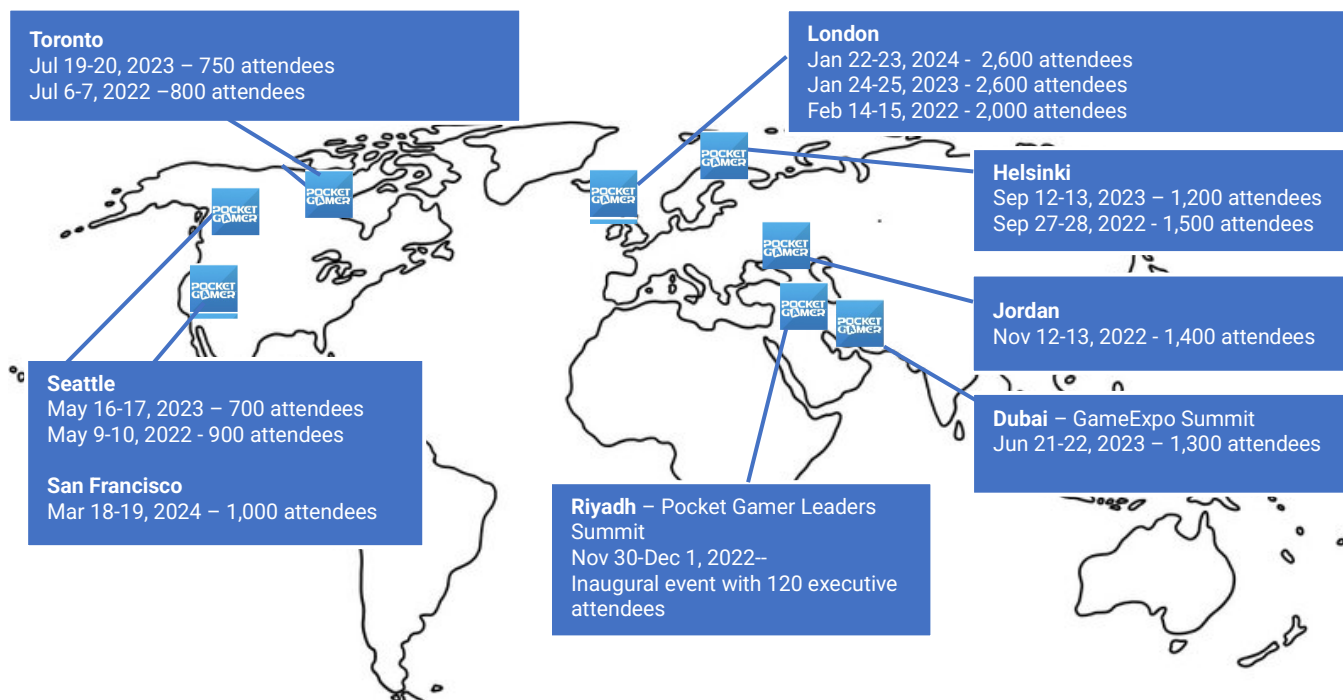
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## BUSINESS PRODUCTS AND SERVICES (Continued)

### ESPORTS AND ENTERTAINMENT (Continued)

The Company's entertainment division is also the operator of over 25 video game networking events across 11 countries, including key markets such as the US and UK. The Company is an industry leader in B2B and consumer mobile gaming events. It owns and operates numerous successful networking events around the world with registered industry attendees and key sponsors and partners. As part of its B2B events, the Company hosts Pocket Gamer Party, Top 50 Developer Guide, Mobile Mixers, the Mobile Games Awards, and a feature event, Pocket Gamer Connects ("PGC"), the largest B2B mobile games conference series, with both virtual events and live events in locations such as London, San Francisco, Helsinki, and Seattle. The following summarizes select Pocket Gamer events over 2022 and 2023:





# Enthusiast Gaming Holdings Inc.

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## BUSINESS PRODUCTS AND SERVICES (Continued)

### SUBSCRIPTION

The Company offers membership subscriptions to the following owned and operated properties:



The Sims Resource (“TSR”) operates a subscription-based model and has a current subscriber base of approximately 200,000 monthly subscribers. TSR’s subscribers pay on average approximately USD\$4 per month to access its VIP features.



Offers premium membership subscriptions to certain Addicting Games properties including Addicting Games, Shockwave, TeachMe, TypeRacer, and Little Big Snake.



Offers monthly and yearly premium membership subscriptions to the GameKnot website.



Offers premium subscriptions to the Icy Veins website.



Offers membership subscriptions to the U.GG website.



Offers membership subscriptions to the FFS and Live FPL websites.

The Company plans to continue to expand its subscription offerings across its networks of web and video properties.

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## GROWTH STRATEGIES

Enthusiast Gaming has a complementary organic and inorganic growth strategy. Mergers and acquisition has been an important growth lever for the Company historically, having helped the Company grow and serve its highly engaged communities. The Company believes it has a clear path to further monetize the communities through multiple organic growth initiatives including: increasing direct sales, optimizing CPMs, and growing subscribers.

### Increase Direct Sales

Selling high-impact advertising inventory as well as content directly to brands creates additional margin accretion as marketers are charged a higher price than traditional programmatic sales. Direct selling specifically relates to contracting directly with brands to produce custom content and campaigns and is typically supplemented with paid media for customer activations. Direct sales included in revenue for the year ended December 31, 2023 was \$41.7 million as compared to approximately \$37.4 million for the year ended December 31, 2022. Enthusiast Gaming's direct sales efforts began in Q1 2020 and continue to see increased success with larger client activations. The Company now has advertising sales and fulfillment professionals in major city centers including New York, Los Angeles, Chicago and Toronto.

The Company has expanded upon its direct sales custom content and advertising solutions through its partnership with the National Football League ("NFL") with NFL Tuesday Night Gaming ("NFL TNG"). In September 2022, the Company partnered with the NFL, in a multi-year partnership, to launch a first-of-its-kind gaming collaboration bringing together NFL players and Legends with top gaming content creators from marquee gaming organizations including Luminosity Gaming.

NFL TNG debuted September 13, 2022, on YouTube in the United States and Canada, and airs Tuesdays during the NFL regular season. The show consists of a rotating roster of NFL players and legends, competing with gaming creators across multiple game titles each week.

In addition to the weekly live streamed gameplay, this partnership will also produce daily, always-on content throughout the season, including, pre-and post-game analysis, highlights, plays of the week, and more, leveraging the scale of the NFL and Enthusiast Gaming's network of gaming assets. For more information on NFL TNG, visit [nfltuesdaynightgaming.com](http://nfltuesdaynightgaming.com).

### Optimize CPMs

Enthusiast Gaming is focused on utilizing programmatic optimization tools to target specific viewers and delivering high value advertising. Enthusiast Gaming continues to enter into new relationships that contribute to increased sell through rates and revenue performance. The Company also invests in new adtech tools and expertise and expects to be able to achieve further revenue optimization on the Company's web platforms.

### Grow Subscribers

The Company has more than quadrupled the number of paid subscribers for its properties from approximately 61,000 in March 2019 to approximately 268,000 in December 2023. In 2021, approximately 48,000 paid subscribers were added through the Mergers and Acquisitions of Vedatis, Tabwire, GameKnot, Addicting Games, and Outplayed. In 2022, approximately 26,000 paid subscribers were added through the Mergers and Acquisitions of FFS. Enthusiast Gaming continues to look for opportunities to grow existing subscription offerings, launch new subscription offerings, and is in the early stages of developing an Enthusiast Gaming platform wide subscription model available to web, video, and esports audiences of the Company.

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## MARKET

### Gaming Market

The gaming market went through unprecedented ups and downs in 2023, especially after the downturn of the economy in post-COVID environment, the markets started to recover in 2023 and expected to grow through 2024. According to Newzoo, the global gaming market reached USD\$184.0 billion in 2023 and is expected to grow to USD\$205.7 billion by 2026.<sup>3</sup> The rapid expansion of high-speed internet, widely accessible technology, and publishers using enhanced live operations and other tools, have significantly propelled the gaming market forward. Gaming has attracted a diverse audience who looks to the industry as a form of entertainment and social connection. More and more, younger generations are delving into gaming ecosystems, opting for gaming as their main form of entertainment. Nearly 50% of the Gen Z and Millennials prefer gaming than any other traditional media such as streaming TV, broadcast TV, music and reading.<sup>4</sup>

Newzoo expects that the number of players worldwide is going to surpass 3.3 billion in 2023, who engage with interactive entertainment using PC, console, mobile device or cloud gaming service.<sup>3</sup> It is expected that player numbers will grow even more by 7.3% globally to 1.45 billion in 2023.<sup>5</sup> Enhanced technology and high-fidelity content has allowed live concerts, movie screenings and celebrations to take place within gaming ecosystems driving further engagement and excitement among young and old. Mordor Intelligence expects the gaming market in North America will grow from USD\$68.6 billion in 2024 to USD\$103.8 billion by 2029, with a compound annual growth rate of 8.65% from 2024-2029.<sup>6</sup> The United States is one of the largest gaming markets while Canada's industry is growing.<sup>75</sup>

As the industry continues to evolve, developers and publishers continue to create new content, with better monetization and communication capabilities. Additionally, technology companies are fueling the rise of gaming by enhancing content through better platforms i.e., larger mobile phones, new consoles and cloud gaming, which allow gamers to play anytime, anywhere using any platform. With the industry's growth, devoted gamers stay immersed in gaming content well after turning off their devices. Video games have led to the rise of esports, streaming, dedicated news and fan sites as well as celebrities all of which accelerate the global excitement around gaming. The following statistics reflect how ubiquitous and diverse gaming users are:

**32**

Average age  
of a gamer in  
2023

**12.2 hours**

Weekly average Gen Z  
spends on video  
game/virtual world platforms

**76%**

Parents game  
with their  
children

**46%**

Gamers identify  
as female

Source: ESA 2023 Essential Facts – About the Video Game Industry, Newzoo

### Digital Media

Over the past two decades, the proliferation of the internet and mobile devices has shifted the way consumers engage with media and content, amplifying the digital media industry. In 2023, the average daily time spent with digital media in the United States is expected to increase from 439 minutes in 2022 to close to 480 minutes in 2025.<sup>7</sup> Due to, among other things, the shift in media consumption from traditional to digital and increased time consumers are spending online, advertisers have adjusted the way in which they allocate their advertising budgets.<sup>7</sup> According to eMarketer, digital advertising is expected to grow 13.2% from USD\$602 billion spent in 2023 to around USD\$680 billion in 2024.<sup>8</sup> The United States advertising spend market continues to improve as most of the major digital ad platforms saw an acceleration in spending growth in Q4 2023.

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<sup>3</sup> Based on data provided by Newzoo's Games Market Trends to Watch in 2024.

<sup>4</sup> Based on data provided by Digiday, Gaming Advertising Forum published on July 11, 2022.

<sup>5</sup> Based on data provided by Newzoo's 2023 Global Games Market Report, updated January 2024 version.

<sup>6</sup> Based on data provided by the report "Gaming Market - (2024-2029)" provided by Mordor Intelligence.

<sup>7</sup> Based on data provided by Statista as of August 2023.

<sup>8</sup> Based on Newzoo's "Worldwide Ad Spending Update 2023", published in May 2023 and "Worldwide Digital Ad Spending Forecast 2024", published in January 2024

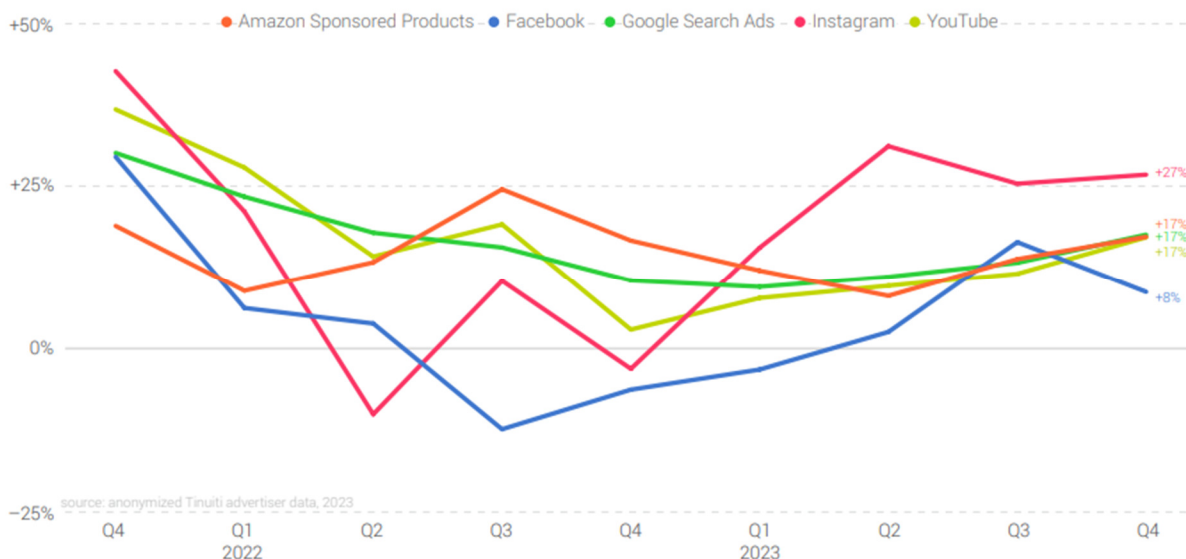
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## MARKET (Continued)

### Digital Media (continued)

United States Ad Spend Year Over Year Growth by Platform<sup>9</sup>



Specifically, with regards to gaming, digital media has become an increasingly important component of the industry. Gamers are now allocating significant time to gaming outside of playing their favorite titles, choosing to watch gaming video content, following esports teams and joining forums / blogs. According to Nielsen, 77% and 71% of Gen Z and Millennial gamers also consume Gaming Video Content, respectively.<sup>10</sup> Engagement is higher for the next generation, Gen Alpha, with 94% engaged with games and games content.<sup>11</sup> According to YouTube, viewers watched approximately 50 billion hours of gaming video content on its platform in 2018, doubling to approximately 100 billion in 2020.<sup>12</sup> Additionally, the number of gaming-related tweets continue to increase with over 2.4 billion in 2021, a 14% year-on-year increase, and 100% more than 2017, according to X (formerly Twitter).<sup>13</sup> Gamers are spending time on gaming websites containing news, reviews, videos, blog posts, tips, chats, message boards, and other content. Furthermore, 92% of Gen Alpha and Gen Z have spent money on in-game purchases<sup>14</sup>, and their attitudes towards brands are more positive than non-payers.<sup>15</sup> More than half of the Gen Alpha, Gen Z and Millennials players discover new brands while gaming.<sup>16</sup> In 2023, USD\$57.2 billion of consumer spending on video game products were recorded in the U.S, of which 84% sales were related to video game content.<sup>17</sup>

<sup>9</sup> Anonymized Tinuiti advertiser data, 2023.

<sup>10</sup> Based on Nielsen's 2019 Millennials on Millennials: Gaming Media Consumption Report

<sup>11</sup> Based on Newzoo's "How Consumers Engage with Video Games Today – Newzoo's Global Gamer Study 2023", published on June 20, 2023.

<sup>12</sup> Based on an article published by The Verge on December 8, 2020 titled "YouTube Gaming had its best year ever with more than 100 billion hours watched" and an article published by YouTube on December 8, 2020 titled "2020 is YouTube Gaming's biggest year ever: 100B watch time hours".

<sup>13</sup> Based on articles published by X/Twitter titled "Plug into #GamingTwitter: Tips and insights for brands".

<sup>14</sup> Based on Newzoo's "Gen Alpha & Gen Z - The Future of Gaming "Report published on September 28, 2022.

<sup>15</sup> Based on Newzoo's "How Consumers Engage with Video Games Today – Newzoo's Global Gamer Study 2023", published on June 20, 2023.

<sup>16</sup> Based on Newzoo's "How different generations engage with video games today "Report published on October 17, 2023.

<sup>17</sup> Based on the article "U.S Consumer Video Game Spending Totaled \$57.2 Billion in 2023" by Yahoo Finance on Feb 7, 2024.

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## MARKET (Continued)

### Digital Media (Continued)

Viewers of Enthusiast Gaming's network of digital media properties are both men and women ages 13 to 65+ with the majority of its users spending, on average, more than 15+ hours gaming per week. These individuals represent a highly sought-after demographic in a number of key advertising categories.

### Esports

Esports, or electronic sports, is the evolution of video gaming. "Esports" typically refers to competitive gaming whereby gamers can, individually or in teams, compete against one another. Spectators can typically observe these competitions via different platforms online or in person at live events. The advent of online platforms, such as Twitch, has allowed more and more spectators to watch competitions globally from anywhere in the world and has contributed to the growth in the popularity of esports. Competitive gamers can now participate in regulated leagues, tournaments or other competitions and matches, for various different games on different entertainment systems. Further, competitive gamers, teams, team managers, streamers, game developers, viewing platforms and other participants in the esports industry are able to monetize the attention through different means, including through viewer subscriptions and marketing sponsorships.

Esports is an important component of online video gaming content. Most notably, esports turns competitive video-gaming into a spectator sport. Thousands of viewers will attend live events to watch professional video game players compete in tournaments. Additionally, these tournaments are often streamed online, with viewers logging on to watch from their computers, tablets or mobile devices. In 2022, the global esports market revenue was valued at just over US\$1.38 billion and forecast to grow to US\$1.87 billion in 2025. The global esports audience would reach 532 million.<sup>18</sup> In January 2023, Technavio published a report on the esports market that esports is set to generate nearly USD\$3.52 billion in revenues from 2022 to 2027, growing at a compound annual growth rate of 21.8% during the forecast period, driven by more branding through esports, rising esports events and new platform launches.<sup>19</sup>

## SUSTAINABILITY

### Being Transparent and Accountable, Responsible for a Sustainable Business Environment

Corporate governance and sustainable development are key to bringing credibility to management's decision making and enhancing the communications process between the Company and all stakeholders.

### Journey to Governance Best Practices and Supporting our Communities

The Board of Directors and management of Enthusiast Gaming believe that the Company's performance requires a sound and effective Environment, Social and Governance ("ESG") approach. The Board of Directors has adopted certain practices and procedures to ensure that effective corporate governance practices are followed, and the Board of Directors review the Company's corporate governance practices and procedures on a regular basis to ensure that they address significant issues around corporate governance.

At Enthusiast Gaming, management believes its employees are the biggest asset and it is committed to fostering, cultivating, and preserving a culture of diversity, inclusion, and equality. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities, and talent that the Company's employees invest in their work represents a significant part of the Company's culture, reputation and achievements.

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<sup>18</sup> Based on data provided by Statista as of December 13, 2023

<sup>19</sup> Based on an article published by Technavio "Esports Market by Revenue Stream, Genre and Geography - Forecast and Analysis 2023-2027" published in January 2023.

# Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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## SUSTAINABILITY (Continued)

### Journey to Governance Best Practices and Supporting our Communities (Continued)

During the year ended December 31, 2023, numerous new social and governance policies were launched in addition to the existing policies, including a Diversity Policy, Parental Leave Policy, and a new Vacation and Leave Policy with the aim to provide an equitable and harmonious work environment for staff. As part of designing improved corporate governance practices throughout the organization, the Company is currently in process of establishing a new ERP system to ensure the continued support of business needs and strategic objectives, as well as further enhance the control environment, increase operational efficiencies, and maintain a high quality of its reporting capabilities as business continues to grow.

In 2023, the Company set up the following four Employee Resources Groups (“ERG”) spearheaded by the staff:

- Prism** – Recognising our LGBTQIA+ community.
- Tetris** – People of Color
- Joysticks** – Employee Mental Health Awareness Group
- RYG (Raise Your Game)** - Women’s Affinity ERG



### Protecting our Environment

Enthusiast Gaming cares about the carbon footprint produced every day by our staff and customers. The Company provides a hybrid working environment, encouraging virtual meetings with internal and external stakeholders which greatly reduces travel and the use of utilities, plastics, and paper, and thereby minimizes our carbon footprint. For our PGC events, we provide both in person and virtual channels for participants to join our events in order to reduce emissions from attendee travel by opening the event to remote participation. We also support the Games Forest Club, a non-profit organisation which aims to guide the games industry towards a climate-positive future by 2030, with less environment impact, through donations for every PGC ticket we sell. These donations go towards preserving a section of forests in Peru, to help off-set our event-related carbon footprint.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### SIGNIFICANT ANNOUNCEMENTS DURING AND SUBSEQUENT TO THE YEAR ENDED DECEMBER 31, 2023

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DATE	DESCRIPTION
January 23, 2023	The Company announced a partnership with Mondelēz International's SOUR PATCH KIDS® (NASDAQ: MDLX) to launch the SOUR PATCH KIDS Fruit Fight Tournament, which was hosted on NFL TNG's channels beginning in February 2023. The tournament is a collaboration among Enthusiast Gaming, SOUR PATCH KIDS, and media agency Spark Foundry to amplify the SOUR PATCH KIDS Fruit Fight campaign among the gaming community.
January 24, 2023	The Company announced it has signed a new media sponsorship with Campbell Company of Canada for Campbell's® Chunky® Soup to be the presenting sponsor for NFL TNG's Chunky Soup Showdown.
January 31, 2023	The Company announced that its most recent event, PGC London, drew record attendees. This show marked the 37th installment over 10 years of PGC events across the globe and surpassed all previous shows on a number of key metrics. At PGC London, a record 2,600 attendees representing more than 1,200 companies from 65 countries and six continents connected on various topics from across the gaming industry.
February 2, 2023	The Company announced that its browser-based, first-person shooter game, EV.IO, continues to attract industry accolades as a pre-eminent web3 gaming offering, including recently winning FPS Game of the Year and Esports Game of the Year at the Web3 Gam3rs Choice Awards earlier this week, following wins in the categories of best esports title and best multiplayer title at the Polkastarter GAM3 Awards in December.
February 7, 2023	The Company announced that it has renewed its partnership with Xbox as a media sponsor for the upcoming NFL TNG All-Star Game.
February 22, 2023	The Company announced that it has been ranked as the #1 gaming property for unique visitor traffic in the United States, based on the latest digital media ratings from Comscore, a leading independent media measurement firm (Comscore Media Metrix®, Games, January 2023, U.S.).
March 1, 2023	The Company announced that Nick Brien has been appointed as CEO to lead its global operations. Nick Brien will be based in Los Angeles. Most recently, Nick Brien was the CEO of Amobee, one of the world's leading ad tech companies. Adrian Montgomery, who has served as CEO of Enthusiast Gaming since 2019, will move to Chair the Board of Directors as part of a previously announced transition plan.
May 4, 2023	The Company announced the Listing Qualifications department of the Nasdaq approved the Company's request for a 180-day extension to regain compliance with Nasdaq's minimum bid price requirement under Nasdaq Listing Rule 5450(a)(1) (see <i>Nasdaq Minimum Bid Price Requirement</i> ).
June 21, 2023	The Company announced that PGC Seattle, which occurred May 16-17, 2023, drew attendees from 40 different countries. The Company will be hosting its first-ever event in Dubai, GameExpo Summit, in June and its second annual PGC Toronto event in July.

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## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### SIGNIFICANT ANNOUNCEMENTS DURING AND SUBSEQUENT TO THE YEAR ENDED DECEMBER 31, 2023 (Continued)

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DATE	DESCRIPTION
July 10, 2023	The Company announced that it has increased its position as the #1 Gaming Property in the United States, reaching a new record of 56 million Unique Visitors, based on the latest digital media ratings from Comscore. The Company also climbed to #72 on Comscore's comprehensive ranking of the Top 100 Properties in the United States across all digital media categories, representing another market high (Comscore Media Metrix® Muilt-Platform, Total Audience, May 2023, U.S.).
July 18, 2023	The Company announced Steelcase Inc. as the official performance seating partner of Luminosity Gaming.
July 27, 2023	The Company announced that its data-driven and insights platform, U.GG, has expanded to include content and support for World of Warcraft, one of the largest massive multiplayer online role-playing games in the world.
August 11, 2023	The Company announced that the Company is undertaking a process with Greywood Investments, LLC ("Greywood") to identify replacement nominee directors for appointment to the Company's board of directors to replace Greywood's two original nominee directors, David Goldhill and Janny Lee, each of whom has resigned from the board effective August 8, 2023.
August 30, 2023	The Company and the NFL announced the second season of the popular video gaming series, NFL TNG, premiering September 12, 2023 on NFL TNG's Twitch, YouTube and X channels. The weekly live show will launch with a special Play Day episode hosted by Grammy Award-nominated rapper Quavo on September 5, 2023, live from Mercedes-Benz Stadium, home of the Atlanta Falcons.
September 5, 2023	The Company announced that Bill Karamouzis has tendered his resignation as President to pursue other professional endeavors, effective immediately. He will continue to serve the Company as an advisor.
September 6, 2023	The Company and Metavision have collaborated with Netflix to launch its first-ever Fortnite Creative experience for the most popular manga series in history: ONE PIECE, in celebration of the new live-action version streaming globally on Netflix beginning August 31, 2023.
October 12, 2023	The Company announced that it has entered into an amended and restated commitment letter with its primary lender in relation to its term and operating credit facilities to provide up to \$7.0 million of additional liquidity.
October 23, 2023	The Company announced that it has notified the Nasdaq of its intention to voluntarily delist its common shares from Nasdaq Capital Market (see <i>Nasdaq Minimum Bid Price Requirement</i> ). The Company's common shares will continue to trade on the TSX.
October 26, 2023	Luminosity Gaming, the Company's esports brand and one of the largest esports organizations in the world, hosted Luminosity Makes Moves Miami, a three-day Super Smash Bros. Ultimate and Melee tournament series in Miami at the Newport Beachside Hotel and Resort from October 27-29, 2023, with live coverage on Luminosity Gaming's Twitch channel.

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## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### SIGNIFICANT ANNOUNCEMENTS DURING AND SUBSEQUENT TO THE YEAR ENDED DECEMBER 31, 2023 (Continued)

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DATE	DESCRIPTION
<b>November 3, 2023</b>	The Company announced that Luminosity Gaming has returned to the Rocket League after a one-year hiatus. In connection with its return, Luminosity Gaming has secured two of the top North American competitors and former OpTic Gaming team members Retals and MaJicBear, positioning Luminosity Gaming to be immediately competitive in the North American scene.
<b>November 13, 2023</b>	The Company announced the appointment of Felicia DellaFortuna as Chief Financial Officer, effective November 14, 2023. Felicia succeeds Alex Macdonald, who will continue to serve with the Company in a strategic advisory role.
<b>November 21, 2023</b>	The Company announced that its data-driven and insights platform, U.GG, has launched a stand-alone desktop application in support of Valorant, one of the fastest growing competitive FPS titles in the world. The Valorant desktop application provides players with easy access to data and improvement tools for users of all levels, viewability using a new in-game overlay.
<b>November 30, 2023</b>	The Company announced that NFL TNG has been named a two-time winner of the 2023 MUSE Creative Awards, winning gold awards in the "Sports Video" and "Entertainment Video" categories for extraordinary production work.
<b>December 5, 2023</b>	The Company and Campbell's® Chunky®, the 'Official Soup Sponsor of the NFL', are partnering to level up the soup brand's gaming strategy with a sponsorship of the popular video gaming series, NFL TNG.
<b>January 4, 2024</b>	The Company announced that the Luminosity Gaming, in partnership with Even Matchup Gaming, will kickoff 2024 with the first major Super Smash Bros tournament of the year: <i>Luminosity Makes BIG Moves New York</i> .
<b>January 8, 2024</b>	The Company announced that Nick Brien has provided notice of his resignation as Chief Executive Officer and director of the Company, the resignation became effective upon acceptance of the Board of Directors on January 8, 2024. The Company has appointed the current Chairman of the Board of Directors, Adrian Montgomery, as interim Chief Executive Officer. Mr. Montgomery previously served as Chief Executive Officer of Enthusiast Gaming from its inception until March of 2023. The Board of Directors intends to commence a search to select a new Chief Executive Officer who will lead the Company into its next phase of growth.
<b>January 10, 2024</b>	The Company announced that the Company and the National Football League will wrap the second season of the popular video gaming series NFL TNG with a collection of special episodes that highlight the moments fans crave the most. For those who missed all the action during the regular season, for the first time NFL TNG will air on FOX for a one-hour broadcast on January 13, 2024.
<b>February 9, 2024</b>	The Company announced that it filed a Form 15F with the SEC to deregister its common shares under Section 12(g) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and to suspend its reporting obligations under Section 15(d) of the Exchange Act. The Company's obligation to file reports with the SEC, including annual reports and Forms 6-K, will be suspended immediately upon filing of the Form 15F. Once the Form 15F is effective, which is expected to occur within 90 days of filing, the Company will no longer be a public reporting company and its obligations to file other reports with the SEC will also be suspended. The Company's common shares will continue to trade on the TSX.

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## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### SIGNIFICANT ANNOUNCEMENTS DURING AND SUBSEQUENT TO THE YEAR ENDED DECEMBER 31, 2023 (Continued)

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DATE	DESCRIPTION
<b>February 15, 2024</b>	The Company announced that Luminosity Gaming has seen a number of recent successes in connection with its continued investment in highly engaged gaming communities. In January 2024, Luminosity hosted one of its tentpole Super Smash Bros Ultimate events, Luminosity Makes Big Moves 2024, at the New Yorker Hotel in New York City in partnership with Even Matchup Gaming. The event was sponsored by Amazon MGM in connection with its film, <i>The Beekeeper</i> , featuring Jason Statham, and peaked at over 50,000 live concurrent viewers for the Winner's Semi-Final match that featured Luminosity's very own competitors Leonardo 'MkLeo' López Pérez and Gavin 'Tweek' Dempsey. The three-day event had over 1,100 individuals competing in a variety of competitions and brought in over 1,500 total live attendees. The event was broadcasted for over 29 hours, reached over 28 million minutes of total watch time and averaged over 16,000 concurrent viewers throughout the duration of the three-day broadcast across a variety of Twitch and YouTube streams.
<b>February 20, 2024</b>	The Company announced that its flagship event, PGC London 2024, set records as its largest event to date. The show marked the start of the 10th anniversary of PGC events and surpassed all previous shows on a number of key metrics, with over 2,600 attendees representing more than 1,300 companies from 65 countries.
<b>February 28, 2024</b>	The Company announced that its data-driven and insights platform, U.GG, has achieved over 2.1 million downloads of its League of Legends desktop applications, including over 575,000 downloads of its proprietary application since June 2023. This milestone highlights the continued progress of the Company's strategic goal to convert the 10 million monthly average users of U.GG's website into users of its proprietary desktop application where it benefits from significantly improved monetization, with Q4 2023 monetization per user showing an 8x improvement on the desktop application versus the U.GG website. In addition, U.GG's <i>League of Legends</i> desktop application has shown significant improvements in key engagement metrics, including active users, which increased 43.3% from December 2023 to January 2024, and average pageviews per session, which saw an 18% improvement between Q4 2023 and Q1 2024.
<b>March 7, 2024</b>	The Company announced that it has undertaken a series of strategic and operational actions designed to enhance the Company's business model in the areas most critical to its future success, renewing its commitment to the growth and development of its highly engaged gaming communities and focusing the business on drivers of high-margin revenue growth and sustainable profitability. These actions are expected to generate \$10 million in annual run-rate savings and will be completed largely by the end of Q1 2024. Cost savings initiatives and operational efficiencies include efficiencies in ad tech, the consolidation of offices, the insourcing of production and content resources, headcount reductions and other areas. Enthusiast Gaming's immediate priority is to enhance organizational effectiveness and community engagement.
<b>March 14, 2024</b>	The Company announced that its next live event PGC will take place in San Francisco on March 18-19, 2024. Being held immediately prior to the Game Developers Conference, PGC San Francisco is expected to draw a large crowd of video game developers, publishers and other industry professionals to connect, do business and learn from industry leaders.
<b>March 22, 2024</b>	The Company announced Thomas Hearne has been appointed to the Board of Directors, effective as of March 20, 2024.

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## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### SIGNIFICANT ANNOUNCEMENTS DURING AND SUBSEQUENT TO THE YEAR ENDED DECEMBER 31, 2023 (Continued)

DATE	DESCRIPTION
<b>March 28, 2024</b>	The Company announced a multi-year partnership with leading advertising technology provider Playwire. Enthusiast Gaming will leverage RAMP®, Playwire's complete Revenue Amplification Management Platform, to power Enthusiast Gaming's network of gaming websites, channels and apps.
<b>April 1, 2024</b>	The Company announced it has entered into a definitive agreement (the "Asset Sale Agreement") for the divestment of certain non-core and non-profitable casual gaming assets for a purchase price of approximately \$4.1 million (USD \$3.0 million). The Asset Sale Agreement is expected to close in 10 business days and is subject to customary closing conditions. Among the casual gaming assets included as part of the divestment are Shockwave, LittleBigSnake, MathGames.com, and TypeRacer.com.

### OVERALL PERFORMANCE

#### Summary of Financial and Operating Results For the Three Months Ended December 31, 2023 and 2022

Selected financial information for the Company for the indicated period is provided below:

	Three Months Ended December 31, 2023 \$	Three Months Ended December 31, 2022 \$
Total revenue	47,141,121	53,970,597
Cost of sales	28,204,166	35,901,209
Gross margin	18,936,955	18,069,388
Interest income	(1,020)	(28,274)
Operating expenses	27,845,075	30,259,158
Net loss and comprehensive loss for the period	(40,763,895)	(12,484,952)
Net loss per share – basic and diluted	(0.26)	(0.08)

Revenue for the three months ended December 31, 2023 and 2022, was \$47,141,121, and \$53,970,597 respectively. The table below provides a breakdown of the revenue for the indicated period:

	Three Months Ended December 31, 2023 \$	Three Months Ended December 31, 2022 \$
Media and content (a)	42,578,405	49,012,984
Esports and entertainment (b)	1,214,154	1,113,595
Subscriptions (c)	3,348,562	3,844,018
<b>Total Revenue</b>	<b>47,141,121</b>	<b>53,970,597</b>

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### OVERALL PERFORMANCE (Continued)

#### Summary of Financial and Operating Results (Continued) For the Three Months Ended December 31, 2023 and 2022 (Continued)

##### Notes:

- (a) Media and content revenue predominantly consists of advertising revenue on the Company's web, video, and casual gaming platforms, and content licensing revenue. Q4 2023 media and content revenue attributable to the video platform is \$26.5 million, which decreased \$4.6 million compared to \$31.1 million in Q4 2022. The decrease in media and content revenue for Q4 2023, relating to the video platform, is mainly attributable to a decrease in video views of 11% in Q4 2023 compared to Q4 2022 and a revenue per thousand impressions ("RPM") for the video platform which was 6% lower in Q4 2023 compared to Q4 2022, with a similar trend observed in the broader programmatic market.
- Q4 2023 media and content revenue, excluding the video platform, is \$16.1 million, which decreased \$1.8 million compared to \$17.9 million in Q4 2022. The decrease in media and content revenue for Q4 2023, when excluding the video platform, is mainly attributable to a decrease in web pageviews of 59% in Q4 2023 compared to Q4 2022 which is mainly due to a large partner publisher departing from the Company's web platform in October 2023. An increase in web RPM of 46% in Q4 2023 compared to Q4 2022 offsets a portion of the decrease in web pageviews relating to the web platform. The increase in web RPM was due to the Company having owned and operated properties represent a larger portion of the ad network.
- Direct sales are a significant driver for the increase in gross profit from 33.5% in Q4 2022 to 40.2% in Q4 2023 as direct sales represent a larger percentage of overall revenue in Q4 2023 compared to Q4 2022. The majority of direct sales are included in media and content. Video views were 5.4 billion in Q4 2023, compared to 6.0 billion in Q4 2022 and web pageviews were 1.5 billion in Q4 2023 compared to 3.8 billion in Q4 2022 (see *Select Operating Metrics*).
- (b) Esports revenue is generated through sponsorships, brand advertising, prize money, merchandise sales, and other esports related sources. Entertainment revenue mainly relates to PGC mobile gaming events which occur throughout each year. Esports and entertainment revenue remained relatively consistent in Q4 2023 as compared to Q4 2022.
- (c) Subscription revenue is generated from paid subscribers (see *Select Operating Metrics*) on the Company's web properties including TSR, Icy Veins, GameKnot, Addicting Games, Shockwave, TeachMe, TypeRacer, Little Big Snake, U.GG, and FFS. As of December 31, 2023, the Company has approximately 268,000 paid subscribers, compared to approximately 262,000 paid subscribers as of December 31, 2022. Despite the increase in subscribers, subscription revenue decreased by \$0.5M from \$3.8M in Q4 2022 to \$3.3M in Q4 2023 mainly due to a mix shift from monthly to annual users. The cost of sales attributable to subscription revenue is nominal.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### OVERALL PERFORMANCE (Continued)

#### Summary of Financial and Operating Results (Continued) For the Three Months Ended December 31, 2023 and 2022 (Continued)

Operating expenses for the three months ended December 31, 2023 and 2022, were \$27,845,075 and \$30,259,158 respectively. The table below provides a breakdown of operating expenses for the indicated period:

	Three Months Ended December 31, 2023 \$	Three Months Ended December 31, 2022 \$
Professional fees (a)	596,256	332,589
Consulting fees (b)	2,320,745	1,196,070
Advertising and promotion (c)	1,386,966	1,265,340
Office and general (d)	1,659,298	2,300,740
Salaries and wages (e)	9,610,955	9,358,074
Technology support, web development and content (f)	8,787,448	8,549,067
Esports player, team and game expenses (g)	565,742	733,389
Foreign exchange gain (h)	80,043	659,105
Share-based compensation (i)	1,191,567	2,414,753
Amortization and depreciation (j)	1,646,055	3,450,031
<b>Total Operating Expenses</b>	<b>27,845,075</b>	<b>30,259,158</b>

#### Notes:

- Professional fees relate to corporate activities and are mainly comprised of legal, audit, tax and accounting fees. Professional fees increased \$0.3 million in Q4 2023 as compared to Q4 2022 due to increased corporate activity.
- Consulting fees include management consultants and advisory services, investor relations services, and technology and data evaluation services. Consulting fees increased by \$1.1 million in Q4 2023 as compared to Q4 2022 largely due to increased consulting fees relating to advisory services.
- Advertising and promotion expense relates to corporate marketing, brand marketing, and brand ambassadors. Advertising and promotion expenses remained relatively consistent in Q4 2023 as compared to Q4 2022.
- Office and general costs include such costs as insurance expense relating to the listing of the Company's common shares on the Nasdaq, travel expenses, payment processing fees, and listing fees relating to the Nasdaq and TSX. Office and general costs decreased by \$0.6M in Q4 2023 as compared to Q4 2022 largely due to a decrease in insurance expense.
- The Company had a staff of approximately 185 employees as of December 31, 2023, compared to a staff of approximately 210 employees as of December 31, 2022. Salaries and wages increased by \$0.3 million in Q4 2023 compared to Q4 2022 mainly due to increased severance costs which offset the decrease in staff headcount.

# Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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## OVERALL PERFORMANCE (Continued)

### Summary of Financial and Operating Results (Continued) For the Three Months Ended December 31, 2023 and 2022 (Continued)

#### Notes (Continued):

- (f) Technology support, web development and content costs relate to media and content and esports and entertainment. Technology support, web development and content costs remained relatively consistent in Q4 2023 as compared to Q4 2022.
- (g) Esports player, team, and game expenses primarily relate to Luminosity Gaming, including but not limited to esports player and influencer salaries, and team travel. Esports player, team and games expense decreased \$0.2 million in Q4 2023 compared to Q4 2022, mainly due to lower average esports player and influencer salaries, which was offset by a higher number of esports players and influencers. Luminosity Gaming had approximately 80 esports players and influencers as of December 31, 2023, compared to approximately 60 esports players and influencers as of December 31, 2022.
- (h) The Company and its subsidiaries commonly transact and carry assets and liabilities in currencies other than their respective functional currencies. Foreign exchange gains or losses are caused by movements in exchange rates. The Company expects continued gains and losses due to fluctuating exchange rates.
- (i) Share-based compensation is a non-cash expense which relates to options and restricted share units granted to directors, officers, employees, and consultants of the Company, which are expensed over their respective vesting periods. Share-based compensation expense is impacted by issuances, vesting periods, black-scholes option pricing model inputs, and forfeitures. Share-based compensation expense decreased by \$1.2 million in Q4 2023 as compared to Q4 2022 largely due to forfeitures, but also driven by vesting periods, black-scholes option pricing model inputs, and issuances. In January 2021, the Company issued 743,671 options and 1,251,162 restricted share units. In April 2021, the Company issued 855,234 options and 1,242,577 restricted share units. In April 2022, the Company issued 1,560,697 options and 1,922,877 restricted share units. In November 2022, the Company issued 211,942 options and 437,636 restricted share units. In March 2023, the Company issued 6,062,976 options. In May 2023, Company issued 212,868 restricted share units. In June 2023, the Company issued 202,694 restricted share units. In November 2023, the Company issued 1,167,505 restricted share units.
- (j) Amortization and depreciation are significantly comprised of amortization of intangible assets arising from the Mergers and Acquisitions. Amortization and depreciation expense decreased by \$1.8 million in Q4 2023 as compared to Q4 2022 mainly due to the amortization of intangible assets recognized upon the acquisitions of Vedatis and Tabwire in Q2 2021, GameKnot and Addicting Games in Q3 2021, Outplayed in Q4 2021, and FFS in Q2 2022. Certain intangible assets recognized from the Mergers and Acquisitions are amortized over periods of one year or less, resulting in certain intangible assets becoming fully amortized in Q4 2023 or prior to Q4 2023.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### OVERALL PERFORMANCE (Continued)

#### Summary of Financial and Operating Results For the Years Ended December 31, 2023 and 2022

The comparative year ended December 31, 2022 is impacted by the Mergers and Acquisitions. FFS was acquired on April 27, 2022. The operating results of FFS have been included in the Company's consolidated financial statements from the date of its respective acquisition.

Selected financial information for the Company for the indicated period is provided below:

	Year Ended December 31, 2023 \$	Year Ended December 31, 2022 \$
Total revenue	178,178,127	202,835,921
Cost of sales	110,756,401	139,371,400
Gross margin	67,421,726	63,464,521
Interest income	(64,316)	(36,252)
Operating expenses	102,680,331	110,799,531
Net loss and comprehensive loss for the year	(119,101,480)	(68,728,123)
Net loss per share – basic and diluted	(0.77)	(0.54)

Revenue for the years ended December 31, 2023 and 2022 was \$178,178,127 and \$202,835,921, respectively. The table below provides a breakdown of the revenue for the indicated period:

	Year Ended December 31, 2023 \$	Year Ended December 31, 2022 \$
Media and content (a)	154,825,175	180,765,848
Esports and entertainment (b)	8,311,342	7,534,936
Subscriptions (c)	15,041,610	14,535,137
<b>Total Revenue</b>	<b>178,178,127</b>	<b>202,835,921</b>

#### Notes:

- (a) Media and content revenue predominantly consists of advertising revenue on the Company's web, video, and casual gaming platforms, and content licensing revenue. For the year ended December 31, 2023, media and content revenue attributable to the video platform is \$93.5 million, which decreased \$19.9 million compared to \$113.4 million in year ended December 31, 2022. The decrease in media and content revenue for year ended December 31, 2023, relating to the video platform, is mainly attributable to an RPM for the video platform which was 11% lower in year ended December 31, 2023, compared to year ended December 31, 2022, with a similar trend observed in the broader programmatic market, and a 8% decrease in video views in the year ended December 31, 2023, compared to year ended December 31, 2022.

# Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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## OVERALL PERFORMANCE (Continued)

### Summary of Financial and Operating Results (Continued) For the Years Ended December 31, 2023 and 2022 (Continued)

#### Notes: (Continued)

(a) (Continued)

For the year ended December 31, 2023, media and content revenue, excluding the video platform, is \$61.3 million, which decreased \$6.1 million compared to \$67.4 million for the year ended December 31, 2022. The decrease in media and content revenue for year ended December 31, 2023, when excluding the video platform, is mainly due to a decrease in total web pageviews of 15% in the year ended December 31, 2023, compared to the year ended December 31, 2022. An increase in web RPM of 32% in the year ended December 31, 2023 compared to the year ended December 31, 2022 offset a portion of the decrease in web pageviews relating to the web platform. The increase in web RPM was due to the Company having owned and operated properties represent a larger portion of the ad network.

The increase in direct sales is a significant driver for the increase in gross profit from 31.3% in the year ended December 31, 2022, to 37.8% in the year ended December 31, 2023. Direct sales in the year ended December 31, 2023, were \$41.7 million, which increased \$4.3 million compared to direct sales of \$37.4 million in year ended December 31, 2022. The majority of direct sales are included in media and content. Video views were 23.2 billion in the year ended December 31, 2023, compared to 25.2 billion in the year ended December 31, 2022 and web pageviews were 13.3 billion in the year ended December 31, 2023, compared to 15.6 billion in the year ended December 31, 2022 (see *Select Operating Metrics*).

- (b) Esports revenue is generated through sponsorships, brand advertising, prize money, merchandise sales, and other esports related sources. Entertainment revenue mainly relates to PGC mobile gaming events which occur throughout each year. Esports revenue increased to \$3.8 million in the year ended December 31, 2023 compared to \$3.5 million in year ended December 31, 2022, an increase of \$0.3 million. The increase in esports revenue is mainly attributable to an increase in sponsorship brand advertising revenue. Entertainment revenue increased to \$4.5 million in year ended December 31, 2023 compared to \$4.0 million in year ended December 31, 2022, an increase of \$0.5 million. The increase in entertainment revenue is mainly attributable to the success of the PGC London event held from January 23-24, 2023, which hosted 2,600 attendees, and the inaugural GameExpo Summit live event held in Dubai from June 21-22, 2023, which hosted 1,300 attendees. In the year ended December 31, 2022, the PGC London held from February 14-15, 2022 hosted 2,000 attendees (see *Business Products and Services*).
- (c) Subscription revenue is generated from paid subscribers (see *Select Operating Metrics*) on the Company's web properties including TSR, Icy Veins, GameKnot, Addicting Games, Shockwave, TeachMe, TypeRacer, Little Big Snake, U.GG, and FFS. As of December 31, 2023, the Company has approximately 268,000 paid subscribers, compared to approximately 262,000 paid subscribers as of December 31, 2022. The increase in subscription revenue is primarily attributable to an increase in paid subscribers on TSR. TSR's subscribers pay on average approximately USD\$4 per month to access its VIP features. The cost of sales attributable to subscription revenue is nominal.



## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### OVERALL PERFORMANCE (Continued)

#### Summary of Financial and Operating Results (Continued) For the Years Ended December 31, 2023 and 2022 (Continued)

Operating expenses for the years ended December 31, 2023 and 2022 was \$102,680,331 and \$110,799,531, respectively. The table below provides a breakdown of operating expenses for the indicated period:

	Year Ended December 31, 2023 \$	Year Ended December 31, 2022 \$
Professional fees (a)	2,413,954	2,691,148
Consulting fees (b)	6,904,431	5,789,576
Advertising and promotion (c)	4,335,937	2,682,684
Office and general (d)	7,950,085	9,533,291
Annual general meeting legal and advisory costs (e)	-	3,386,596
Salaries and wages (f)	37,564,336	36,493,089
Technology support, web development and content (g)	24,902,819	21,858,408
Esports player, team and game expenses (h)	2,527,541	4,352,150
Foreign exchange loss (gain) (i)	174,399	(446,625)
Share-based compensation (j)	5,474,447	7,751,370
Amortization and depreciation (k)	10,432,382	16,707,844
<b>Total Operating Expenses</b>	<b>102,680,331</b>	<b>110,799,531</b>

#### Notes:

- Professional fees relate to corporate activities and are mainly comprised of legal, audit, tax and accounting fees. Professional fees decreased \$0.3 million in the year ended December 31, 2023, as compared to year ended December 31, 2022, due to decreased corporate activity.
- Consulting fees include management consultants and advisory services, investor relations services, and technology and data evaluation services. Consulting fees have increased \$1.1 million in the year ended December 31, 2023, as compared to year ended December 31, 2022, largely due to increased consulting fees relating to advisory services.
- Advertising and promotion expense relates to corporate marketing, brand marketing, and brand ambassadors. Advertising and promotion expenses increased by \$1.7 million in the year ended December 31, 2023, as compared to year ended December 31, 2022, due to increased brand and product marketing initiatives, the majority of which relates to NFL TNG.
- Office and general costs include such costs as insurance expense relating to the listing of the Company's common shares on the Nasdaq, travel expenses, payment processing fees, and listing fees relating to the Nasdaq and TSX. Office and general costs decreased by \$1.6 million in year ended December 31, 2023, as compared to year ended December 31, 2022, largely due to a decrease in insurance expense.
- Annual general meeting legal and advisory costs relate to non-recurring legal, advisory, and other expenses incurred in relation to the Company's contested 2022 AGM (see *Significant Announcements During the Year and Subsequent to Year Ended December 31, 2022* in the December 31, 2022 MD&A). The 2023 AGM was not contested.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### OVERALL PERFORMANCE (Continued)

#### Summary of Financial and Operating Results (Continued) For the Years Ended December 31, 2023 and 2022 (Continued)

##### Notes: (Continued)

- (f) The Company had a staff of approximately 185 employees as of December 31, 2023, compared to a staff of approximately 210 employees as of December 31, 2022. Although there is a decrease in staffing levels, salaries and wages increased by \$1.1M in the year ended December 31, 2023, compared to the year ended December 31, 2022, primarily due to severance costs of approximately \$4.0 million included in salaries and wages. Also, direct sales commissions, which are included in salaries and wages, increased in the year ended December 31, 2023 compared to the year ended December 31, 2022. Direct sales were \$41.7 million in the year ended December 31, 2023, compared to \$37.4 million in the year ended December 31, 2022.
- (g) Technology support, web development and content costs relate to media and content and esports and entertainment. Technology support, web development and content costs increased by \$3.0 million in year ended December 31, 2023, as compared to year ended December 31, 2022, due to an increase in content and design costs incurred on new and existing properties including NFL TNG. The increase was offset by the sale of certain legacy editorial properties in Q3 2022.
- Technology support, web development and content costs include \$11.3 million of expenses relating to NFL TNG in year ended December 31, 2023, as compared to \$7.3 million in year ended December 31, 2022, an increase of \$0.4 million. The increase is primarily due to a higher number of NFL TNG episodes in season 2 as compared to season 1.
- (h) Esports player, team, and game expenses primarily relate to Luminosity Gaming, including but not limited to esports player and influencer salaries, and team travel. Esports player, team and games expense decreased \$1.8 million in year ended December 31, 2023, compared to year ended December 31, 2022, mainly due to lower average esports player and influencer salaries, which was offset by a higher number of esports players and influencers. Luminosity Gaming had approximately 80 esports players and influencers as of December 31, 2023, compared to approximately 60 esports players and influencers as of December 31, 2022.
- (i) The Company and its subsidiaries commonly transact and carry assets and liabilities in currencies other than their respective functional currencies. Foreign exchange gains or losses are caused by movements in exchange rates. The Company expects continued gains and losses due to fluctuating exchange rates.
- (j) Share-based compensation is a non-cash expense which relates to options and restricted share units granted to directors, officers, employees, and consultants of the Company, which are expensed over their respective vesting periods. Share-based compensation expense is impacted by issuances, vesting periods, black-scholes option pricing model inputs, and forfeitures. Share-based compensation expense decreased by \$2.3 million in year ended December 31, 2023, as compared to year ended December 31, 2022, largely due to forfeitures, but also driven by vesting periods, black-scholes option pricing model inputs, and issuances. In January 2021, the Company issued 743,671 options and 1,251,162 restricted share units. In April 2021, the Company issued 855,234 options and 1,242,577 restricted share units. In April 2022, the Company issued 1,560,697 options and 1,922,877 restricted share units. In November 2022, the Company issued 211,942 options and 437,636 restricted share units. In March 2023, the Company issued 6,062,976 options. In May 2023, Company issued 212,868 restricted share units. In June 2023, the Company issued 202,694 restricted share units. In November 2023, the Company issued 1,167,505 restricted share units.
- (k) Amortization and depreciation are significantly comprised of amortization of intangible assets arising from the Mergers and Acquisitions. Amortization and depreciation expense decreased by \$6.3 million in year ended December 31, 2023 as compared to year ended December 31, 2022 mainly due to the amortization of intangible assets recognized upon the acquisitions of Vedatis and Tabwire in Q2 2021, GameKnot and Addicting Games in Q3 2021, Outplayed in Q4 2021, and FFS in Q2 2022. Certain intangible assets recognized from the Mergers and Acquisitions are amortized over periods of one year or less, resulting in certain intangible assets becoming fully amortized in the year ended December 31, 2023.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### SELECT OPERATING METRICS

Financial results include the results of the Mergers and Acquisitions from the respective closing date of the acquisition transaction. Paid subscribers for FFS are included beginning in Q2 2022. The figures below do not include pro forma adjustments for FFS.

#### Quarterly select operating metrics

(Unaudited)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
<b>Total Views (Millions)</b>	<b>11,251</b>	<b>10,048</b>	<b>9,729</b>	<b>9,755</b>	<b>10,046</b>	<b>9,389</b>	<b>10,115</b>	<b>6,900</b>
Web pageviews	4,137	4,074	3,617	3,753	4,287	3,721	3,744	1,542
Video views	7,114	5,974	6,112	6,002	5,759	5,668	6,371	5,358
<b>Paid subscribers (thousands – as of end of period)</b>	<b>233</b>	<b>258</b>	<b>260</b>	<b>262</b>	<b>275</b>	<b>272</b>	<b>265</b>	<b>268</b>

Changes in views by quarter are impacted, but not limited to, seasonality (refer to *Seasonality*), trends, new game releases, new products and offerings, and global factors such as COVID-19. The Company seeks to grow existing properties, create new properties and add new partners.

Web pageviews decreased 11% in Q3 2022 compared to Q2 2022, which management attributes to a decrease in traffic relating to the Elden Ring game following its initial surge upon launch in February 2022. Web pageviews increased 14% in Q1 2023 compared to Q4 2022, which management attributes to a continuation of the Q4 2022 trends, as well as higher web-based usage broadly across the web platform. The launch of Harry Potter Hogwarts Legacy game in Q1 2023 and renewed traffic from Premier League Fantasy users in FFS properties upon resumption of weekly Premier League games in Q1 2023 after end of FIFA World Cup in Q4 2022 also contributed to the Q1 2023 increase. Web pageviews decreased 13% in Q2 2023 compared to Q1 2023 mainly due to lack of any major game releases in Q2 2023, the conclusion of the Premier League season in early Q2 2023 and the seasonal impact prevalent in the months leading up to the summer break. Web pageviews decreased by 59% between Q4 2023 and Q3 2023 primarily due to web partner websites leaving the web platform in Q3 2023 and Q4 2023.

Video views decreased to 5.9 billion in Q2 2022, or 16% from Q1 2022. This decrease specifically relates to certain large partner channels leaving the video network, which the Company elected for in order to reduce operating costs relating to these channels. Management also attributes the decrease to the reduction in the gaming category views across YouTube primarily driven from relaxed COVID-19 restrictions. The video views increased to 6.4 billion in Q3 2023, or 12% from Q2 2023, which management attributes to increased content creation resulting from monetization of YouTube Shorts and the addition of partner channels to the video network. Video views decreased to 5.4 billion in Q4 2023, or 16% from Q3 2023. This decrease specifically relates to certain large partner channels leaving the video network, which the Company elected for in order to reduce operating costs relating to these channels.

Paid subscribers relate primarily to TSR. TSR was acquired by Enthusiast Properties in Q1 2019. In Q4 2019, the Company began initiatives to increase the numbers of paid subscribers, including pricing analysis, promotional events, and marketing initiatives. In Q3 and Q4 2020, the Company established a team of employees focused exclusively on subscription efforts, and the Company attributes the additional increase in the number of paid subscribers observed in the table above primarily to these initiatives as well as the Mergers and Acquisitions. In Q2 2022, approximately 26,000 paid subscribers were added from the Mergers and Acquisitions of FFS.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### QUARTERLY RESULTS OF OPERATIONS

	Q1 2022 \$	Q2 2022 \$	Q3 2022 \$	Q4 2022 \$	Q1 2023 \$	Q2 2023 \$	Q3 2023 \$	Q4 2023 \$
<b>Total revenue</b>	47,167,538	51,119,028	50,578,758	53,970,597	42,879,966	42,598,769	45,558,271	47,141,121
<b>Interest income</b>	1,401	1,320	5,257	28,274	61,207	1,514	575	1,020
<b>Operating expenses</b>	24,822,370	29,117,767	26,600,236	30,259,158	25,231,120	24,586,889	25,017,247	27,845,075
<b>Net loss and comprehensive loss</b>	(12,241,359)	(13,811,933)	(30,189,879)	(12,484,952)	(8,730,149)	(12,358,392)	(57,249,044)	(40,763,895)
<b>Loss per share – basic and diluted</b>	(0.08)	(0.12)	(0.25)	(0.08)	(0.06)	(0.07)	(0.38)	(0.26)

In Q3 2022, the Company recognized a goodwill impairment charge on the Omnia cash-generating unit (“CGU”) and the Addicting Games CGU which caused a significant increase in net loss and comprehensive loss observed in Q3 2022 (see *Goodwill Impairment*).

In Q3 2023 and Q4 2023, the Company recognized goodwill impairment charges on the Omnia CGU, the Addicting Games CGU, the Luminosity CGU, the Outplayed CGU and the Enthusiast Properties CGU which caused a significant increase in net loss and comprehensive loss observed in Q3 2023 and Q4 2023, (see *Goodwill Impairment*).

Period-to-period results are also impacted by certain operating metrics (see *Select Operating Metrics*) and seasonality (see *Seasonality*).

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### EBITDA AND ADJUSTED EBITDA

	Q1 2022 \$	Q2 2022 \$	Q3 2022 \$	Q4 2022 \$	Q1 2023 \$	Q2 2023 \$	Q3 2023 \$	Q4 2023 \$
<b>Gross Margin</b>	13,491,379	15,343,165	16,560,589	18,069,388	16,765,558	14,982,692	16,736,521	18,936,955
<b>Operating expenses</b>	(24,822,370)	(29,117,767)	(26,600,236)	(30,259,158)	(25,231,120)	(24,586,889)	(25,017,247)	(27,845,075)
<b>Share-based compensation</b>	1,386,181	3,128,625	821,811	2,414,753	1,130,331	1,788,490	1,364,059	1,191,567
<b>Amortization &amp; depreciation</b>	4,767,024	4,435,374	4,055,415	3,450,031	3,338,023	2,886,075	2,562,229	1,646,055
<b>Annual general meeting legal &amp; advisory costs</b>	-	2,237,200	1,149,396	-	-	-	-	-
<b>EBITDA</b>	<b>(5,177,786)</b>	<b>(3,973,403)</b>	<b>(4,013,025)</b>	<b>(6,324,986)</b>	<b>(3,997,208)</b>	<b>(4,929,632)</b>	<b>(4,354,438)</b>	<b>(6,070,498)</b>
<b>Severance</b>	143,171	13,259	250,000	257,989	60,985	995,563	375,445	2,617,134
<b>Listing fees &amp; D&amp;O insurance specific to the Company's Nasdaq listing</b>	1,073,845	920,346	876,490	876,490	881,238	530,117	429,797	429,797
<b>Adjusted EBITDA</b>	<b>(3,960,770)</b>	<b>(3,039,798)</b>	<b>(2,886,535)</b>	<b>(5,190,507)</b>	<b>(3,054,985)</b>	<b>(3,403,952)</b>	<b>(3,549,196)</b>	<b>(3,023,567)</b>

Severance and non-recurring public costs such as the annual Nasdaq listing fees and D&O insurance relating to the Nasdaq listing are added back to determine adjusted EBITDA as there are non-recurring expenses. On October 23, 2023, the Company announced that it has notified the Nasdaq of its intention to voluntarily delist its common shares from the Nasdaq Capital Market. On February 9, 2024, the Company filed a form with the SEC to deregister the Company's common shares and to suspend the Company's reporting obligations.

The Company incurred an EBITDA loss of \$5.2 million in Q1 2022, which decreased to \$4.0 million in Q2 2022 primarily due to an increase in the gross margin. In Q4 2022, the EBITDA loss increased to \$6.3 million due to increase in operating expenses primarily driven by costs incurred related to season 1 of NFL TNG. The EBITDA loss decreased to \$4.0 million in Q1 2023 due to decrease in the operating expenses upon conclusion of season 1 of NFL TNG. The EBITDA loss increased to \$4.9 million in Q2 2023 due to decrease in gross margin as a result of lower direct sales in Q2 2023. The EBITDA loss increased to \$6.0 million in Q4 2023 primarily due to increase in operating expenses as the Company aired highest number of episodes for season 2 of NFL TNG.

The Company incurred an adjusted EBITDA loss of \$4.0 million in Q1 2022, which decreased to \$3.0 million in Q2 2022 primarily due to decrease in the EBITDA loss. In Q4 2022, the adjusted EBITDA loss increased to \$5.2 million primarily due to an increase in the EBITDA loss which was offset by lower annual Nasdaq listing fees and D&O insurance expense. The adjusted EBITDA loss decreased to \$3.1 million in Q1 2023 primarily due to decrease in the EBITDA loss. The adjusted EBITDA loss increased to \$3.5 million in Q3 2023 primarily due to increase in the EBITDA loss. The adjusted EBITDA loss decreased to \$3.0 million in Q4 2023 primarily due to large non-recurring severance expense incurred in Q4 2023 despite the increase in EBITDA loss.

Period-to-period results are also impacted by certain operating metrics (see *Select Operating Metrics*) and seasonality (see *Seasonality*).

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### SEASONALITY

The Company's media and content division is impacted by seasonality which is linked to advertiser spend and consumer events that tend to be the highest around the holidays. Advertising seasonality is driven by two main factors, RPM and traffic, which are interlinked factors that are tied to seasonal periods of time throughout the year. These seasonal periods of time are linked to cultural holidays, commercial holidays, or ad hoc events (e.g., election years).

Advertiser spend is impacted by their annual budgets, financial year-end date, cultural holidays, commercial holidays, ad hoc events, new brands, new campaigns and new products. Advertiser spend normally increases significantly for consumer spending events such as Black Friday, Christmas, Back to School, Valentine's Day, and Easter which result in a corresponding increase in RPM. Advertiser spend typically increases substantially in Q4 as Black Friday and the December holiday season approaches. Advertiser spend can differ from consumer spend as consumers have different spending patterns and important events.

Q1 is typically the slowest part of the year historically, as most media spending occurs in Q4. As a result, Q1 normally reports the lowest media and content revenue and Q4 the highest media and content revenue. Q2 and Q3 media and content revenue varies depending on an advertiser's financial year end, budgeted advertiser spends remaining and new brands, campaigns, and products being promoted.

Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

### GOODWILL IMPAIRMENT

The Company performs its annual impairment tests at December 31 or at an interim date when events or changes in the business environment (triggering events) would more likely than not reduce the fair value of a CGU below its carrying value.

During the year ended December 31, 2022, the Company concluded that there were triggering events requiring an impairment assessment as of September 30, 2022 and December 31, 2022 due to overall macroeconomic conditions including but not limited to increasing interest rates, high inflation, and softening of digital advertisement demand and spending due to uncertain economic outlooks. In addition, there was a decline in the Company's share price resulting in market capital being lower than the net assets of the Company. The Company performed impairment testing as of September 30, 2022, and determined that impairment charges were necessary for the Omnia CGU of \$14,082,162 and the Addicting Games CGU of \$17,199,124 due to the overall macroeconomic conditions. The Company performed impairment testing as of December 31, 2022, and determined that no further impairment charges were necessary. The Company's analysis showed the value of the Enthusiast Properties, TSR, Luminosity, Steel Media and Outplayed CGUs exceeds their carrying amount, ranging between 18% to 447% of recoverable amount compared to the carrying amount of the net assets. For key assumptions used to determine the recoverable amount of goodwill based on each CGU's value-in-use refer to Note 11 of the Company's consolidated financial statements for the years ended December 31, 2022, and 2021.

During the year ended December 31, 2023, the Company concluded that there were further triggering events requiring an impairment assessment as of September 30, 2023 and December 31, 2023 due to overall macroeconomic conditions including but not limited to increasing interest rates, high inflation, and softening of the digital advertisement demand and spending due to uncertain market economic outlook and a change in corporate strategy. In addition, there was a decline in the Company's share price resulting in market capital being lower than the net assets of the Company.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### GOODWILL IMPAIRMENT (Continued)

During the period ended September 30, 2023, the Company determined that impairment charges were necessary for the Luminosity CGU of \$6,003,150, the Omnia CGU of \$10,916,068, the Addicting Games CGU of \$16,444,145 and the Outplayed CGU of \$5,979,512 due to the overall macroeconomic conditions. The Omnia impairment charge was allocated to goodwill in the amount of \$8,839,508 and intangible assets (owned and operated content brand) in the amount of \$2,076,560. The Addicting Games impairment charge was allocated to goodwill in the amount of \$14,078,389 and intangible assets (domain names) in the amount of \$2,365,756. During the period ended September 30, 2023, the Company evaluated and concluded that certain intangible assets and related goodwill within the Enthusiast Properties CGU should be retired, and an impairment charge recorded to write off the related carrying values. As a result, the Company recorded an impairment charge of \$12,317,760. The impairment charge was allocated to goodwill in the amount of \$9,922,016 and intangible assets (brand names) in the amount of \$2,395,744.

During the period ended December 31, 2023, the Company determined that impairment charges were necessary for the Enthusiast Properties CGU of \$5,391,633, the Luminosity CGU of \$Nil, the Omnia CGU of \$10,381,651, the Addicting Games CGU of \$4,220,432 and the Outplayed CGU of \$14,613,744 due to the overall macroeconomic conditions and a change in corporate strategy. The Omnia impairment charge was allocated to intangible assets (talent management and owned and operated content brand and multi-channel network license) in the amount of \$10,381,651. The Addicting Games impairment charge was allocated to intangible assets (domain names) in the amount of \$4,220,432.

As a September 30, 2023, the Company's analysis showed the value of the Enthusiast Properties, TSR and Steel Media CGUs exceeds their carrying amount, ranging between 122% to 182% of the recoverable amount compared to the carrying amount of the net assets. As a December 31, 2023, the Company's analysis showed the value of the TSR and Steel Media CGUs exceeds their carrying amount, by 188% and 118% respectively, of the recoverable amount compared to the carrying amount of the net assets. For key assumptions used to determine the recoverable amount of goodwill based on each CGU's value-in-use refer to Note 10 of the Company's consolidated financial statements for the years ended December 31, 2023, and 2022. The Company determined the recoverable amount based on fair value less cost to sell to assess the value of Addicting Games CGU. Fair value less cost to sell for the Addicting Games CGU is based on the arm's length sale price between willing parties, see Note 25. Costs to sell were estimated to be 2% of total fair value for the CGU.

### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

#### Cash flow for the Year Ended December 31, 2023

Net cash used in operating activities for the year ended December 31, 2023, was \$2,843,461 (December 31, 2022 – \$26,640,355). This was due to the net loss of \$117,673,608 and was decreased by items not affecting cash such as goodwill impairment of \$64,827,952, intangible asset impairment of \$21,440,143, other long-term asset impairment of \$3,364,584, amortization and depreciation of \$10,432,382, share-based compensation of \$5,474,447, and a loss on revaluation of deferred payment liability of \$592,053 and increased by items not affecting cash such as deferred tax recovery of \$10,437,753, and a share of income from investment in associates and joint ventures of \$456,062. These non-cash items for the year ended December 31, 2023, were offset by changes in working capital including a decrease in trade and other receivables of \$2,865,276, an increase in accounts payable and accrued liabilities of \$14,277,952 and an increase in contract liabilities of \$698,572.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES *(Continued)*

#### Cash flow for the Year Ended December 31, 2023 *(Continued)*

Net cash used in operating activities for the year ended December 31, 2022, was \$26,640,355. This was due to the net loss of \$76,830,805 and was decreased by items not affecting cash such as goodwill impairment of \$31,281,286, amortization and depreciation of \$16,707,844, share-based compensation of \$7,751,370, interest and accretion of \$2,334,783, a loss on settlement of deferred payment liability of \$3,302,824, and loss on derecognition of long-term debt of \$482,282, and increased by items not affecting cash such as deferred tax recovery of \$2,302,219, foreign exchange gain of \$775,004, a gain on player buyouts of \$518,581, a gain on revaluation of deferred payment liability of \$621,780, share of income from investment in associates and joint ventures of \$1,241,684, gain on settlement of accounts payable of \$587,769, and a gain on sale of intangible assets of \$4,876,659. These non-cash items for the year ended December 31, 2022 were offset by changes in working capital including an increase in trade and other receivables of \$3,328,743, an increase in accounts payable and accrued liabilities of \$994,457 and an increase in contract liabilities of \$1,142,087.

Net cash used in investing activities for the year ended December 31, 2023 was \$767,268 (December 31, 2022, net cash provided by investing activities - \$4,313,376) which is predominately attributable to the repayment of deferred payment liability of \$844,350. For the year ended December 31, 2022, net cash provided by investing activities was predominately attributable to cash paid for mergers and acquisitions of \$2,937,520 and repayment of deferred payment liability of \$472,833, which were collectively offset by proceeds from sale of intangible assets of \$5,460,959, cash acquired from mergers and acquisitions of \$1,748,602 and proceeds from player buyouts, net of transaction costs, of \$518,581.

Net cash provided by financing activities for the year ended December 31, 2023 was \$3,093,972 (December 31, 2022 - \$6,498,013), which is predominately attributable to proceeds from long-term debt, net of transaction costs, of \$8,222,904, which is collectively offset by the repayment of long-term debt of \$4,129,561, and lease payments of \$986,802. For the year ended December 31, 2022, net cash provided by financing activities is predominantly attributable to proceeds from the long-term debt, net of transaction costs, of \$9,758,128, which is collectively offset by repayment of long-term debt of \$2,588,238, and lease payments of \$948,040.

For the year ended December 31, 2023, and 2022, the Company had a net decrease in cash of \$563,550 and \$15,238,746, respectively. As a result, the Company had a cash balance as of December 31, 2023 and 2022, of \$6,851,966 and \$7,415,516, respectively.



## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES (Continued)

#### Liquidity

Selected financial information about the Company's financial position as of the indicated dates is provided below:

	December 31, 2023 \$	December 31, 2022 \$
Cash	6,851,966	7,415,516
Total assets	236,132,028	341,437,545
Total liabilities	93,231,934	86,786,538
Share capital, contributed surplus and accumulated other comprehensive income	487,553,241	481,813,966
Retained earnings (deficit)	(344,836,567)	(227,162,959)
Working capital (deficiency)	(35,969,761)	(11,196,337)

Total liabilities at each reporting date are broken down as follows:

	December 31, 2023 \$	December 31, 2022 \$
Accounts payable and accrued liabilities	47,101,272	32,823,320
Contract liabilities	6,078,950	5,380,378
Income tax payable	274,924	129,485
Current portion of long-term debt	21,888,597	17,431,625
Current portion of deferred payment liability	82,231	2,391,863
Current portion of lease liabilities	740,212	872,429
Current portion of other long-term debt	9,668	10,891
Long-term portion of deferred payment liability	2,083,262	1,451,939
Long-term lease liabilities	938,845	1,478,438
Other long-term debt	140,613	144,844
Deferred tax liability	14,076,780	24,671,326
<b>Total liabilities</b>	<b>93,415,354</b>	<b>86,786,538</b>

During the year ended December 31, 2023, the Company incurred a net loss and comprehensive loss of \$119,101,480 (December 31, 2022 – \$68,728,123) and, as of that date, the Company had accumulated a deficit of \$344,836,567 (December 31, 2022 – \$227,162,959) and negative cash flows from operations of \$2,843,461 (December 31, 2022 – \$26,640,355). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES *(Continued)*

#### Liquidity *(continued)*

As of December 31, 2023, the Company has current assets of \$40,206,093 (December 31, 2022 - \$47,843,654) and current liabilities of \$76,175,854 (December 31, 2022 - \$59,039,991) resulting in a working capital deficiency of \$35,969,761 (December 31, 2022 - \$11,196,337).

The Company has not yet realized profitable operations and has mainly relied on non-operational sources of financing to fund operations. Management has been able to raise sufficient funds to finance the Company's operations, growth, and mergers and acquisitions in the past and may need to continue to do so to fund these activities in the future.

As of December 31, 2023, the Company's working capital deficiency of \$35,969,761 includes contract liabilities of \$6,078,950 and the current portion of long-term debt of \$21,888,597. The working capital will be used to finance operations and growth over the next 12 months. The Company also has other cash commitments of \$1,873,000 (see *Commitments*) over the next 12 months.

The Company's cash resources as of December 31, 2023, are not sufficient to fund the planned business operations over the next 12 months (see Note 2 of the consolidated financial statements for the years ended December 31, 2023 and 2022). Additional financing will be required in order to settle current liabilities and to service the Company's Term Credit and Operating Credit and remain in compliance with the covenants under the Amended Commitment Letter. The Company has an Operating Credit consisting of an authorized amount of up to \$7.5 million available to draw upon which was fully drawn upon as of December 31, 2023. For details on the Term Credit and Operating Credit see Note 13 of the consolidated financial statements for the years ended December 31, 2023 and 2022. The Company has not identified any legal or practical restrictions on its ability to meet its obligations.

#### Capital Management

The Company considers its capital structure to consist of shareholders' equity, long-term debt, and deferred payment liability. The Company manages its capital structure and makes adjustments to it in order to have the funds available to support the acquisition 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 dependent on external 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 size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2023. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements aside from the covenants described in Note 13 of the consolidated financial statements for the years ended December 31, 2023 and 2022.

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 (see Note 2 of the consolidated financial statements for the years ended December 31, 2023 and 2022).

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES (Continued)

#### Nasdaq Minimum Bid Price Requirement

On November 4, 2022, the Company disclosed the receipt of a notice (the "Notice") on November 3, 2022 from the Nasdaq that the Company is not currently in compliance with the USD\$1.00 minimum bid price requirement for continued listing of the Company's common shares on the Nasdaq Global Select Market, as set forth in Nasdaq Listing Rule 5450(a)(1) (the "Minimum Bid Price Requirement"). The Notice indicated that, consistent with Nasdaq Listing Rule 5810(c)(3)(A), the Company has 180 calendar days, or until May 2, 2023 (the "Compliance Deadline"), to regain compliance with the Minimum Bid Price Requirement by having the closing bid price of the common shares meet or exceed USD\$1.00 per common share for at least ten consecutive business days. The Company's common shares continued to trade on the Nasdaq global Select Market since the date of the Notice, and neither the Company's operations nor the Company's TSX listing are affected by the receipt of the Notice. During the 180 calendar days since the date of the Notice, the Company did not meet the Minimum Bid Requirement. As a result, the Company applied for an extension to the Compliance Deadline.

On May 4, 2023, the Company announced the Listing Qualifications department of the Nasdaq approved the Company's request for a 180-day extension to regain compliance with Nasdaq's Minimum Bid Price Requirement. The Company had until October 30, 2023 to regain compliance. If at any time prior to October 30, 2023, the bid price of the Company's common shares closed at USD \$1.00 per share or more for a minimum of 10 consecutive business days, the Company would regain compliance with the Minimum Bid Price Requirement.

In connection with the 180-day extension, the Company has transferred the listing of the common shares from the Nasdaq Global Select Market to the Nasdaq Capital Market. The transfer took effect at the opening of business on May 4, 2023. Neither the Company's operations nor the Company's TSX listing are affected by the transfer of the Company's listing to the Nasdaq Capital Market. The common shares will continue to trade without interruption under the symbol "EGLX." The Nasdaq Capital Market operates in substantially the same manner as the Nasdaq Global Select Market, and companies on the Nasdaq Capital Market must meet certain financial and corporate governance requirements to qualify for continued listing.

On October 23, 2023, the Company announced that it has notified the Nasdaq of its intention to voluntarily delist its common shares from the Nasdaq Capital Market. The Company's common shares will continue to trade on the TSX under the symbol "EGLX". The Company's common shares were delisted from the Nasdaq Capital Market on November 9, 2023. On February 9, 2024, the Company filed a form with the SEC to deregister and to suspend the Company's reporting obligations (see *Subsequent Events*).

### SHARE CAPITAL

Authorized:

- Unlimited number of common shares
- Unlimited number of preferred shares

During the year ended December 31, 2023:

- (i) On June 16, 2023, the Company issued 2,626,037 common shares to settle the FFS First Anniversary Deferred Payment (see Note 15 of the consolidated financial statements for the years ended December 31, 2023 and 2022).

During the year ended December 31, 2022:

- (i) The Company received proceeds of \$289,034 from the exercise of 760,938 stock options. Stock option proceeds of \$45,538 were not received in cash but were used to settle accounts payable. The fair value assigned to these stock options of \$2,527,504 was reclassified from contributed surplus to share capital.
- (ii) On February 14, 2022, the Company issued the remaining 35,770 common shares to be issued relating to the Outplayed SPA.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### SHARE CAPITAL (Continued)

During the year ended December 31, 2022: (Continued)

- (iii) On February 28, 2022, the Company issued 111,267 common shares to settle the GameKnot Deferred Payment liability (see Note 15 of the consolidated financial statements for the years ended December 31, 2023 and 2022).
- (iv) On June 2, 2022, the Company issued 348,852 common shares to settle the Vedatis Deferred Payment liability (see Note 15 of the consolidated financial statements for the years ended December 31, 2023 and 2022).
- (v) On June 2, 2022, the Company issued 4,319,996 common shares to settle the Addicting Games Deferred Payment liability (see Note 15 of consolidated financial statements for the years ended December 31, 2023 and 2022).
- (vi) On June 2, 2022, the Company issued 11,499,988 common shares to settle the Outplayed Deferred Payment liability and Outplayed Earn-Out Payment liability (see Note 15 of the consolidated financial statements for the years ended December 31, 2023 and 2022).
- (vii) On July 25, 2022 the Company issued 307,692 common shares to settle accounts payable of \$800,000 related to annual general meeting costs. The Company recorded a gain on settlement of accounts payable of \$95,386 based on a share price of \$2.29 per share. This gain has been netted against the annual general meeting legal and advisory costs in the consolidated statement of loss and comprehensive loss.
- (viii) On September 19, 2022 the Company issued 790,633 common shares to settle accounts payable of \$1,757,396 related to annual general meeting legal and advisory costs and consulting fees. The Company recorded a gain on settlement of accounts payable of \$492,383 based on a share price of \$1.60 per share. A gain of \$288,679 has been netted against the annual general meeting legal and advisory costs and the remaining gain of \$203,704 has been netted against the consulting fees in the consolidated statement of loss and comprehensive loss.
- (ix) On December 14, 2022, the Company issued 42,838 common shares to settle 42,838 restricted share units. The fair value assigned to these restricted share units of \$306,485 was reclassified from contributed surplus to share capital.

### DISCLOSURE OF OUTSTANDING SHARE DATA

The Company had the following shares and securities convertible into shares outstanding as of the following dates:

	April 1, 2024	December 31, 2023	December 31, 2022
Common shares	155,721,839	154,393,280	151,767,243
Options, convertible into common shares	3,234,229	9,485,334	3,941,982
Restricted share units	5,005,512	5,640,244	4,139,454
<b>Total</b>	<b>163,961,580</b>	<b>169,518,858</b>	<b>159,848,679</b>

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### RELATED PARTY TRANSACTIONS

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 Financial Officer, Chief People Officer, former Chief Operating Officer, former Chief Corporate Officer, former President and Senior Vice President, Legal and General Counsel. Compensation of key management personnel may include short-term and long-term benefits. Short-term benefits include salaries and bonuses. Share-based compensation includes the fair value of stock options and restricted share units vested during the year.

Compensation provided to key management during the years ended December 31, 2023 and 2022 is as follows:

	For the year ended	
	December 31, 2023	December 31, 2022
	\$	\$
Short-term benefits	4,182,146	3,133,569
Share-based compensation	4,575,520	5,332,426
<b>Total</b>	<b>8,757,666</b>	<b>8,465,995</b>

A summary of other related party transactions during the years ended December 31, 2023 and 2022 is as follows:

	For the year ended	
	December 31, 2023	December 31, 2022
	\$	\$
<b>Total transactions during the period:</b>		
<b>Expenses</b>		
Consulting fees	37,515	475,916
Share of net (income) loss from investment in associates and joint ventures	1,212	(1,129,167)

A summary of related party balances as of December 31, 2023 and 2022, is as follows:

	December 31, 2023	December 31, 2022
	\$	\$
<b>Balances receivable (payable):</b>		
Trade and other receivables	67,181	67,180
Investment in associates and joint ventures	11,024	12,236
Accounts payable and accrued liabilities	(1,014,738)	(249,976)

During the year ended December 31, 2023, the Company recognized consulting expenses of \$37,515 (December 31, 2022 - \$75,022) to Rivonia Capital Inc., a company in which a former director of the Company is a principal. As of December 31, 2022, a balance of \$14,125 is included in account payable and accrued liabilities.

During the year ended December 31, 2023, the Company recognized \$Nil (December 31, 2022 - \$400,894) in consulting fees relating to Board of Director and committee fees to certain directors. As of December 31, 2023, a balance of \$96,204 (December 31, 2022 - \$235,851) is included in account payable and accrued liabilities.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### RELATED PARTY TRANSACTIONS (Continued)

As of December 31, 2023, a balance of \$918,534 (December 31, 2022 - \$Nil) is included in accounts payable and accrued liabilities for severance payable to the former Chief Executive Officer who is currently serving as interim Chief Executive Officer.

See Note 7 of the consolidated financial statements for the years ended December 31, 2023 and 2022 for information relating to an investment in a joint venture under common management as the Company. During the year ended December 31, 2023, the Company recognized a share of net loss from investment in joint ventures of \$1,212 (December 31, 2022 – \$46,673) from AFK, a related party by nature of it having common management as the Company. As of December 31, 2023, a balance of \$67,180 (December 31, 2022 - \$67,180) is included in trade and other receivables.

See Note 7 of the consolidated financial statements for the years ended December 31, 2023 and 2022 for information relating to an investment in associates controlled by the former Chairman of the Company. The former Chairman of the Company did not seek re-election at the Company's July 19, 2022 AGM and is no longer a related party as of July 19, 2022. During the period from January 1, 2022 to July 19, 2022, the Company's share of net income from investment in associates was \$1,175,840.

See Note 17 of the consolidated financial statements for the years ended December 31, 2023 and 2022 for information relating to stock options issued to officers and directors of the Company.

See Note 18 of the consolidated financial statements for the year ended December 31, 2023 for information relating to restricted share units issued to officers and directors of the Company.

### SUBSEQUENT EVENTS

- (i) On January 1, 2024, Enthusiast Gaming Live Inc. amalgamated with Enthusiast Gaming Inc.
- (ii) On January 3, 2024, the Company issued 1,328,559 common shares to settle 1,328,559 vested restricted share units to directors, officers and consultants of the Company.
- (iii) On January 8, 2024, Nick Brien resigned as the Chief Executive Officer of the Company. Concurrently, the Company appointed Adrian Montgomery as interim Chief Executive Officer. On March 1, 2023, the Company issued 5,305,104 stock options and 757,872 performance stock options (see Note 17 of the consolidated financial statement for the years ended December 31, 2023 and 2022) to Nick Brien which were unvested and forfeited upon Nick's resignation. Share-based compensation expense recorded on Nick Brien's stock options vesting during the year ended December 31, 2023 in the amount of \$2,194,888 will be credited against share-based compensation expense during the year ended December 31, 2024.
- (iv) On January 16, 2024, the Company issued 1,089,007 restricted share units to officers. These restricted share units are expected to be settled through the issuance of 1,089,007 common shares of the Company. These restricted share units vest one-third on January 16, 2024, January 1, 2025 and January 1, 2026, respectively.
- (v) On February 9, 2024, the Company filed Form 15F with the SEC to deregister the Company's common shares under Section 12(g) of the U.S. Securities Exchange Act of 1934, as amended ("the Exchange Act"), and to suspend the Company's reporting obligations under Section 15(d) of the Exchange Act. The Company's obligation to file reports with the SEC, including annual reports and Forms 6-K, will be suspended immediately upon filing of the Form 15F.
- (vi) On March 7, 2024, the Company completed a reduction in force affecting approximately 45 employees, or 25% of the workforce. Cash expenditures for the reduction in force are estimated to be \$650,000, substantially all of which are related to employee severance and benefits costs. The reduction in force was completed to enhance the Company's business model in areas most critical to its future success, renewing the Company's commitment to the growth and development of its highly engaged gaming communities and focusing the business on drivers of high-margin revenue growth and sustainable profitability. The Company's immediate priority is to enhance organization effectiveness and community engagement.

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
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### SUBSEQUENT EVENTS (Continued)

(vii) On March 31, 2024, the Company entered into a definitive agreement (the “Asset Sale Agreement”) for the divestment of certain non-core and non-profitable casual gaming assets for a purchase price of approximately \$4,065,000 (USD \$3,000,000). The Asset Sale Agreement is expected to close in 10 business days following March 31, 2024 (the “closing date”) and is subject to customary closing conditions. The Asset Purchase Agreement may be terminated by the seller or purchaser prior to the closing date. Among the casual gaming assets included as part of the divestment are Shockwave, LittleBigSnake, MathGames.com, and TypeRacer.com.

### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

### SEGMENTED INFORMATION

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 of America (“USA”). The Company sells into four major geographic centers: USA, Canada, England and Wales and other foreign countries. The Company has determined that it has a single reportable segment as the Company’s decision makers reviews information on a consolidated basis.

Revenues by pillar for the years ended December 31, 2023 and 2022 is as follows:

	For the year ended	
	December 31, 2023	December 31, 2022
	\$	\$
Media and content	154,825,175	180,765,848
Esports and entertainment	8,311,342	7,534,936
Subscription	15,041,610	14,535,137
<b>TOTAL</b>	<b>178,178,127</b>	<b>202,835,921</b>

Revenue, in Canadian dollars, in each of the four major geographic locations for the years ended December 31, 2023 and 2022 is as follows:

	For the year ended	
	December 31, 2023	December 31, 2022
	\$	\$
Canada	4,898,125	4,314,454
USA	146,874,305	174,674,636
England and Wales	9,716,729	9,810,393
All other countries	16,688,968	14,036,438
<b>TOTAL</b>	<b>178,178,127</b>	<b>202,835,921</b>

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### SEGMENTED INFORMATION (Continued)

The non-current assets, in Canadian dollars, in each of the Company's geographic locations as of December 31, 2023 and 2022, is as follows:

	December 31, 2023 \$	December 31, 2022 \$
Canada	132,820,450	153,899,948
USA	54,268,252	130,543,027
France	3,335,000	3,364,854
England and Wales	5,502,233	5,786,062
<b>TOTAL</b>	<b>195,925,935</b>	<b>293,593,891</b>

### ADOPTION OF NEW OR AMENDED IFRS ACCOUNTING STANDARDS

The following new standards, interpretation or amendment were adopted for the first time on January 1, 2023:

(a) IAS 1 – *Presentation of Financial Statements* (“IAS 1”)

In February 2021, the IASB issued amendments to IAS 1 to assist entities in determining which accounting policies to disclose in the financial statements. The amendments to IAS 1 require that an entity disclose its material accounting policies, instead of its significant accounting policies. The amendments apply to annual reporting periods beginning on or after January 1, 2023. There was no material impact from the adoption this amendment on the Company's consolidated financial statements.

In January 2020, IAS 1 was amended to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023 and are to be applied retrospectively. There was no material impact from the adoption this amendment on the Company's consolidated financial statements.

(b) IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* (“IAS 8”)

In February 2021, the IASB issued “Definition of Accounting Estimates”, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. There was no material impact from the adoption this amendment on the Company's consolidated financial statements.



## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

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### ADOPTION OF NEW OR AMENDED IFRS ACCOUNTING STANDARDS *(Continued)*

#### (c) IAS 12 – *Income Taxes* (“IAS 12”)

In May 2021, the IASB issued “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively. There was no material impact from the adoption this amendment on the Company’s consolidated financial statements.

### MATERIAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes to the consolidated 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, identification and valuation of intangible assets acquired in business combinations, estimated useful life of long-lived assets, income taxes, the fair value of share-based payments, provisions for expected credit losses, fair value measurement of an investment not quoted in an active market, recognition of revenue on a gross versus net basis and functional currency. These estimates and judgments are further discussed below:

#### (a) *Goodwill impairment testing and recoverability of assets*

In evaluating impairment, the Company determines the recoverable amount based on an assessment of value-in-use using a discounted cash flow approach. In determining the estimated recoverable amount, the Company’s significant assumptions include expected future cash flows, terminal growth rates and discount rates. 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) *Identification and valuation of intangible assets acquired in 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 intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, management with assistance from an independent valuation expert develops the fair value using appropriate valuation techniques which are based on a forecast of the total expected future net cash flows. In determining the fair value of the intangible assets at the acquisition date, the Company’s significant assumptions include the future net cash flows, royalty rates, attrition rates and 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.

## MATERIAL ACCOUNTING ESTIMATES AND JUDGEMENTS (*Continued*)

(c) *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.

(d) *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.

(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 trade receivables 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 i) 12-month ECLs, or ii) lifetime ECLs. 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.

# Enthusiast Gaming Holdings Inc.

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## MATERIAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (g) Recognition of revenue on a gross versus net basis

The Company follows the guidance provided in IFRS 15, Revenue from Contracts with Customers, for determining whether the Company is the principal or an agent in arrangements with customers that involve another party that contributes to providing a specified service to a customer. In these instances, the Company determines whether it controls the promised specified service itself (as principal) or arranges for the specified service to be provided by another party (as an agent). This determination depends on the facts and circumstances of each arrangement and, in some instances, involves significant judgment. The most significant factors to consider include whether the Company controls the good or service immediately before it is transferred to the customer, is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk before transferring the specified good or service, and has discretion in establishing prices for the specified good or service.

### (h) Functional currency

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the entities operate. The Company has determined that the functional currency for the Company is Canadian dollars while the functional currencies of subsidiaries are United States dollars, UK pound Sterling or Euro. Assessment of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Fair values

The fair values of cash, investments, trade and other receivables, loans receivable, accounts payable and accrued liabilities and contract liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments. The fair value of long-term debt, lease liabilities, deferred payment liability and other long-term debt loan is based on observable market data and the calculation of discounted cash flows. Discount rates were determined based on current terms and conditions observed in the credit market.

The Company follows a three-tier categorization for its financial instruments as a framework for disclosing fair value based upon inputs used to value the Company's investments. The hierarchy is summarized as:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
- Level 3 – inputs for assets and liabilities not based upon observable market data

As of December 31, 2023, the Vedatis Earn-Out Payment liability is classified as a Level 3 financial instrument (see Note 15 of the consolidated financial statements for the years ended December 31, 2023 and 2022).

Total interest income and interest expense for the years ended December 31, 2023 and 2022 for financial assets or financial liabilities that are not at fair value through profit or loss can be summarized as follows:

	For the year ended	
	December 31, 2023	December 31, 2022
	\$	\$
Interest income	(64,316)	(36,252)
Interest and accretion expense	2,339,743	2,586,387
<b>TOTAL</b>	<b>2,275,427</b>	<b>2,550,135</b>

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
For The Year Ended December 31, 2023

### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Continued)

#### Fair values (Continued)

The Company 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 and interest rate 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. Substantially all of the Company's cash is held with major financial institutions and this the exposure to credit risk on cash balances is considered insignificant.

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

	December 31, 2023	December 31, 2022
	\$	\$
Trade receivables aging:		
0-30 days	22,974,148	26,077,091
31-60 days	2,841,566	1,455,672
61-90 days	1,148,610	1,803,214
Greater than 90 days	4,153,822	2,558,113
<b>Total trade receivables</b>	<b>31,118,146</b>	<b>31,894,090</b>
Expected credit loss provision	(336,633)	(300,735)
<b>Net trade receivables</b>	<b>30,781,513</b>	<b>31,593,355</b>

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

	December 31, 2023	December 31, 2022
	\$	\$
Expected credit loss provision, beginning balance	(300,735)	(58,472)
Increase in provision for expected credit loss	(131,192)	(240,603)
Write-offs	14,062	-
Recoveries	79,257	-
Effect of movement in exchange rates	1,975	(1,660)
Expected credit loss provision, ending balance	(336,633)	(300,735)

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
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### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### Credit risk (continued)

The following default rates, determined based on historical default rates based on the aging of trade receivables, are used to calculate the expected credit loss provision on trade receivables as of December 31, 2023:

	Total	Not past due	Over 30 days past due	Over 60 days past due	Over 90 days past due
Default rates		0.20%	1.19%	1.72%	5.72%
Trade receivables	<b>31,118,146</b>	22,974,148	2,841,566	1,148,610	4,153,822
Expected credit loss provision	<b>336,633</b>	45,668	33,834	19,710	237,401

Management actively monitors the Company's exposure to credit risk under its financial instruments.

#### Concentration risk

The Company has one customer which makes up more than 10% of revenue. This customer accounts for approximately 25.01% (December 31, 2022 – 30.24%) of trade receivables as of December 31, 2023, 50.50% (December 31, 2022 – 55.83%) of revenues for the year ended December 31, 2023.

#### 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 (see Note 2 of the consolidated financial statements for the years ended December 31, 2023 and 2022).

The Company's cash and working capital is maintained through stringent cash flow management to ensure sufficient liquidity is maintained. The table below summarizes the Company's contractual obligations into relevant maturity groups at the statement of financial position date based on the expected contractual maturity date. The amounts disclosed in the table are the contractual undiscounted payments.

	Less than one year \$	One to two years \$	Two to three years \$	More than three years \$	Total \$
Accounts payable and accrued liabilities	47,101,272	-	-	-	47,101,272
Contract liabilities	6,078,950	-	-	-	6,078,950
Income tax payable	274,924	-	-	-	274,924
Deferred payment liability <sup>(1)</sup>	84,185	2,409,732	-	-	2,493,917
Lease liabilities	792,211	690,777	273,408	-	1,756,396
Long-term debt	22,511,916	-	-	-	22,511,916
Other Long-term debt	9,668	11,602	11,602	357,769	390,641
<b>TOTAL</b>	<b>76,853,126</b>	<b>3,112,111</b>	<b>285,010</b>	<b>357,769</b>	<b>80,608,016</b>

#### Notes:

- (1) The Company has, at its option, the ability to settle the deferred payment liability amounts due in one to two years half in cash and half in common shares.

# Enthusiast Gaming Holdings Inc.

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## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### Foreign currency risk

A large portion of the Company's transactions occur in foreign currencies (including US dollars, UK pound sterling, and Euro) and, therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its US dollars, UK pound sterling, and Euro denominated trade and other receivables, accounts payable and accrued liabilities, deferred payment liability and cash. As of December 31, 2023, a 10% depreciation or appreciation of the US dollar, UK pound sterling, and Euro against the Canadian dollar would have resulted in an approximate \$934,000, \$184,000, and \$234,000 decrease or increase, respectively, in total net loss and comprehensive loss.

### Interest rate risk

The Company's Term Credit bears interest at Banker's Acceptance fee equal to CDOR rate plus 7.5%. The Company's Operating Credit bears interest at the Bank's prime lending rate plus 1.50%. Fluctuations in the Banker's Acceptance fee equal to CDOR rate and the Bank's prime lending rate will result in changes to interest expense. A change in the annual interest rate of 0.50% would approximately result in a \$99,000 change in the annual interest expense.

## COMMITMENTS

In addition to the financial liabilities summarized above, as of December 31, 2023, the Company has the following payment commitments with respect to consulting and other contractual obligations:

	\$
Not later than one year	986,000
Later than one year and not later than five years	887,000
<b>Total</b>	<b>1,873,000</b>

## CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

Management is responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, which is required to be disclosed by the Company in its filings or required to be submitted by the Company under securities legislation is recorded, processed, and summarized and reported within specified time periods. The Company's Chief Executive Officer and Chief Financial Officer believe its disclosure controls and procedures are appropriately designed and have certified on the operating effectiveness of internal controls as of December 31, 2023.

### Changes in Internal Control Over Financial Reporting

There have been no material changes in the Company's internal control over financial reporting during the year ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## RISKS AND UNCERTAINTIES

The securities of Enthusiast Gaming should be considered highly speculative due to the nature of the Company's businesses and the current stage of its development. Risks and uncertainties are discussed in great detail in the Company's Annual Information Form available on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

## Enthusiast Gaming Holdings Inc.

Management Discussion and Analysis  
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### RISKS AND UNCERTAINTIES (Continued)

The risks presented in the Annual Information Form may not be all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Other sections of this MD&A and the consolidated financial statements for the years ended December 31, 2023 and 2022, each of which are available on SEDAR, and other filings the Company has made and may make in the future with the applicable securities authorities, include additional factors that could have an effect on the business and financial performance of the Company's business. The market in which the Company competes is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results.

### MANAGEMENT'S 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.

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Company'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 quarterly and is free to meet with them throughout the year.

### ADDITIONAL INFORMATION

Additional information relating to the Company is available in the consolidated financial statements of the Company for the years ended December 31, 2023 and 2022. Additional information can also be found in the investors section of the Company's website at [www.enthusiastgaming.com](http://www.enthusiastgaming.com) or on the Company's SEDAR profile at [www.sedarplus.ca](http://www.sedarplus.ca) including the most recently filed Annual Information Form and Management Information Circular.