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***THE BUSINESS
OF GAMING***

Enthusiast Gaming Holdings Inc.

Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2024
(Expressed In Canadian Dollars)
Unaudited

Enthusiast Gaming Holdings Inc.

NOTICE TO READER

Under National Instrument 51-102, *Continuous Disclosure Obligations*, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated interim financial statements of Enthusiast Gaming Holdings Inc. (the "Company") for the three and nine months ended September 30, 2024 have been prepared by management, and reviewed and approved by the Audit Committee and the Board of Directors of the Company.

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

Enthusiast Gaming Holdings Inc.
Condensed Consolidated Interim Statements of Financial Position
As of September 30, 2024 and December 31, 2023
(Unaudited - Expressed in Canadian Dollars)

	Note	September 30, 2024	December 31, 2023
ASSETS			
Current			
Cash		\$ 6,879,121	\$ 6,851,966
Trade and other receivables	5	11,020,303	31,502,732
Income tax receivable		42,714	31,251
Prepaid expenses		2,683,169	1,820,144
Total current assets		20,625,307	40,206,093
Non-current			
Property and equipment		197,707	124,640
Right-of-use assets	10	891,108	1,441,149
Investment in associates and joint ventures	6	-	2,888,730
Long-term portion of prepaid expenses		139,358	182,108
Intangible assets	7	80,714,656	85,421,227
Goodwill	9	106,658,256	105,868,081
Total Assets		\$ 209,226,392	\$ 236,132,028
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	11	\$ 14,674,198	\$ 47,101,272
Contract liabilities		4,950,661	6,078,950
Income tax payable		11,036	274,924
Current portion of long-term debt	12	19,711,993	21,888,597
Current portion of deferred payment liability	13	2,247,287	82,231
Current portion of lease liabilities	10	679,698	740,212
Current portion of other long-term debt		-	9,668
Total current liabilities		42,274,873	76,175,854
Non-current			
Long-term debt	12	19,933,000	-
Long-term portion of deferred payment liability	13	-	2,083,262
Long-term portion of lease liabilities	10	455,289	938,845
Other long-term debt		-	140,613
Deferred tax liability		13,917,182	14,076,780
Total liabilities		\$ 76,580,344	\$ 93,415,354
Shareholders' Equity			
Share capital	14	453,201,338	444,474,076
Warrants reserve	12, 17	3,054,467	-
Contributed surplus	15, 16	25,609,531	35,877,189
Accumulated other comprehensive income		8,028,066	7,201,976
Deficit		(357,247,354)	(344,836,567)
Total shareholders' equity		132,646,048	142,716,674
Total liabilities and shareholders' equity		\$ 209,226,392	\$ 236,132,028

Going Concern (Note 2)

Commitments (Note 21)

Subsequent events (Note 23)

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

Enthusiast Gaming Holdings Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

	Note	For the three months ended		For the nine months ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue	22	\$ 16,778,275	\$ 45,558,271	\$ 54,811,148	\$131,037,006
Cost of sales		4,983,390	28,821,750	19,209,568	82,552,235
Gross margin		11,794,885	16,736,521	35,601,580	48,484,771
Operating expenses					
Professional fees		293,141	674,299	1,191,229	1,817,698
Consulting fees		170,000	1,679,734	2,099,345	4,583,686
Advertising and promotion		218,340	554,247	941,700	2,948,971
Office and general		1,071,754	2,068,666	2,646,833	6,290,787
Salaries and wages		5,760,452	8,814,047	19,519,959	27,953,381
Technology support, web development and content		4,031,457	6,662,381	11,136,148	16,115,371
Esports player, team and game expenses		464,723	680,637	1,641,886	1,961,799
Foreign exchange (gain) loss		(66,649)	(43,052)	74,885	94,356
Share-based compensation	15, 16	80,084	1,364,059	(1,540,396)	4,282,880
Amortization and depreciation	7, 10	680,107	2,562,229	2,111,568	8,786,327
Total operating expenses		12,703,409	25,017,247	39,823,157	74,835,256
Other expenses (income)					
Goodwill impairment		-	44,822,575	-	44,822,575
Intangible asset impairment		-	6,838,060	-	6,838,060
Investment in associates impairment	6	-	-	26,497	-
Other long-term asset impairment	6	-	-	1,098,506	-
Transaction costs	12	1,908,963	-	1,908,963	-
Share of net loss (income) from investment in associates and joint ventures	6	278	(138,339)	(18,627)	(72,169)
Interest and accretion	10,12,13	573,960	617,653	1,760,484	1,833,378
Loss (gain) on revaluation of deferred payment liability	13	39,882	413,044	(23,486)	615,121
Gain on sale of assets held for sale	8	-	-	(344,852)	-
Loss on disposal of property and equipment		-	-	25,997	-
Loss on revaluation of long-term debt	12	3,385,798	-	3,385,798	-
Loss on modification of long-term debt	12	4,893	-	401,951	-
Interest income		(281)	(575)	(5,730)	(63,296)
Net loss before income taxes		(6,822,017)	(60,833,144)	(12,437,078)	(80,324,154)
Income taxes					
Current tax expense		55,392	171,346	182,529	397,117
Deferred tax expense (recovery)		(181,647)	(1,940,134)	(208,820)	(2,703,623)
Net loss for the period		(6,695,762)	(59,064,356)	(12,410,787)	(78,017,648)
Other comprehensive income (loss)					
Items that may be reclassified to profit or loss					
Foreign currency translation adjustment		(639,611)	1,815,312	826,090	(319,937)
Net loss and comprehensive loss for the period		\$ (7,335,373)	\$ (57,249,044)	\$ (11,584,697)	\$ (78,337,585)
Net loss per share, basic and diluted		\$ (0.04)	\$ (0.38)	\$ (0.08)	\$ (0.51)
Weighted average number of common shares outstanding, basic and diluted		155,759,149	154,393,280	155,719,820	152,786,876

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

Enthusiast Gaming Holdings Inc.
Condensed Consolidated Interim Statements of Shareholders' Equity
For the nine months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

	Note	Number of shares	Share capital	Warrants reserve	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, January 1, 2023		151,767,243	\$ 442,781,376	\$ -	\$ 30,402,742	\$ 8,629,848	\$ (227,162,959)	\$ 254,651,007
Shares issued for settlement of deferred payment liability	13, 14	2,626,037	1,692,700	-	-	-	-	1,692,700
Share-based compensation	15, 16	-	-	-	4,282,880	-	-	4,282,880
Other comprehensive loss for the period		-	-	-	-	(319,937)	-	(319,937)
Net loss for the period		-	-	-	-	-	(78,017,648)	(78,017,648)
Balance, September 30, 2023		154,393,280	\$ 444,474,076	\$ -	\$ 34,685,622	\$ 8,309,911	\$ (305,180,607)	\$ 182,289,002
Balance, January 1, 2024		154,393,280	\$ 444,474,076	\$ -	\$ 35,877,189	\$ 7,201,976	\$ (344,836,567)	\$ 142,716,674
Shares issued upon settlement of restricted share units	14	1,374,945	8,727,262	-	(8,727,262)	-	-	-
Warrants issued in connection with long-term debt	12, 17	-	-	3,054,467	-	-	-	3,054,467
Share-based compensation	15, 16	-	-	-	(1,540,396)	-	-	(1,540,396)
Other comprehensive income for the period		-	-	-	-	826,090	-	826,090
Net loss for the period		-	-	-	-	-	(12,410,787)	(12,410,787)
Balance, September 30, 2024		155,768,225	\$ 453,201,338	\$ 3,054,467	\$ 25,609,531	\$ 8,028,066	\$ (357,247,354)	\$ 132,646,048

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

Enthusiast Gaming Holdings Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

	Note	September 30, 2024	September 30, 2023
Cash flows from operating activities			
Net loss for the period		\$ (12,410,787)	\$ (78,017,648)
Items not affecting cash:			
Goodwill impairment		-	44,822,575
Intangible asset impairment		-	6,838,060
Investment in associates impairment	6	26,497	-
Other long-term asset impairment	6	1,098,506	-
Amortization and depreciation	7, 10	2,111,568	8,786,327
Share-based compensation	15, 16	(1,540,396)	4,282,880
Accretion	10,12,13	(74,639)	179,452
Deferred tax expense (recovery)		(208,820)	(2,703,623)
Share of net income from investment in associates and joint ventures	6	(18,627)	(72,169)
Gain on sale of assets held for sale	8	(344,852)	-
(Gain) loss on revaluation of deferred payment liability	13	(23,486)	615,121
Foreign exchange gain		(585,334)	(115,291)
Loss on disposal of property and equipment		25,997	-
Gain on settlement of accounts payable		(622,413)	-
Loss on modification of long-term debt	12	401,951	-
Loss on revaluation of long-term debt	12	3,385,798	-
Transaction costs	12	1,908,963	-
Provisions		18,212	139,856
Changes in working capital:			
Changes in trade and other receivables		21,441,444	7,048,454
Changes in prepaid expenses		(663,169)	23,820
Changes in accounts payable and accrued liabilities		(31,604,393)	7,743,519
Changes in contract liabilities		(639,078)	(561,322)
Changes in income tax receivable and payable		207,083	755,959
Income tax paid		(482,434)	(112,887)
Net cash used in operating activities		(18,592,409)	(346,917)
Cash flows from investing activities			
Proceeds from sale of assets held for sale	8	2,693,339	-
Distribution from investment in associates, net of adjustments	6	1,416,830	-
Proceeds from redemption on investments		-	75,000
Repayment of deferred payment liability	13	(85,700)	(844,350)
Acquisition of intangible assets	7	-	(27,488)
Acquisition of property and equipment		(182,259)	(20,430)
Net cash from (used in) investing activities		3,842,210	(817,268)
Cash flows from financing activities			
Proceeds from long-term debt, net of transaction costs	12	20,143,122	539,329
Repayment of long-term debt	12	(4,716,851)	(3,264,705)
Repayment of other long-term debt		(173,858)	(9,883)
Lease payments	10	(622,748)	(722,139)
Net cash from (used in) financing activities		14,629,665	(3,457,398)
Foreign exchange effect on cash		147,689	13,580
Net change in cash		27,155	(4,608,003)
Cash, beginning of period		6,851,966	7,415,516
Cash, end of period		\$ 6,879,121	\$ 2,807,513

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

Enthusiast Gaming Holdings Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

1. Nature of operations

Enthusiast Gaming Holdings Inc. (the “Company” or “Enthusiast”) was incorporated under the *Business Corporation Act* (British Columbia) on June 27, 2018. The Company is publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol “EGLX”. The Company maintains its registered office at 510 West Georgia Street, Suite 1800, Vancouver, British Columbia and its executive office at 2 Bloor Street East, Suite 1921, Toronto, Ontario, M4W 1A8.

The Company operates in one industry segment, being digital media and entertainment. The Company’s principal business activities are comprised of media and content, esports and entertainment and subscription. The Company’s digital media platform includes its flagship video gaming related owned and operated websites, content channels including YouTube and casual games, and is where the Company derives its media and content revenue. The Company’s esports and entertainment business, includes Luminosity Gaming Inc. (“Luminosity”), a leading global esports franchise that consists of professional esports teams under ownership and management, and Pocket Gamer Connects, global mobile gaming events. The Company’s subscription revenue includes owned and operated video gaming related websites such as The Sims Resource.

On April 15, 2024, the Company sold certain non-core and non-profitable casual gaming assets (Note 8).

Approval of Financial Statements

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on November 14, 2024.

2. Statement of compliance and basis of preparation and going concern

(i) *Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations by the IFRS Interpretations Committee.

(ii) *Basis of preparation and going concern*

These condensed consolidated interim financial statements are prepared under the historical cost convention except for the revaluation of certain financial assets and liabilities to fair value. All financial information is presented in Canadian dollars, except as otherwise noted.

The Company’s future operations are dependent upon its ability to generate positive cash flows from operations. On July 12, 2024, the Company entered into a Credit Agreement and received a non-revolving loan of \$20,000,000 (Note 12). For the nine months ended September 30, 2024, the Company had negative cash flows from operations of \$18,592,409 (September 30, 2023 – \$346,917) and as of September 30, 2024, the Company has a working capital deficit of \$21,649,566 (December 31, 2023 - \$35,969,761), which includes the current portion of long-term debt of \$19,711,993 (December 31, 2023 - \$21,888,597), and an accumulated deficit of \$357,247,354 (December 31, 2023 – \$344,836,567).

The Company’s cash resources as of September 30, 2024, are not sufficient to fund its planned business operations over the next 12 months. Additional financing may be required if the Company is unable to generate positive cash flows from operations in order to settle current liabilities as well as continue to fund a seasonal business.

These factors represent a material uncertainty that casts substantial doubt as to the Company’s use of the going concern assumption in preparation of these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these condensed consolidated interim financial statements, adjustments may be necessary to the carrying value of assets and liabilities or reported expenses, and these adjustments could be material.

Enthusiast Gaming Holdings Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

2. Statement of compliance and basis of preparation (continued)

(iii) Basis on consolidation

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

These condensed consolidated interim financial statements include the accounts of Enthusiast Gaming Holdings Inc. and its wholly-owned subsidiaries. The accounts of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The table below lists the Company's wholly-owned subsidiaries:

Name of Subsidiary	Jurisdiction	Functional Currency	Accounting Method
GameCo Esports Canada Inc. (formerly Aquilini GameCo Inc.)	Canada	Canadian dollars	Consolidation
GameCo eSports USA Inc.	USA	U.S. dollars	Consolidation
Luminosity Gaming Inc.	Canada	Canadian dollars	Consolidation
Enthusiast Gaming Properties Inc.	Canada	Canadian dollars	Consolidation
Enthusiast Gaming Inc.	Canada	U.S. dollars	Consolidation
Enthusiast Gaming Media (US) Inc.	USA	U.S. dollars	Consolidation
GameKnot LLC	USA	U.S. dollars	Consolidation
Addicting Games, Inc.	USA	U.S. dollars	Consolidation
TeachMe, Inc.	USA	U.S. dollars	Consolidation
Outplayed, Inc.	USA	U.S. dollars	Consolidation
Enthusiast Gaming (PG) Inc.	Canada	Canadian dollars	Consolidation
Steel Media Limited	England and Wales	UK Pound Sterling	Consolidation
Fantasy Media Ltd.	England and Wales	UK Pound Sterling	Consolidation
Fantasy Football Scout Limited	England and Wales	UK Pound Sterling	Consolidation
Omnia Media Inc.	USA	U.S. dollars	Consolidation
Vedatis SAS	France	Euro	Consolidation

On September 9, 2024, the Company terminated Tabwire LLC ("Tabwire") and Enthusiast Gaming Media (US) Inc. was assigned the rights, title and interest in all of the assets of Tabwire and all of the existing and future liabilities and obligations of Tabwire through a bill of sale.

Refer to Note 6 for the Company's investment in associates and joint ventures.

3. Material accounting policies

The Company's accounting policies as described in Note 3, *Material accounting policies*, of the Company's audited consolidated financial statements for the year ended December 31, 2023, have been applied consistently to all periods presented in these condensed consolidated interim financial statements. Refer to those audited consolidated financial statements for the material accounting policies which remain unchanged as of September 30, 2024.

Accounting Pronouncements effective on January 1, 2024

The following new standards, interpretations or amendments were adopted for the first time on January 1, 2024:

IAS 1 – Presentation of Financial Statements ("IAS 1"), classification of liabilities as current or non-current

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current*, amendments to IAS 1, to clarify the classification of liabilities as current or non-current. For the purpose of non-current classification, the amendments removed the requirement to a right to defer settlement or roll over of a liability, for at least twelve months, to be unconditional. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments apply to annual reporting periods beginning on or after January 1, 2024. There was no material impact from the adoption of the amendments on the Company's condensed consolidated interim financial statements.

Enthusiast Gaming Holdings Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

3. Material accounting policies (continued)

IAS 1 – Presentation of Financial Statements (“IAS 1”), classification of liabilities as current or non-current (continued)

In October 2022, the IASB issued *Non-current Liabilities with Covenants*, amendments to IAS 1, to improve the disclosure a company provides about long-term debt with covenants. The amendments reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which a company must comply after the reporting date do not affect liability classification as at that date. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and are to be applied retrospectively. There was no material impact from the adoption of the amendments on the Company’s condensed consolidated interim financial statements.

IAS 7 – Statements of Cash Flows (“IAS 7”), IFRS 7 – Financial Instruments – Disclosures (“IFRS 7”), supplier finance arrangements

In May 2023, the IASB issued *Disclosures: Supplier Finance Arrangements*, amendments to IAS 7 and IFRS 7, to clarify the characteristics of supplier finance arrangements and require disclosure of such arrangements. The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including the terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period, and the type and effect of non-cash changes in the carrying amounts of those arrangements. The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions. The relief provisions of the amendment allow an exemption for interim financial statements in the first year of adoption and therefore no disclosure has been made in these condensed consolidated interim financial statements. Appropriate disclosures (if required) will be included in the Company’s annual consolidated financial statements for the year ending December 31, 2024.

IFRS 16 – Leases (“IFRS 16”), lease liability in a sale and leaseback

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback*, amendments to IFRS 16. The amendments introduce a new accounting model which impacts how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments clarify that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction and after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and are to be applied retrospectively. There was no material impact from the adoption of the amendment on the Company’s condensed consolidated interim financial statements.

Accounting Pronouncements Issued but not yet effective

The following new standards, interpretations or amendments are issued but not yet effective:

IAS 21 – The Effects of Changes in Foreign Exchange Rates (“IAS 21”), lack of exchangeability

In August 2023, the IASB issued *Lack of Exchangeability*, amendments to IAS 21, to clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. In addition, the amendments require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, although early adoption is permitted. The Company intends to adopt the amendments for the annual reporting period beginning January 1, 2025. This amendment is not expected to have a material impact on the Company’s consolidated financial statements.

Enthusiast Gaming Holdings Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

4. Material accounting judgments, estimates and uncertainties

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated interim 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.

There have been no significant changes to the Company’s material accounting judgements, estimates and uncertainties, as described in Note 4, *Material accounting judgments, estimates and uncertainties*, of the Company’s audited consolidated financial statements for the year ended December 31, 2023. The following is a new material accounting judgement, estimate and uncertainty of the Company during the nine months ended September 30, 2024 relating to the credit agreement (Note 12) obtained on July 12, 2024:

Fair value measurement of a liability not quoted in an active market

The fair value of a liability that is not quoted in an active market requires the use of judgments and estimates by management. Management used the valuation techniques and inputs outlined in Note 12 using all available data on the liability and market conditions at the date of these financial statements. Changes in these assumptions and conditions could result in changes of the reported fair value of this liability.

5. Trade and other receivables

A summary of trade and other receivables is as follows:

	September 30, 2024	December 31, 2023
Trade receivables (Note 20)	\$ 9,397,833	\$ 31,118,146
Other receivables	1,642,947	611,452
HST and VAT receivables	27,036	109,767
Expected credit loss provision (Note 20)	(47,513)	(336,633)
	\$ 11,020,303	\$ 31,502,732

Other receivables include \$746,842 (December 31, 2023 - \$Nil) of amounts receivable relating to the divestment of certain non-core and non-profitable casual gaming assets (Note 8).

6. Investment in associates and joint ventures

(i) *Investment in associates*

On August 30, 2019, pursuant to an investment agreement between GameCo Esports Canada Inc. (“GameCo”) and Aquilini Properties LP (a former related party by nature of it being under the control or direction of the former Chairman of the Company), GameCo acquired 100 class B common shares of AIG eSports Canada Holdings Ltd. (“AIG Canada”) and GameCo eSports USA Inc. acquired a 25% non-voting participating interest in AIG eSports USA Intermediate Holdings, LLC (“AIG USA”). Collectively, AIG Canada and AIG USA own and manage professional esports teams in Canada and the United States. Aquilini Properties LP controls AIG Canada and AIG USA.

Pursuant to a termination agreement dated November 7, 2023, the league in which AIG Canada and AIG USA own and manage professional esports teams in Canada and the United States has been terminated. As consideration for terminating participation in the league, the league will pay AIG Canada and AIG USA a termination payment. For the year ended December 31, 2023, the Company recognized investment in associates impairment of \$17,363 based on the estimated settlement amount to be paid to the Company.

On May 23, 2024, the Company received a distribution of \$1,416,830, net of certain adjustments (gross settlement amount - \$2,880,860). Based on the settlement amount, during the nine months ended September 30, 2024, the Company recognized additional investments in associates impairment of \$26,497 (September 30, 2023 - \$Nil).

Enthusiast Gaming Holdings Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

6. Investment in associates and joint ventures (continued)

(i) *Investment in associates (continued)*

Concurrent with the May 23, 2024 distribution, the Company invested \$1,098,506 in Surge eSports LLC, which was deducted from the gross settlement amount noted above. This investment is classified as an other long-term asset as the Company does not have ownership units in Surge eSports LLC. Based on the impairment assessment performed during the nine months ended September 30, 2024, the other long-term asset was considered impaired and the Company recorded other long-term asset impairment of \$1,098,506 (September 30, 2023 - \$Nil).

A summary of the Company's investment in associates is as follows:

	AIG Canada		AIG USA		Total
Balance, January 1, 2023	\$	1,746,048	\$	691,747	\$ 2,437,795
Share of net income from investment in associates		17,104		440,170	457,274
Investment in associates impairment		(10,574)		(6,789)	(17,363)
Balance, December 31, 2023	\$	1,752,578	\$	1,125,128	\$ 2,877,706
Share of net income (loss) from investment in associates		33,826		(4,175)	29,651
Settlement amount		(1,770,123)		(1,110,737)	(2,880,860)
Investment in associates impairment		(16,281)		(10,216)	(26,497)
Balance, September 30, 2024	\$	-	\$	-	\$ -

(ii) *Investment in joint ventures*

On July 7, 2021, the Company, through its wholly-owned subsidiary, Enthusiast Gaming Inc., entered into a joint venture with Toronto Star Newspapers Limited ("Torstar") to create an original online news platform and community for gamers named AFK Media Partnership ("AFK"). The Company and Torstar each hold a 50% interest in this joint venture. The Company and Torstar have each invested \$125,000 into AFK as startup capital.

A summary of the Company's investment in AFK is as follows:

	Amount
Balance, January 1, 2023	\$ 12,236
Share of net loss from investment in joint venture	(1,212)
Balance, December 31, 2023	\$ 11,024
Share of net loss from investment in joint venture	(11,024)
Balance, September 30, 2024	\$ -

A summary of the Company's investment in associates and joint ventures is as follows:

	September 30, 2024	December 31, 2023
AIG Canada	\$ -	\$ 1,752,578
AIG USA	-	1,125,128
AFK	-	11,024
Total investment in associates and joint ventures	\$ -	\$ 2,888,730

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7. Intangible assets

	Domain names	Application & technology development & website content	Brand names	Subscriber & sponsorship relationships	Multi-channel network license	Talent management & owned & operated content brand	Talent contracts & digital content	Game application & technology development	Total
Balance, January 1, 2023	\$ 49,555,573	\$ 18,317,703	\$ 36,977,280	\$ 8,875,419	\$ 10,749,000	\$ 9,363,000	\$ 5,507,000	\$ 6,339,636	\$145,684,611
Additions	-	27,488	-	-	-	-	-	-	27,488
Impairment	(6,586,188)	-	(2,395,744)	-	(3,095,211)	(9,363,000)	-	-	(21,440,143)
Effect of movement in foreign exchange rates	(196,977)	(134,526)	(488,655)	16,775	-	-	-	(5,980)	(809,363)
Balance, December 31, 2023	\$ 42,772,408	\$ 18,210,665	\$ 34,092,881	\$ 8,892,194	\$ 7,653,789	\$ -	\$ 5,507,000	\$ 6,333,656	\$123,462,593
Reclassified to assets held for sale (Note 8)	(3,797,408)	-	-	-	-	-	-	-	(3,797,408)
Disposals	-	(1,166,246)	-	(887,210)	-	-	-	(6,583,321)	(8,636,777)
Effect of movement in foreign exchange rates	-	336,636	504,323	106,872	-	-	-	249,665	1,197,496
Balance, September 30, 2024	\$ 38,975,000	\$ 17,381,055	\$ 34,597,204	\$ 8,111,856	\$ 7,653,789	\$ -	\$ 5,507,000	\$ -	\$112,225,904
Accumulated amortization									
Balance, January 1, 2023	\$ -	\$ 11,971,963	\$ -	\$ 3,214,869	\$ 2,515,040	\$ -	\$ 4,930,340	\$ 6,084,961	\$ 28,717,173
Amortization	-	6,332,119	-	1,206,842	1,074,920	-	576,660	254,336	9,444,877
Effect of movement in foreign exchange rates	-	(109,398)	-	(5,645)	-	-	-	(5,641)	(120,684)
Balance, December 31, 2023	\$ -	\$ 18,194,684	\$ -	\$ 4,416,066	\$ 3,589,960	\$ -	\$ 5,507,000	\$ 6,333,656	\$ 38,041,366
Amortization	-	3,939	-	634,424	806,190	-	-	-	1,444,553
Disposals	-	(1,166,246)	-	(887,210)	-	-	-	(6,583,321)	(8,636,777)
Effect of movement in foreign exchange rates	-	348,678	-	63,763	-	-	-	249,665	662,106
Balance, September 30, 2024	\$ -	\$ 17,381,055	\$ -	\$ 4,227,043	\$ 4,396,150	\$ -	\$ 5,507,000	\$ -	\$ 31,511,248
Balance, December 31, 2023	\$ 42,772,408	\$ 15,981	\$ 34,092,881	\$ 4,476,128	\$ 4,063,829	\$ -	\$ -	\$ -	\$85,421,227
Balance, September 30, 2024	\$ 38,975,000	\$ -	\$ 34,597,204	\$ 3,884,813	\$ 3,257,639	\$ -	\$ -	\$ -	\$80,714,656

During the nine months ended September 30, 2024, the Company derecognized domain names (\$3,797,408), subscriber relationships (\$849,239) and game application and technology development (\$6,583,321) intangible assets relating to the non-core and non-profitable casual gaming assets sold which were fully amortized (Note 8).

During the nine months ended September 30, 2024, the Company derecognized application and technology development and website content (\$1,166,246) and subscriber relationships (\$37,971) intangible assets relating to Tabwire which were no longer in use and which were fully amortized.

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8. Assets held for sale

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 USD \$3,000,000, being the carrying value of such assets as of December 31, 2023. Among the casual gaming assets included as part of divestment are Shockwave, LittleBigSnake, MathGames.com, and TypeRacer.com.

On April 15, 2024, the Company completed the Asset Sale Agreement for the divestment of certain non-core and non-profitable casual gaming assets for proceeds of (i) a cash payment of USD \$2,000,000 on closing (paid April 16, 2024), (ii) a payment of USD \$500,000 on the six-month anniversary of closing, and (iii) a payment of USD \$500,000 on the 12-month anniversary of closing. Pursuant to the Asset Sale Agreement, the purchaser can deduct USD \$250,000 from the 12-month anniversary payment relating to contract liabilities for the casual gaming assets sold.

A summary of the Company’s assets held for sale is as follows:

	Amount
Balance, December 31, 2023	\$ -
Intangible assets reclassified as held for sale (Note 7)	3,797,408
Contract liabilities relating to casual gaming assets sold	(489,211)
Proceeds, net of transaction costs	(3,725,639)
Gain on sale of assets held for sale	344,852
Effect of foreign exchange	72,590
Balance, September 30, 2024	\$ -

As of September 30, 2024, other receivables include \$579,952 (USD \$429,626) relating to the six-month and 12-month anniversary payments and working capital adjustments of \$166,890 (USD \$123,631) due from the purchaser.

9. Goodwill

The following comprises the balance of goodwill by cash-generating unit (“CGU”). Goodwill arose through the mergers and acquisitions of (i) Luminosity on August 27, 2019, (ii) Enthusiast Gaming Properties Inc. (“Enthusiast Properties”) on August 30, 2019, (iii) Steel Media Limited (“Steel Media”) on October 3, 2019, (iv) Omnia Media Inc. (“Omnia”) on August 30, 2020, (v) Vedatis SAS (“Vedatis”) on May 1, 2021, (vi) Tabwire LLC (“Tabwire”) on June 21, 2021, (vii) GameKnot LLC (“GameKnot”) on August 30, 2021, (viii) Addicting Games, Inc. (“Addicting Games”) on September 2, 2021, (ix) Outplayed, Inc. (“Outplayed”) on November 22, 2021, and (x) FFS on April 28, 2022.

In April 2019, Enthusiast Properties acquired 100% of the assets of The Sims Resource (“TSR”) from Generatorhallen AB and IBIBI HB. TSR is identified as a separate CGU from Enthusiast Properties based on the nature of the business and the assessment that TSR generates cash flows that are largely independent of the cash flows from other assets deployed in Enthusiast Properties. The Company has included Vedatis, Tabwire and GameKnot within the Enthusiast Properties CGU based on the nature of these businesses and the assessment that they generate cash flows that are not largely independent of the cash flows from other assets deployed in Enthusiast Properties. The Company has included FFS within the Steel Media CGU based on the nature of these businesses and the assessment that they generate cash flows that are not largely independent of the cash flows from other assets deployed in Steel Media.

A summary goodwill by CGU is as follows:

	Enthusiast Properties	TSR	Luminosity	Steel Media	Omnia	Addicting Games	Outplayed	Total
Balance, January 1, 2023	\$77,112,402	\$ 20,898,598	\$ 6,003,150	\$3,989,264	\$ 8,839,508	\$14,098,455	\$40,674,614	\$171,615,991
Goodwill impairment	(15,313,649)	-	(6,003,150)	-	(8,839,508)	(14,078,389)	(20,593,256)	(64,827,952)
Effect of movement in foreign exchange rates	(93,312)	-	-	105,039	-	(20,066)	(911,619)	(919,958)
Balance, December 31, 2023	\$61,705,441	\$ 20,898,598	\$ -	\$4,094,303	\$ -	\$ -	\$19,169,739	\$105,868,081
Effect of movement in foreign exchange rates	64,796	-	-	253,519	-	-	471,860	790,175
Balance, September 30, 2024	\$61,770,237	\$ 20,898,598	\$ -	\$4,347,822	\$ -	\$ -	\$19,641,599	\$106,658,256

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 nine months ended September 30, 2024, the Company concluded that there were no triggering events requiring an impairment assessment.

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10. Right-of-use assets and lease liabilities

The Company's leased assets consist of office premises. When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using incremental borrowing rates of 4.20% to 5.00%.

A summary of right-of-use assets is as follows:

	Amount
Balance, January 1, 2023	\$ 2,099,996
Lease modification	293,754
Depreciation	(913,251)
Effect of movement in exchange rates	(39,350)
Balance, December 31, 2023	\$ 1,441,149
Depreciation	(581,943)
Effect of movement in exchange rates	31,902
Balance, September 30, 2024	\$ 891,108

A summary of lease liabilities is as follows:

	Amount
Balance, January 1, 2023	\$ 2,350,867
Lease modification	293,754
Payments	(986,802)
Accretion	84,097
Effect of movement in exchange rates	(62,859)
Balance, December 31, 2023	\$ 1,679,057
Payments	(622,748)
Accretion	45,306
Effect of movement in exchange rates	33,372
Balance, September 30, 2024	1,134,987
Current portion of lease liabilities	679,698
Long-term portion of lease liabilities	\$ 455,289

Note 20 provides a summary of undiscounted lease payments to be made from the statement of financial position date. Variable lease payments during the nine months ended September 30, 2024, which are not included in lease liabilities are \$175,903 (September 30, 2023 - \$186,279). The total cash outflow for leases during the nine months ended September 30, 2024 is \$798,651 (September 30, 2023 - \$908,418).

11. Accounts payable and accrued liabilities

A summary of accounts payable and accrued liabilities is as follows:

	September 30, 2024	December 31, 2023
Accounts payable	\$ 9,404,690	\$ 35,247,840
Accrued liabilities	5,269,508	11,853,432
	\$ 14,674,198	\$ 47,101,272

The Company, in the course of its normal operations, is subject to claims, lawsuits, and contingencies. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated.

12. Long-term debt

(i) Commitment letter

Under the terms of a commitment letter (the “Commitment Letter”) dated December 3, 2021, an arm’s length lender (the “Bank”) agreed to provide the Company, as borrower, and certain Canadian and U.S. subsidiaries of the Company, as guarantors, with a non-revolving term facility (the “Term Credit”) and an operating line (the “Operating Credit”).

The Term Credit consisted of an authorized credit limit amount of \$10,000,000, bearing interest at the Banker’s Acceptance fee equal to CDOR rate plus 7.5% per annum, with interest payable monthly. The Term Credit was repayable in up to 24 equal monthly instalments of principal based on an amortization period of 60 months, with final payment of the remaining principal then outstanding due 24 months from the initial drawdown date of advance. On December 17, 2021 the Company was advanced \$10,000,000 which was used to extinguish a prior long-term debt. The Term Credit was used for purposes of (i) working capital, and (ii) to finance mergers and acquisitions.

The Operating Credit consisted of an authorized amount of \$5,000,000, subject to a borrowing base, bearing interest at the greater of (i) the Bank’s prime lending rate plus 1.25%, and (ii) 2.45% per annum, with interest payable monthly. The Operating Credit was repayable no later than 24 months from the date of the satisfaction or waiver of conditions precedent. The Operating Credit is to be used for purposes of general operating requirements.

The aggregate of all advances under the Operating Credit and Bank credit cards are not to exceed the lesser of (i) the Operating Credit, and (ii) the borrowing base. The borrowing base is based on a percentage of eligible accounts receivable less certain accounts payable for material subsidiaries of the Company.

Subject to the Bank’s approval, the Company can exercise an option to extend the maturity date of both the Term Credit and Operating Credit for an additional 12-month period. The Term Credit and Operating Credit are secured by substantially all of the assets of the Company and the guarantor subsidiaries. The Company will be entitled to prepay all or part of the Term Credit and Operating Credit at any time with penalty.

On September 12, 2022, the Company entered into an amendment to commitment letter (the “Amended Commitment Letter”) which increased the total amount of the Term Credit to a maximum amount of \$20,000,000. On September 16, 2022, the Company was advanced an incremental \$10,000,000 pursuant to the Amended Commitment Letter. The Company incurred transaction costs of \$241,872 in connection with the Amended Commitment Letter. As the terms of the Amended Commitment Letter were substantially different from the terms of the Commitment Letter, the amendment was determined to be derecognition of debt in accordance with IFRS 9.

The Term Credit under the Amended Commitment Letter was amortized at an effective interest rate of 11.08% following the transaction costs incurred and loss on derecognition of long-term debt recognized pursuant to the amendment.

On October 6, 2023, the Company entered into an amendment to the existing Amended Commitment Letter (the “Amended and Restated Commitment Letter”) which further resulted in the following significant amendments:

- (a) the Term Credit is subject to an interest-only payment period until April 6, 2024, resulting in the deferral of monthly principal payments of \$362,745 for six months, subsequent to which, the balance of the Term Credit is repayable in 14 equal monthly instalments of principal over an amortization of 60 months, with final payment of the remaining principal then outstanding due on June 30, 2025;
- (b) An increase in the Operating Credit authorized amount from \$5,000,000 to \$7,500,000, a minimum of \$2,500,000 of the Operating Credit shall be guaranteed by Export Development Canada (“EDC”), with a maturity date of June 30, 2025. On November 2, 2023, the Company received the EDC guarantee;
- (c) Subject to the Bank’s approval, the Company may request a one-time increase of an additional \$2,500,000 to the Operating Credit, for a maximum amount of \$10,000,000, by providing an accordion notice to the Bank provided that among other requirements, the borrowing base shall be at least \$12,000,000. The bank may require, without limitation, an additional guarantee by EDC on the one-time increase of \$2,500,000;
- (d) the Operating Credit bears interest at the greater of (i) the Bank’s prime lending rate plus 1.50%, and (ii) 2.45% per annum, with interest payable monthly; and
- (e) Subject to the Bank’s approval, the Company can exercise an option to extend the maturity date of both the Term Credit and Operating Credit for an additional 12-months up to June 30, 2026.

12. Long-term debt (continued)

(i) Commitment letter (continued)

During the year ended December 31, 2023, the Company incurred transaction costs of \$141,952 in connection with the Amended and Restated Commitment Letter. As the terms of the Amended and Restated Commitment Letter were not substantially different from the terms of the Amended Commitment Letter, the amendment was determined to be a modification of debt in accordance with IFRS 9. During the year ended December 31, 2023, a loss on modification of long-term debt in the amount of \$419,953 is recognized in the consolidated statements of loss and comprehensive loss.

The Term Credit under the Amended and Restated Commitment Letter is amortized at an effective interest rate of 11.41% following the transaction costs incurred and loss on modification of long-term debt recognized pursuant to the amendment.

On May 15, 2024, the Company entered into the First Amendment to the Amended and Restated Commitment Letter (the "First Amendment to the Amended and Restated Commitment Letter") which further resulted in the following significant amendments:

- (a) the principal repayments for April 2024 and May 2024 of \$362,745 respectively were deferred to June 2024; and
- (b) to address certain regulatory requirement applicable to the Bank, the amendment also changed the interest rate for the Term Credit from bearing interest at the Banker's Acceptance fee equal to CDOR rate plus 7.5% per annum to bearing interest at the Adjusted Term CORRA plus 7.5% per annum.

On July 11, 2024, the Company amended the First Amendment to the Amended and Restated Commitment Letter by executing the Second Amendment to the Amended and Restated Commitment Letter which resulted in the following significant amendments:

- (a) the principal repayment of \$1,088,235 due June 2024 relating to the months of April 2024, May 2024 and June 2024 was deferred and due on the Second Amendment to the Amended and Restated Commitment Letter closing date (paid July 12, 2024);
- (b) amended the covenants that the Company must comply with, include (i) maintaining a minimum unrestricted cash of the Company and the guarantors subsidiaries, at all times, of not less than USD \$2,500,000, (ii) maintaining a minimum trailing adjusted EBITDA of not less than applicable amount calculated monthly, which varies by period, starting in September 2024, and (iii) maintain a maximum funded debt to EBITDA ratio of not less than an applicable amount calculated on a monthly basis, which varies by period, starting in December 2024;
- (c) removed the one-time increase of an additional \$2,500,000 to the Operating credit by providing an accordion notice to the Bank; and
- (d) if the aggregate of all advances under the Operating Credit and Bank credit cards exceeds the lesser of (i) the Operating Credit, and (ii) the borrowing base, the Company shall immediately repay advances under the Operating Credit in an amount equal the excess or deposit with the Bank cash in an amount of such excess.

During the nine months ended September 30, 2024, the Company incurred transaction costs of \$158,435 in connection with the First Amendment to the Amended and Restated Commitment Letter and the Second Amendment to the Amended and Restated Commitment Letter. As the terms of the First Amendment to the Amended and Restated Commitment Letter and Second Amendment to the Amended and Restated Commitment Letter were not substantially different from the terms of the Amended and Restated Commitment Letter and the First Amendment to the Amended and Restated Commitment letter, the amendments were determined to be a modification of debt in accordance with IFRS 9. During the nine months ended September 30, 2024, a loss on modification of long-term debt in the amount of \$401,951 (September 30, 2024 - \$Nil) is recognized in the consolidated statements of loss and comprehensive loss.

The Term Credit under the First Amendment to the Amended and Restated Commitment Letter is amortized at an effective interest rate of 8.11% following the transaction costs incurred and loss on modification of long-term debt recognized pursuant to the amendment.

The Term Credit under the Second Amendment to the Amended and Restated Commitment Letter is amortized at an effective interest rate of 9.25% following the transaction costs incurred and loss on modification of long-term debt recognized pursuant to the amendment.

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12. Long-term debt (continued)

(i) *Commitment letter (continued)*

The Amended and Restated Commitment Letter contained certain covenants that the Company must comply with, which remained unchanged per the First Amendment to the Amended and Restated Commitment Letter, including (i) a minimum EBITDA of not less than an applicable amount calculated on a rolling four quarter basis, which varies by quarter and tested quarterly, until the quarter ending March 31, 2024, (ii) minimum Funded Debt to Gross Profit that is equal to or less than 0.45 calculated on rolling four quarter basis, tested quarterly until the quarter ending September 30, 2023, (iii) at all times, a cash runway ratio of a minimum of 6 months, tested quarterly, until the quarter ending March 31, 2024, and (iv) beginning June 30, 2024 and thereafter, a minimum funded debt to EBITDA ratio of no more than 4.0x, calculated based on the trailing 12 months and tested quarterly. The Second Amendment to the Amended and Restated Commitment Letter replaced the above covenants. The Company is now to report covenant compliance based on the amended covenants per the Second Amendment to the Amended and Restated Commitment Letter as noted above and no longer needs to report covenant compliance pursuant to the First Amended to the Amended and Restated Commitment Letter for the period ended June 30, 2024. The Company was in compliance with all covenants per the Amended and Restated Commitment Letter and First Amendment to the Amended and Restated Commitment Letter other than covenant (i) during the three months ended March 31, 2024 and during the year ended December 31, 2023. On May 15, 2024, the Bank waived compliance of covenant (i) as of December 31, 2023 and on July 11, 2024 the Bank waived compliance of covenant (i) as of March 31, 2024. During the nine months ended September 30, 2024 the Company was in compliance with all covenants per the Second Amendment to the Amended and Restated Commitment Letter.

During the nine months ended September 30, 2024, the Company recognized \$1,759,592 (September 30, 2023 – \$1,658,202) of interest expense and \$243,650 (September 30, 2023 – \$15,347) of accretion income which are included in interest and accretion in the condensed consolidated interim statements of loss and comprehensive loss.

The following tables shows the movement of the Term Credit and Operating Credit balance during the period:

	Amount
Balance, January 1, 2023	\$ 17,431,625
Advances	8,364,856
Repayments	(4,129,561)
Accretion	(56,324)
Transaction costs	(141,952)
Loss on derecognition of long-term debt	419,953
Balance, December 31, 2023	\$ 21,888,597
Advances	2,540,381
Repayments	(4,716,851)
Accretion	(243,650)
Transaction costs	(158,435)
Loss on modification of long-term debt	401,951
Balance, September 30, 2024	19,711,993
Current portion of long-term debt	19,711,993
Long-term debt	\$ -

A summary of the Company's Term Credit and Operating Credit is as follows:

	September 30, 2024	December 31, 2023
Term credit	\$ 12,211,993	\$ 14,388,597
Operating credit	7,500,000	7,500,000
	\$ 19,711,993	\$ 21,888,597
Current portion of long-term debt	19,711,993	21,888,597
Long-term debt	\$ -	\$ -

12. Long-term debt (continued)

(ii) Credit agreement

On July 12, 2024, the Company entered into a credit agreement (the “Credit Agreement”) with Beedie Investments Ltd. (“Agent”), together with an affiliate of Jordan Gnat, who is a director of the Company (Note 18), (collectively the “Lenders”), for a four-year non-revolving loan of \$20,000,000 (the “Loan”), due July 12, 2028. The Loan bears interest at a fixed rate of 14% per annum. The Company will have the option until January 31, 2025 to pay the monthly interest in-kind (“PIK Interest”) by adding such accrued interest for that month to the outstanding principal amount of the Loan. PIK Interest will accrue interest, compounded monthly, and be added to the outstanding principal amount of the Loan. After January 31, 2025, interest must be paid in cash for the remainder of the Loan’s term to maturity. In addition, each of the Lenders shall be entitled, upon notice to the Company, but subject to obtaining, if applicable, stock exchange and/or shareholder approval, to elect to convert all or any portion of their respective pro-rata share of the PIK Interest into common shares of the Company at a price equal to the market price immediately prior to the conversion on the TSX. The Credit Agreement will be used for working capital purposes.

The Loan is guaranteed by certain Canadian and US subsidiaries of the Company and secured by a second ranking security interest over substantially all of the assets of the Company and the guarantor subsidiaries. The Loan is subordinated to the Company’s existing Term Credit and Operating Credit with the Bank.

The Company may, at any time so long as an event of default has not occurred, make a prepayment of the outstanding Loan advances on a pro-rata basis in whole, or in part, so long as such prepayment is in a minimum amount of \$1,000,000 and in multiples of \$1,000,000 thereafter or the full amount of the then outstanding Loan advances, by paying the Lenders on a pro-rata basis the then outstanding Loan advances or a portion thereof being prepaid together with accrued and unpaid interest, including PIK Interest subject to each Lenders right to convert PIK interest into common shares of the Company and a prepayment fee. If the prepayment occurs prior to a date which is 30 months following the Loan advance, the prepayment fee will be the greater of (i) 3% of the principal amount being prepaid, and, (ii) the interest that would have accrued on such principal amount being prepaid from the date of the prepayment to the earlier of the date that is 30 months following the date of such Loan advances and the maturity date of the Loan. If the prepayment occurs after 30 months following the Loan advance, the prepayment fee will equal 2% of the principal amount being prepaid.

Upon an event of default, the Agent has a right to demand accelerated payment of the then outstanding Loan advances together with all other outstanding obligations prior to the maturity date. An event of default will be deemed a voluntary prepayment. Upon the occurrence and during the continuance of an event of default, at the election of the Agent, interest on the Loan will be increased by an additional 5% per annum effective as at the date of such event of default and payable on demand upon the request of the Agent. Events of default include but a not limited to defaults in payment, violation of covenants, misrepresentation, insolvency events, third party proceedings, judgements and cease trading.

The Agent is entitled to have a representative attend each meeting of the Board of Directors and any committee or sub-committee thereof, subject to certain conditions. If the Agent or its affiliates own, directly or indirectly, 10% or more of the outstanding common shares of the Company on a non-diluted basis, then the Agent shall be entitled to nominate one individual for appointment or election, from time to time, to the Board of Directors until such minimum ownership is not maintained and, at such time, the Agent shall no longer be entitled to this right.

The Loan and PIK Interest, excluding any elections to convert PIK Interest into common shares of the Company and any Loan prepayments, is due July 12, 2028.

Pursuant to the Credit Agreement, the Company issued to the Lenders, in aggregate, 37,037,037 common share purchase warrants at an exercise price of \$0.135 per common share, equal to a 15% premium to the five consecutive trading day volume-weighted average price of the common shares, on July 12, 2024. Each warrant is exercisable to purchase one common share of the Company and will expire on July 12, 2029.

On July 12, 2024, the Company received proceeds of \$18,093,905, net of certain transaction costs relating to the Credit Agreement and the Second Amendment to the Amended and Restated Commitment Letter, and the principal repayment of \$1,088,235 due per the Second Amendment to the Amended and Restated Commitment Letter. The Company incurred transaction costs of \$2,307,294 in connection with Credit Agreement.

On September 16, 2024, the Company provided the Lenders with an election to accrue PIK interest to the outstanding principal amount of the Loan from July 12, 2024 to January 31, 2025.

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12. Long-term debt (continued)

(ii) *Credit agreement (continued)*

The prepayment option, certain accelerated payment options and the PIK Interest conversion feature, as mentioned above, meet the definition of an embedded derivative under IFRS 9. Management has elected to designate the Loan and its embedded derivative features at fair value through profit and loss. The embedded derivatives are revalued each reporting period with changes in fair value of the embedded derivatives recorded in the condensed consolidated statements of loss and comprehensive loss.

To account for the prepayment option, the fair value of the Loan was estimated using a ‘with’ and ‘without’ approach. Under this approach, the Loan was first fair valued ‘with’ the embedded derivative and then subsequently valued ‘without’ the embedded derivative feature. The difference between the fair value of the prepayment option using the ‘with’ and ‘without’ scenarios was the estimated fair value of the prepayment option embedded derivative as of the valuation dates. The fair value of the Loan under the ‘with’ scenario was based on a Hull-White term structure model. The fair value of the Loan under the ‘without’ scenario was based on a standard discounted cash flow approach.

The fair value of the Loan based on the Hull-White term structure model as of September 30, 2024 and July 12, 2024 was calculated using the following inputs:

	September 30, 2024	July 12, 2024
Time to maturity	3.8 years	4.0 years
Loan interest rate	14.00%	14.00%
Risk-free rate	CAD OIS curve	CAD OIS curve
Interest rate volatility	0.826%	0.907%
Mean reversion factor	0.298%	0.192%
Credit rating	CCC+	CCC+
Credit spread	6.24%	10.63%
Instrument-specific spread	7.00%	7.00%

For the accelerated payment embedded derivative, as of July 12, 2024 and September 30, 2024, a nil probability and value was assigned to the occurrence of any event that might lead to a default during the remaining term of the Loan.

The Lenders have the option to convert all, or any portion of their respective pro-rate shares of the PIK interest outstanding, into common shares of the Company as described above. The common shares of the Company to be issued upon the conversion option would have a restriction which would require adjusting the fair value of converted shares for a discount for lack of marketability (“DLOM”). Together with the DLOM-adjusted share price and the conversion occurring at a market price, a market participant is not expected to exercise the conversion option. As a result, as of July 12, 2024 and September 30, 2024 the conversion option was assigned a \$Nil value.

On July 12, 2024, the Loan, including its embedded derivative features, was fair valued at \$16,547,202. On September 30, 2024, the Loan, including its embedded derivative features, was fair valued at \$19,933,000.

During the nine months ended September 30, 2024, the Company incurred \$635,569 (September 30, 2023 – \$Nil) of interest expense. As the Company elected to accrue PIK interest to the outstanding principal amount of the Loan, PIK interest has been included in the outstanding principal balance of the Loan and included with the fair value of the Loan as of September 30, 2024 and the loss on revaluation of long-term during the nine months ended September 30, 2024 in the condensed consolidated interim statements of loss and comprehensive loss.

On initial valuation on July 12, 2024, the Loan proceeds of \$20,000,000 was allocated as follows based on the residual method:

	Amount
Fair value of the Loan	\$ 16,547,202
Residual value - common share purchase warrants	3,452,798
Total gross proceeds	\$ 20,000,000

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12. Long-term debt (continued)

(ii) *Credit agreement (continued)*

Transaction costs of \$2,307,294 have been allocated to the Loan and common share purchase warrants based on their respective pro-rate portion of the proceeds, with \$1,908,963 of such transaction costs being allocated to the Loan and expensed as transaction costs within the condensed consolidated interim statement of loss and comprehensive loss, and \$398,331 being allocated to the common share purchase warrants and included within warrants reverse. The total value, net of transaction costs, assigned to the common share purchase warrants is \$3,054,467.

During the nine months ended September 30, 2024, the Company recognized a loss on revaluation of long-term debt in the amount of \$3,385,798 in the condensed consolidated interim statements of loss and comprehensive loss.

Per the terms of the Credit Agreement, the covenants that the Company must comply with include (i) maintaining a minimum unrestricted cash of the Company and the guarantors subsidiaries, at all times, of not less than USD \$2,500,000, (ii) maintaining a minimum trailing adjusted EBITDA of not less than applicable amount calculated monthly, which varies by period, starting in September 2024, and (iii) maintain a maximum funded debt to EBITDA ratio of not less than an applicable amount calculated on a monthly basis, which varies by period, starting in December 2024. During the nine months ended September 30, 2024 the Company was in compliance with applicable covenants per the Credit Agreement.

The following tables shows the movement of the Loan balance during the period:

	Amount
Balance, January 1, 2024	\$ -
Fair value of the Loan on initial recognition	16,547,202
PIK interest ⁽ⁱ⁾	635,569
Loss on revaluation of long-term debt ⁽ⁱ⁾	2,750,229
Balance, September 30, 2024	19,933,000
Current portion of long-term debt	-
Long-term debt	\$ 19,933,000

(i) For the nine months ended September 30, 2024, PIK interest and loss on revaluation of long-term debt are both included within the loss on revaluation of long-term debt within the condensed consolidated interim statements of loss and comprehensive loss.

A summary of the Company's Commitment Letter and Credit Agreement is as follows:

	September 30, 2024	December 31, 2023
Commitment Letter	\$ 19,711,993	\$ 21,888,597
Credit Agreement	19,933,000	-
Current portion of long-term debt	\$ 39,644,993	\$ 21,888,597
Long-term debt	19,711,993	21,888,597
Long-term debt	\$ 19,933,000	\$ -

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13. Deferred payment liability

The deferred payment liability relates to the mergers and acquisitions of (i) Vedatis on May 1, 2021, and (ii) FFS on April 28, 2022.

(i) *Vedatis deferred payment liability*

The Vedatis deferred payment liability consists of the present value of the estimated earn-out payment (the “Vedatis Earn-Out Payment”) expected to be paid based on the performance of Vedatis by August 29, 2025.

The Vedatis Earn-Out Payment, subject to certain conditions, is equal to the sum of earnings before interest, taxes, depreciation and amortization for the best four consecutive quarters of the existing Vedatis business at the time of closing excluding new business generated or enhanced by the Company. The earn-out period is for four years following May 1, 2021.

The Company has, at its option, the ability to settle the Vedatis Earn-Out Payment half in cash and half in common shares, the share payment portion will be settled by the allotment and issuance of such number of common shares determined by the volume weighted average price for the two trading days immediately prior to May 1, 2025.

The Company uses Monte-Carlo simulation valuation techniques to estimate the net present value of the Vedatis Earn-Out Payment. The cash portion and equity portion are present valued separately based on the outcomes of the Monte-Carlo simulation. The Vedatis Earn-Out Payment is revalued each reporting period with changes in fair value of the Vedatis Earn-Out Payment recorded in the condensed consolidated interim statements of loss and comprehensive loss.

On September 30, 2024, the Vedatis Earn-Out Payment was revalued at \$2,247,287 (December 31, 2023 - \$2,083,262) based on a discounted valuation using a 11.93% (December 31, 2023 – 13.75%) and 3.24% (December 31, 2023 – 3.99%) discount rate for the cash settled and equity settled portion, respectively, and an expectation that a Vedatis Earn-Out Payment of \$2,406,424 (December 31, 2023 – \$2,406,437) is probable. Following the September 30, 2024 revaluation, the cash portion of the Vedatis Earn-Out Payment is amortized at an effective interest rate of 11.99% (December 31, 2023 – 13.83%).

The fair value of the Vedatis Earn-Out Payment as of September 30, 2024 and December 31, 2023 was calculated using the following inputs:

	September 30, 2024	December 31, 2023
Payment date	August 29, 2025	August 29, 2025
Time to maturity	0.91 years	1.66 years
Required metric risk premium	21.75%	21.75%
EBITDA volatility	21.00%	21.00%
Senior credit rating	CCC+	CCC+
Earn-out payment credit rating	CCC	CCC
Drift rate	3.38%	4.15%
Discount rate (risk free rate) for equity-based payment	3.24%	3.99%
Discount rate (risk adjusted rate) for cash payment	11.93%	13.75%
Discount rate for lack of marketability	Nil%	Nil%

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13. Deferred payment liability (continued)

(i) *Vedatis deferred payment liability (continued)*

A summary of the movement in the Vedatis deferred payment liability is as follows:

	Vedatis Earn-Out Payment
Balance, January 1, 2023	\$ 1,377,764
Accretion	90,355
Loss on revaluation of deferred payment liability	592,053
Effect of movement in exchange rates	23,090
Balance, December 31, 2023	\$ 2,083,262
Accretion	120,980
Gain on revaluation of deferred payment liability	(23,486)
Effect of movement in exchange rates	66,531
Balance, September 30, 2024	2,247,287
Current portion of deferred payment liability	2,247,287
Long-term portion of deferred payment liability	\$ -

(ii) *FFS deferred payment liability*

The FFS deferred payment liability consisted of the present value of a GBP £1,000,000 first anniversary payment (the “FFS First Anniversary Deferred Payment”) to be paid on April 28, 2023, the present value of a GBP £50,000 second anniversary payment (the “FFS Second Anniversary Deferred Payment”) to be paid April 28, 2024 (collectively, the “FFS Deferred Payment”) and the present value of the first anniversary earn-out payment of GBP £500,000 (the “FFS Earn-Out Payment”) to be paid on April 28, 2023 based upon certain criteria being met.

The FFS Earn-Out Payment will be paid if the Fantasy Premier League agreement, which expired on August 1, 2022, is renewed for an additional three-year period, on substantially similar or more favourable terms. The Fantasy Premier League agreement was renewed on August 1, 2022 for an additional three-year period on substantially similar terms.

The Company has, at its option, the ability to settle the FFS First Anniversary Deferred Payment either in cash or by the allotment and issuance of such number of common shares determined by the volume weighted average price for the ten trading days prior to the payment due date.

On May 9, 2023, the Company settled the FFS Earn-Out Payment through a cash payment of \$844,350 (GBP £500,000).

On June 16, 2023, the FFS First Anniversary Deferred Payment has been settled by the Company issuing 2,626,037 common shares of the Company through the exercise of the Company’s option (Note 14).

On April 29, 2024, the Company settled the FFS Second Anniversary Deferred Payment through a cash payment of \$85,700 (GBP £50,000).

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13. Deferred payment liability (continued)

(ii) *FFS deferred payment liability (continued)*

A summary of the movement in the FFS deferred payment liability is as follows:

	FFS Deferred Payment	FFS Earn-Out Payment	Total
Balance, January 1, 2023	\$ 1,668,750	\$ 797,288	\$ 2,466,038
Accretion	43,782	19,041	62,823
Payment – cash	-	(844,350)	(844,350)
Payment – shares	(1,692,700)	-	(1,692,700)
Effect of movement in exchange rates	62,399	28,021	90,420
Balance, December 31, 2023	82,231	-	82,231
Accretion	1,985	-	1,985
Payment - cash	(85,700)	-	(85,700)
Effect of movement in exchange rates	1,484	-	1,484
Balance, September 30, 2024	-	-	-
Current portion of deferred payment liability	-	-	-
Long-term portion of deferred payment liability	\$ -	\$ -	\$ -

The following table shows the aggregate movement of the deferred payment liability during the nine months ended September 30, 2024 and year ended December 31, 2023:

	September 30, 2024	December 31, 2023
Beginning balance	\$ 2,165,493	\$ 3,843,802
Accretion	122,965	153,178
Payment – cash	(85,700)	(844,350)
Payment – shares	-	(1,692,700)
(Gain) loss on revaluation of deferred payment liability	(23,486)	592,053
Effect of movement in exchange rates	68,015	113,510
Ending balance	2,247,287	2,165,493
Current portion of deferred payment liability	2,247,287	82,231
Long-term portion of deferred payment liability	\$ -	\$ 2,083,262

14. Share capital

Authorized:

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

During the nine months ended September 30, 2024:

- (i) On January 3, 2024, the Company issued 1,328,559 common shares to settle 1,328,559 restricted share units. The fair value assigned to these restricted share units of \$8,520,520 was reclassified from contributed surplus to share capital; and
- (ii) On July 18, 2024, the Company issued 46,386 common shares to settle 46,386 restricted share units. The fair value assigned to these restricted share units of \$206,742 was reclassified from contributed surplus to share capital.

During the nine months ended September 30, 2023:

- (i) On June 16, 2023, the Company issued 2,626,037 common shares to settle the FFS First Anniversary Deferred Payment (Note 13).

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15. Stock options

On January 20, 2021, the shareholders of the Company approved and ratified the adoption of the stock option plan (the “Stock Option Plan”) which allows the Board of Directors to grant stock options to directors, officers, employees and consultants of the Company as performance incentives. The maximum number of common shares issuable under the Stock Option Plan is limited to 10% of the issued and outstanding common shares of the Company. There are also limitations on the number of common shares issuable to insiders. At the time of granting a stock option, the Board of Directors must approve: (i) the exercise price, being not less than the market value of the common shares; (ii) the vesting provisions; and (iii) the expiry date, generally being no more than ten years after the grant date.

The following table reflects the continuity of stock options as of September 30, 2024 and December 31, 2023:

	September 30, 2024		December 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Beginning balance	9,485,334	\$ 1.81	3,941,982	\$ 3.46
Issued	2,991,111	0.17	6,062,976	0.91
Expired/forfeited	(7,723,537)	(1.21)	(519,624)	(3.74)
Ending balance	4,752,908	\$ 1.76	9,485,334	\$ 1.81
Exercisable	1,901,857	\$ 3.89	2,629,049	\$ 3.29

On March 1, 2023, the Company issued 5,305,104 stock options to the former Chief Executive Officer. These stock options were exercisable at \$0.91, expired on March 1, 2033 and vested as follows: (i) 1,326,276 on March 1, 2024, and (ii) 3,978,828 in substantially equal installments of 110,523 at the end of each month starting March 31, 2024 for 36 months ending on February 28, 2027. The fair value of these stock options issued was \$0.84 per stock option, which was estimated using the Black-Scholes option pricing model using the following inputs and assumptions: stock price - \$0.91; exercise price - \$0.91; expected life in years – 10 years; expected volatility – 107.75% (based on comparable companies); expected dividend yield – Nil%; expected forfeiture rate – Nil%; and, risk-free interest rate – 3.41%. On January 8, 2024, the former Chief Executive Officer resigned and these stock options were forfeited. Share-based compensation expensed recorded on these stock options vesting during the year ended December 31, 2023 in the amount was \$2,194,888 was credited against share-based compensation expense during the nine months ended September 30, 2024.

On March 1, 2023, the Company issued 757,872 performance stock options to the former Chief Executive Officer. These performance stock options were exercisable at \$0.91, expired on March 1, 2033 and vested as follows: (i) 189,468 on March 1, 2024, and (ii) 568,404 in substantially equal installments of 15,789 at the end of each month starting March 31, 2024 for 36 months ending on February 28, 2027 and, in all events, were subject to the Company’s common shares having an average share price of at least USD \$5.00 on the Nasdaq over a period of 90 consecutive days with such threshold being subject to adjustment in the event of any stock split, reverse split or other capital reorganization event (the “Performance Award Requirement”). The Performance Award Requirement was a market condition, an expense for a market-linked performance condition is recognized based on the probable outcome of the market-linked performance condition being met over the vesting period. As of December 31, 2023 and during nine months ended September 30, 2024, it was considered probable that the market-linked performance condition would not be met during the vesting period, as a result no expense was recognized during the year. On January 8, 2024, the former Chief Executive Officer resigned and these stock options were forfeited.

On April 10, 2024, the Company issued 1,610,000 stock options to employees. These stock options are exercisable at \$0.19, expire on April 10, 2029 and vest one-third on April 10, 2025, April 10, 2026 and April 10, 2027 respectively. The fair value of these stock options issued was \$0.12 per stock option, which was estimated using the Black-Scholes option pricing model using the following inputs and assumptions: stock price - \$0.19; exercise price - \$0.19; expected life in years – 5 years; expected volatility – 83.69%; expected dividend yield – Nil%; expected forfeiture rate – 7.67%; and, risk-free interest rate – 3.74%.

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15. Stock options (continued)

On May 27, 2024, the Company issued 1,293,829 stock options to directors and officers. These stock options are exercisable at \$0.14, expire on May 27, 2029 and vest one-third on January 1, 2025, January 1, 2026 and January 1, 2027 respectively. The fair value of these stock options issued was \$0.09 per stock option, which was estimated using the Black-Scholes option pricing model using the following inputs and assumptions: stock price - \$0.14; exercise price - \$0.14; expected life in years - 5 years; expected volatility - 82.99%; expected dividend yield - Nil%; expected forfeiture rate - 6.70%; and, risk-free interest rate - 3.71%.

On August 23, 2024, the Company issued 87,282 stock options to a director. These stock options are exercisable at \$0.16, expire on August 23, 2029 and vest one-third on January 1, 2025, January 1, 2026 and January 1, 2027 respectively. The fair value of these stock options issued was \$0.10 per stock option, which was estimated using the Black-Scholes option pricing model using the following inputs and assumptions: stock price - \$0.16; exercise price - \$0.16; expected life in years - 5 years; expected volatility - 83.56%; expected dividend yield - Nil%; expected forfeiture rate - 6.58%; and, risk-free interest rate - 2.93%.

The Company recorded a share-based compensation expense recovery of \$2,036,997 (September 30, 2023 - expense of \$2,387,287) for stock options vesting and forfeited during the nine months ended September 30, 2024.

The Company has the following stock options outstanding as of September 30, 2024:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable	Weighted average remaining life (years)
December 9, 2025	531,383	\$ 3.20	531,383	1.19
January 1, 2026	452,318	8.75	452,318	1.25
February 16, 2027	30,652	1.13	20,434	2.38
April 20, 2027	721,041	2.75	534,911	2.55
November 17, 2027	51,403	1.13	34,268	3.13
December 12, 2028	190,000	1.00	190,000	4.20
April 10, 2029	1,395,000	0.19	-	4.53
May 27, 2029	1,293,829	0.14	138,543	4.66
August 23, 2029	87,282	0.16	-	4.90
	4,752,908	\$ 1.76	1,901,857	3.54

16. Share units

On January 20, 2021, the shareholders of the Company approved and ratified the adoption of the Share Unit Plan ("SU Plan") which allows for the issuance of restricted share units and performance share units (collectively "Share Units") to directors, officers, employees and consultants. The Board of Directors, or a committee appointed by the Board of Directors, will establish vesting conditions of Share Units at the time of grant. The maximum number of common shares that are issuable to settle Share Units cannot exceed 4% of the aggregate number of common shares issued and outstanding and the maximum number of common shares issuable in aggregate under the SU Plan and other share-based compensation arrangements adopted by the Company cannot exceed 10% of the common shares issued and outstanding. Share Units can be settled in cash or common shares at the option of the Company.

On May 17, 2023, the Company issued 212,868 restricted share units to directors. These restricted share units are expected to be settled through the issuance of 212,868 common shares of the Company. These restricted share units vest on the date of issuance. The fair value of these restricted share units issued was \$0.68 per restricted share unit using the following inputs and assumptions: quoted market price on the date of issuance - \$0.68; and, expected forfeiture rate - Nil%.

On June 22, 2023, the Company issued 202,694 restricted share units to directors. These restricted share units are expected to be settled through the issuance of 202,694 common shares of the Company. These restricted share units vest on the date of issuance. The fair value of these restricted share units issued was \$0.59 per restricted share unit using the following inputs and assumptions: quoted market price on the date of issuance - \$0.59; and, expected forfeiture rate - Nil%.

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16. Share units (continued)

On November 17, 2023, the Company issued 100,439 restricted share units to directors. These restricted share units are expected to be settled through the issuance of 100,439 common shares of the Company. These restricted share units vest on the date of issuance. The fair value of these restricted share units issued was \$0.36 per restricted share unit using the following inputs and assumptions: quoted market price on the date of issuance - \$0.36; and, expected forfeiture rate – Nil%.

On November 17, 2023, the Company issued 1,067,066 restricted share units to employees. These restricted share units are expected to be settled through the issuance of 1,067,066 common shares of the Company. These restricted share units vest one-third on January 1, 2024, January 1, 2025 and January 1, 2026 respectively. The fair value of these restricted share units issued was \$0.34 per restricted share unit using the following inputs and assumptions: quoted market price on the date of issuance - \$0.36; and, expected forfeiture rate – 3.65%.

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. The fair value of these restricted share units issued was \$0.21 per restricted share unit using the following inputs and assumptions: quoted market price on the date of issuance - \$0.22; and, expected forfeiture rate – 5.70%.

On March 28, 2024, the Company issued 200,000 restricted share units an employee. These restricted share units are expected to be settled through the issuance of 200,000 common shares of the Company. These restricted share units vest one-third on January 1, 2025, January 1, 2026 and January 1, 2027 respectively. The fair value of these restricted share units issued was \$0.18 per restricted share unit using the following inputs and assumptions: quoted market price on the date of issuance - \$0.20; and, expected forfeiture rate – 7.93%.

On May 9, 2024, the Company issued 671,052 restricted share units to directors. These restricted share units are expected to be settled through the issuance of 671,052 common shares of the Company. These restricted share units vest one-third on May 9, 2024, January 1, 2025 and January 1, 2026 respectively. The fair value of these restricted share units issued was \$0.14 per restricted share unit using the following inputs and assumptions: quoted market price on the date of issuance - \$0.15; and, expected forfeiture rate – 7.81%.

On August 19, 2024, the Company issued 868,324 restricted share units to directors. These restricted share units are expected to be settled through the issuance of 868,324 common shares of the Company. These restricted share units vest one-third on January 1, 2025, January 1, 2026 and January 1, 2027 respectively. The fair value of these restricted share units issued was \$0.15 per restricted share unit using the following inputs and assumptions: quoted market price on the date of issuance - \$0.17; and, expected forfeiture rate – 7.28%.

The Company recorded share-based compensation expense of \$496,601 (September 30, 2023 - \$1,895,593) for restricted share units vesting and forfeited during the nine months ended September 30, 2024.

The following table reflects the continuity of restricted share units as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Beginning balance	5,640,244	4,139,454
Granted	2,828,383	1,583,067
Released (Note 14)	(1,374,945)	-
Forfeited	(916,285)	(82,277)
Ending balance	6,177,397	5,640,244
Vested	4,298,354	3,670,906

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17. Warrants

On July 12, 2024, the Company issued 37,037,037 common share purchase warrants in connection with the Credit Agreement (Note 12).

The following table reflects the continuity of common share purchase warrants as of September 30, 2024 and December 31, 2023:

	September 30, 2024		December 31, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Beginning balance	-	\$ -	-	\$ -
Issued	37,037,037	0.14	-	-
Ending balance	37,037,037	\$ 0.14	-	\$ -

The Company has the following common share purchase warrants outstanding as of September 30, 2024:

Expiry date	Number of stock warrants outstanding	Exercise price	Weighted average remaining life (years)
July 12, 2029	37,037,037	\$ 0.14	4.78
	37,037,037	\$ 0.14	4.78

18. Related party transactions and balances

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors, Interim Chief Executive Officer, former Chief Executive Officer, Chief Financial Officer, former Chief People Officer, former Chief Corporate Officer, former President and Chief Strategy Officer & 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 period.

Compensation provided to key management during the three and nine months ended September 30, 2024 and 2023 is as follows:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Short-term benefits	\$ 578,211	\$ 892,961	\$ 1,179,449	\$ 2,400,885
Share-based compensation	201,182	1,091,228	507,167	3,537,239
	\$ 779,393	\$ 1,984,189	\$ 1,686,616	\$ 5,938,124

A summary of other related party transactions during the three and nine months ended September 30, 2024 and 2023 is as follows:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Total transactions during the period:				
Expenses				
Consulting fees	\$ -	\$ 6,328	-	\$ 37,515
Interest and accretion	7,945	-	7,945	-
Share of net loss (income) from investment in associates and joint ventures	278	(4,415)	11,023	(9,325)

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18. Related party transactions and balances (continued)

A summary of related party balances as of September 30, 2024 and December 31, 2023 is as follows:

	September 30, 2024	December 31, 2023
Balances receivable (payable):		
Trade and other receivables	\$ 67,180	\$ 67,180
Investment in associates and joint ventures	-	11,024
Accounts payable and accrued liabilities	(743,188)	(1,014,738)
Long-term debt	(257,945)	-

During the nine months ended September 30, 2024, the Company recognized consulting expense of \$Nil (September 30, 2023 - \$37,515) to Rivonia Capital Inc., a company in which a former director of the Company was a principal.

As of September 30, 2024, a balance of \$Nil (December 31, 2023 - \$96,204) is included in accounts payable and accrued liabilities relating to Board of Director and committee fees payable to certain directors.

As of September 30, 2024, a balance of \$743,188 (December 31, 2023 - \$918,534) 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.

On July 12, 2024, the Company entered into a \$250,000 Credit Agreement (Note 12) with an affiliate of Jordan Gnat (the "Gnat Affiliate"), who is a director of the Company is a director. The Company also issued 462,963 common share purchase warrants to the Gnat Affiliate pursuant to the Credit Agreement. During the nine months ended September 30, 2024, the Company incurred interest expense of \$7,945 (September 30, 2023 - \$Nil) to the Gnat Affiliate. As of September 30, 2024 a balance of \$257,945 (December 31, 2023 - \$Nil) is payable to the Gnat Affiliate relating to the Credit Agreement. See Note 12 for information relating to warrants issued to the Gnat Affiliate.

See Note 6 for information relating to an investment in a joint venture under common management as the Company. During the nine months ended September 30, 2024, the Company recognized a share of net loss from investment in joint ventures of \$11,023 (September 30, 2023 – net income of \$9,325) from AFK, a related party by nature of it having common management as the Company. As of September 30, 2024, a balance of \$67,180 (December 31, 2023 - \$67,180) is included in trade and other receivables from AFK.

See Note 15 for information relating to stock options issued to directors and officers of the Company.

See Note 16 for information relating to restricted share units issued to directors and officers of the Company.

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19. 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 has largely been dependent on external financing to fund its activities and during the nine months ended September 30, 2024 obtained additional sources of financing. On July 12, 2024, the Company entered into a Credit Agreement and received a four-year non-revolving loan of \$20,000,000 (Note 12) which will be used for working capital purposes. 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 if the Company is unable to generate positive cash flows from operations. 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 nine months ended September 30, 2024. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements aside from the covenants described in Note 12.

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

20. Financial instruments

Fair values

The fair values of cash, trade and other receivables, 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 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 September 30, 2024, the Loan is classified as a Level 3 financial instrument, see Note 12. As of September 30, 2024, the Vedatis Earn-Out Payment liability is classified as a Level 3 financial instrument, see Note 13.

Total interest income and interest expense for the three and nine months ended September 30, 2024 and 2023 for financial assets or financial liabilities that are not at fair value through profit or loss is as follows:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Interest income	\$ (281)	\$ (575)	\$ (5,730)	\$ (63,296)
Interest and accretion expense	1,159,993	594,585	2,273,088	1,755,225
Net interest expense	\$ 1,159,712	\$ 594,010	\$ 2,267,358	\$ 1,691,929

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 thus the exposure to credit risk on cash balances is considered insignificant.

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20. Financial instruments (continued)

Credit risk (continued)

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

	September 30, 2024	December 31, 2023
Trade receivables aging:		
0-30 days	\$ 6,792,160	\$ 22,974,148
31-60 days	945,443	2,841,566
61-90 days	317,956	1,148,610
Greater than 90 days	1,342,274	4,153,822
	9,397,833	31,118,146
Expected credit loss provision	(47,513)	(336,633)
Net trade receivables	\$ 9,350,320	\$ 30,781,513

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

	September 30, 2024	December 31, 2023
Expected credit loss provision, beginning balance	\$ (336,633)	\$ (300,735)
Increase in provision of expected credit losses	(64,397)	(131,192)
Write-offs	361,204	14,062
Recoveries	-	79,257
Effect of movement in exchange rates	(7,687)	1,975
Expected credit loss provision, ending balance	\$ (47,513)	\$ (336,633)

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 September 30, 2024:

	Total	Not past due	Over 30 days past due	Over 60 days past due	Over 90 days past due
Default rates		0.25%	0.30%	0.75%	1.89%
Trade receivables	\$ 9,397,833	\$ 6,792,160	\$ 945,443	\$ 317,956	\$ 1,342,274
Expected credit loss provision	\$ 47,513	\$ 16,947	\$ 2,876	\$ 2,371	\$ 25,319

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

Concentration risk

The Company has two customers (December 31, 2023 and September 30, 2023 – one customer) which makes up more than 10% of revenue. These customers account for approximately 26.58% (December 31, 2023 – 25.01%) of trade receivables as of September 30, 2024, 50.46% (September 30, 2023 – 49.72%) of revenue for the three months ended September 30, 2024 and 36.47% (September 30, 2023 – 49.73%) of revenue for the nine months ended September 30, 2024.

Liquidity risk

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

The Company's cash and working capital is maintained through stringent cash flow management. 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.

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20. Financial instruments (continued)

Liquidity risk (continued)

	Less than one year	One to two years	Two to three years	More than three years	Total
Accounts payable and accrued liabilities	\$ 14,674,198	\$ -	\$ -	\$ -	\$ 14,674,198
Contract liabilities	4,950,661	-	-	-	4,950,661
Income tax payable	11,036	-	-	-	11,036
Deferred payment liability	2,408,980	-	-	-	2,408,980
Lease liabilities	699,838	457,343	-	-	1,157,181
Long-term debt	19,711,993	-	-	20,635,569	40,347,562
	\$ 42,456,706	\$ 457,343	\$ -	\$ 20,635,569	\$ 63,549,618

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, contract liabilities, deferred payment liability and cash. As of September 30, 2024, a 10% depreciation or appreciation of the US dollar, UK pound sterling and Euro against the Canadian dollar would have resulted in an approximate \$195,000, \$207,000, and \$278,000 decrease or increase, respectively, in total net loss and comprehensive loss.

Interest rate risk

The Company's Term Credit bears interest at Adjusted Term CORRA rate plus 7.5%. The Company's Operating Credit bears interest at the Bank's prime lending rate plus 1.50%. Fluctuations in the Adjusted Term CORRA 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 \$74,000 change in the annual interest expense.

21. Commitments

As of September 30, 2024, the Company has the following payment commitments with respect to consulting and other contractual obligations:

Not later than one year	\$ 720,000
Later than one year and not later than five years	244,000
	\$ 964,000

22. Segment disclosure

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 three and nine months ended September 30, 2024 and 2023 is as follows:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Media and content	\$ 11,949,573	\$ 39,828,942	\$ 38,421,125	\$ 112,246,770
Esports and entertainment	1,993,830	1,999,901	6,454,190	7,097,188
Subscription	2,834,872	3,729,428	9,935,833	11,693,048
	\$ 16,778,275	\$ 45,558,271	\$ 54,811,148	\$ 131,037,006

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22. Segment disclosure (continued)

Revenues, in Canadian dollars, in each of the four major geographic locations for the three and nine months ended September 30, 2024 and 2023 is as follows:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Canada	\$ 412,366	\$ 1,320,669	\$ 2,144,118	\$ 3,480,393
USA	12,262,479	37,007,479	38,202,309	107,213,591
England and Wales	1,451,249	2,721,446	6,756,718	8,340,316
All other countries	2,652,181	4,508,677	7,708,003	12,002,706
	\$ 16,778,275	\$ 45,558,271	\$ 54,811,148	\$ 131,037,006

Non-current assets, in Canadian dollars, in each of the Company's geographic locations as of September 30, 2024 and December 31, 2023 is as follows:

	September 30, 2024	December 31, 2023
Canada	\$ 130,554,667	\$ 132,820,450
USA	48,973,134	54,268,252
France	3,335,000	3,335,000
England and Wales	5,738,284	5,502,233
	\$ 188,601,085	\$ 195,925,935

23. Subsequent events

- (i) On October 9, 2024, the Company issued 3,197,960 common shares to settle 3,197,960 vested restricted share units issued to directors, officers, employees and consultants of the Company.
- (ii) On October 15, 2024, the Company dissolved Fantasy Media Ltd.