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THE BUSINESS OF GAMING

Enthusiast Gaming Holdings Inc.

Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2026
[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 six months ended June 30, 2026 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 June 30, 2026 and December 31, 2025
(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2026	December 31, 2025
ASSETS			
Current			
Cash		\$ 2,040,447	\$ 3,262,528
Trade and other receivables	6	2,706,805	4,806,842
Income tax receivable		-	75,334
Prepaid expenses		551,658	752,995
Total current assets		5,298,910	8,897,699
Non-current			
Property and equipment		5,356	8,755
Intangible assets	7	24,555,595	24,491,606
Goodwill	8	31,623,971	31,543,408
Total assets		\$ 61,483,832	\$ 64,941,468
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	9	\$ 6,692,255	\$ 8,776,572
Contract liabilities		5,089,924	6,235,303
Income tax payable		241,055	-
Current portion of long-term debt	10	45,047,572	45,583,794
Current portion of deferred payment liability	11	-	525,083
Current portion of lease liabilities		122,420	118,078
Total current liabilities		57,193,226	61,238,830
Non-current			
Deferred tax liability		2,238,251	1,921,014
Total liabilities		59,431,477	63,159,844
Shareholders' Equity			
Share capital	12	462,552,462	461,607,373
Warrants reserve	15	2,561,231	2,561,231
Contributed surplus	13, 14	17,789,735	17,774,059
Accumulated other comprehensive income		5,325,743	4,777,309
Deficit		(486,176,816)	(484,938,348)
Total shareholders' equity		2,052,355	1,781,624
Total liabilities and shareholders' equity		\$ 61,483,832	\$ 64,941,468

Going Concern (Note 2)

Commitments (Note 19)

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

Enthusiast Gaming Holdings Inc.
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
For the three and six months ended June 30, 2026 and 2025
(Unaudited - Expressed in Canadian Dollars)

		For the three months ended		For the six months ended	
	Note	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
			Amended (Note 21)		Amended (Note 21)
Revenue	20	\$ 6,942,495	\$ 7,125,783	\$ 16,387,058	\$ 16,108,002
Cost of sales		770,247	839,379	2,185,866	2,470,331
Gross margin		6,172,248	6,286,404	14,201,192	13,637,671
Operating expenses					
Professional fees		256,867	346,031	645,464	624,732
Consulting fees		295,881	132,296	552,980	339,119
Advertising and promotion		76,983	155,443	157,124	324,288
Office and general		275,526	625,129	1,239,658	1,391,496
Salaries and wages		2,841,003	3,308,144	6,125,029	7,009,932
Technology support, web development and content		1,786,893	1,922,428	3,669,845	3,917,018
Foreign exchange loss (gain)		43,231	(34,226)	178,726	(113,201)
Share-based compensation	13,14	4,929	41,794	15,676	97,000
Amortization and depreciation	7	215,713	521,460	432,224	1,043,246
Total operating expenses		5,797,026	7,018,499	13,016,726	14,633,630
Other expenses (income)					
Interest and accretion	10,11	1,076,877	1,803,254	2,292,150	2,643,673
Gain on revaluation of deferred payment liability	11	-	(110,107)	-	(238,756)
Gain on sale of assets		(24,916)	-	(24,916)	-
(Gain) loss on revaluation of long-term debt	10	(499,943)	885,526	(173,477)	899,816
Other income		(3,541)	-	(75,970)	-
Interest income		(43)	(43)	(463)	(5,532)
Loss before income taxes from continuing operations		(173,212)	(3,310,725)	(832,858)	(4,295,160)
Income taxes					
Current tax expense		76,427	(46,036)	317,251	1,417
Deferred tax (recovery) expense		(11,430)	(11,368)	288,364	169,919
Net loss for the period from continuing operations		(238,209)	(3,253,321)	(1,438,473)	(4,466,496)
Net gain (loss) from discontinued operations	5	543,133	(35,877,371)	200,005	(40,707,960)
Net income (loss) for the period		304,924	(39,130,692)	(1,238,468)	(45,174,456)
Other comprehensive income (loss)					
Items that may be reclassified to profit or loss					
Foreign currency translation adjustment		282,463	(709,401)	548,434	(794,714)
Net income (loss) and comprehensive income (loss) for the period		\$ 587,387	\$ (39,840,093)	\$ (690,034)	\$ (45,969,170)
Net earnings (loss) per share from continuing operations, basic and diluted		\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.03)
Net earnings (loss) per share from discontinued operations, basic and diluted		\$ 0.00	\$ (0.23)	\$ (0.00)	\$ (0.26)
Net earnings (loss) per share, basic and diluted		\$ 0.00	\$ (0.25)	\$ (0.01)	\$ (0.29)
Weighted average number of common shares outstanding, basic and diluted		168,022,456	159,169,003	163,620,187	159,169,003

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 six months ended June 30, 2026 and 2025
(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, 2025		159,169,003	\$ 461,607,373	\$ 1,823,168	\$ 17,596,195	\$ 11,542,198	\$ (440,819,567)	\$ 51,749,367
Share-based compensation	13,14	-	-	-	97,000	-	-	97,000
Other comprehensive loss for the period		-	-	-	-	(794,714)	-	(794,714)
Net loss for the period		-	-	-	-	-	(45,174,456)	(45,174,456)
Balance, June 30, 2025		159,169,003	\$ 461,607,373	\$ 1,823,168	\$ 17,693,195	\$ 10,747,484	\$ (485,994,023)	\$ 5,877,197
Balance, January 1, 2026		159,169,003	\$ 461,607,373	\$ 2,561,231	\$ 17,774,059	\$ 4,777,309	\$ (484,938,348)	\$ 1,781,624
Shares issued for settlement of deferred payment liability	11,12	22,379,563	945,089	-	-	-	-	945,089
Share-based compensation	13,14	-	-	-	15,676	-	-	15,676
Other comprehensive income for the period		-	-	-	-	548,434	-	548,434
Net loss for the period		-	-	-	-	-	(1,238,468)	(1,238,468)
Balance, June 30, 2026		181,548,566	\$ 462,552,462	\$ 2,561,231	\$ 17,789,735	\$ 5,325,743	\$ (486,176,816)	\$ 2,052,355

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 six months ended June 30, 2026 and 2025
(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2026	June 30, 2025
Cash flows from operating activities			
Net loss for the period from continuing operations		\$ (1,438,473)	\$ (4,466,496)
Items not affecting cash:			
Amortization and depreciation	7	432,224	1,043,246
Share-based compensation	13,14	15,676	97,000
Accretion	10,11	-	(85,311)
Deferred tax expense		288,364	169,919
Foreign exchange (gain) loss		(224,977)	106,030
Gain on settlement of accounts payable	9	(194,869)	(70,589)
(Gain) loss on revaluation of long-term debt	10	(173,477)	899,816
Gain on revaluation of deferred payment liability	11	-	(238,756)
Provisions		336,920	776
Gain on sale of assets		(24,916)	-
Changes in working capital:			
Changes in trade and other receivables		119,441	1,707,142
Changes in prepaid expenses		194,375	141,981
Changes in accounts payable and accrued liabilities		(151,407)	314,981
Changes in contract liabilities		(1,145,379)	(1,173,746)
Changes in income tax receivable and payable		316,389	22,074
Income tax paid		-	(86,649)
Net cash used in operating activities from continuing operations		(1,650,109)	(1,618,582)
Net cash from (used in) operating activities from discontinued operations		733,315	(129,235)
Net cash used in operating activities		(916,794)	(1,747,817)
Cash flows from investing activities			
Proceeds from sale of assets		24,916	-
Acquisition of property and equipment		-	(840)
Net cash from (used in) investing activities from continuing operations		24,916	(840)
Net cash from investing activities from discontinued operations		-	41,948
Net cash from investing activities		24,916	41,108
Cash flows from financing activities			
Proceeds from long-term debt, net of transaction costs	10	53,691	11,992
Repayment of long-term debt	10	(416,436)	(2,408,043)
Lease payments		-	(39,179)
Net cash used in financing activities from continuing operations		(362,745)	(2,435,230)
Net cash used in financing activities from discontinued operations		-	(182,543)
Net cash used in financing activities		(362,745)	(2,617,773)
Foreign exchange effect on cash from continuing operations		32,542	(70,866)
Foreign exchange effect on cash from discontinued operations		-	(8,158)
Foreign exchange effect on cash		32,542	(79,024)
Net change in cash		(1,222,081)	(4,403,506)
Cash, beginning of period		3,262,528	4,765,373
Cash, end of period		2,040,447	361,867
Cash held by discontinued operations		-	83,114
Cash held by continuing operations		\$ 2,040,447	\$ 278,753

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

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 701 West Georgia Street, Suite 1420, Vancouver, British Columbia and its executive office at 2 St. Clair Avenue West, 10th floor, Toronto, Ontario.

The Company operates in one industry segment, being digital media products and events. The Company’s principal business activities include media and content, events, and subscriptions. The Company’s digital media platform is centered around a portfolio of flagship video gaming related products, including owned and operated websites and casual games, through which the Company derives its media and content revenue. The Company’s events business is comprised of Pocket Gamer Connects, a global mobile gaming events series. The Company’s subscription revenue includes owned and operated video gaming related products such as The Sims Resource.

On August 16, 2025, pursuant to an unsolicited offer from Vertiqal Studios Corp. (“VSC”), the Company entered into a binding letter of intent with VSC to acquire the direct sales business carried on by the Company, which was primarily comprised of (i) Omnia Media Inc. (“Omnia”), being the entity that held the Company’s YouTube multi-channel network license, (ii) GameCo Esports Canada Inc. (“GameCo”), being the entity that held the Company’s esports operations, including Luminosity Gaming Inc. (“Luminosity”) and GameCo eSports USA Inc. (“GameCo USA”), and (iii) those assets and contracts of the Company specifically related to the direct sales business operated within Enthusiast, including certain systems, processes, and personnel (the “Direct Sales Business Line”). The transaction closed on August 30, 2025 and VSC acquired all the issued and outstanding shares of Omnia, GameCo, Luminosity and GameCo USA (the “Acquired Entities”) and the Direct Sales Business Line.

On July 7, 2025, the Company entered into an exclusive non-binding letter of intent with an entity which proposed to acquire the direct sales business carried on by the Company. Prior to entering into the binding letter of intent with VSC, the Company terminated the non-binding letter of intent signed on July 7, 2025.

The Company’s digital media platform previously included its content channels relating to YouTube. The Company’s events business activity was previously called esports and entertainment. The esports business was previously comprised of Luminosity, a leading global esports franchise that consisted of professional esports teams under ownership and management. The activities of the Acquired Entities and Direct Sales Business Line are included in discontinued operations (Note 5).

Approval of Financial Statements

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on August 12, 2026.

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, 2025, which have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

(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.

Enthusiast Gaming Holdings Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2026 and 2025
(Unaudited - Expressed in Canadian Dollars)

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

(ii) Basis of preparation and going concern (continued)

The Company's future operations are dependent upon its ability to generate positive cash flows from operations and to raise additional financing. For the six months ended June 30, 2026, the Company had negative cash flows from operations of \$916,794 (June 30, 2025 - \$1,747,817) and as of June 30, 2026, the Company has a working capital deficit of \$51,894,316 (December 31, 2025 - \$52,341,131), which includes the current portion of long-term debt of \$45,047,572 (December 31, 2025 - \$45,583,794), and an accumulated deficit of \$486,176,816 (December 31, 2025 - \$484,938,348). The Company is also in breach of covenants relating to its long-term debt (Note 10) for which waivers have not been received as of the date of approval of these condensed consolidated interim financial statements. The Company's long-term debt is due and payable under the terms of the Waiver and Third Amendment to the Amended and Restated Commitment Letter, Credit Agreement and First Supplemental Credit Agreement.

The Company's cash resources as of June 30, 2026, are not sufficient to fund its planned business operations over the next 12 months. Additional financing will be required if the Company is unable to generate positive cash flows from operations in order to settle current liabilities and to service the Company's long-term debt and remain in compliance with covenants (Note 10), as well as fund operations.

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 amounts of assets and liabilities or reported expenses, and these adjustments could be material.

(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 as of June 30, 2026:

Name of Subsidiary	Jurisdiction	Functional Currency	Accounting Method
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 Football Scout Limited	England and Wales	UK Pound Sterling	Consolidation
Vedatis SAS	France	Euro	Consolidation

On August 30, 2025, VSC acquired all the issued and outstanding shares of Omnia, GameCo, Luminosity and GameCo USA (Note 5).

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, 2025, 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 June 30, 2026.

Accounting pronouncements effective January 1, 2026

The following new standards, interpretations or amendments were adopted for the first time on January 1, 2026:

IFRS 9 - *Financial Instruments* ("IFRS 9") and IFRS 7 - *Financial Instrument: Disclosures* ("IFRS 7")

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 which clarify the date of recognition and derecognition of some financial assets and liabilities with a new exception for some financial liabilities settled through an electronic cash transfer system, clarify and provide further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion, add new disclosures for certain instruments with contractual terms that can change cash flows such as instruments with features linked to the achievement of environment, social and governance targets and update the disclosures for equity instruments designated at fair value through other comprehensive income. Amendments to IFRS 9 and IFRS 7 are effective for periods beginning on or after January 1, 2026, with early adoption permitted. There was no material impact from the adoption of the amendments 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:

IFRS 18 - *Presentation and Disclosure in Financial Statements* ("IFRS 18")

In April 2024, the IASB issued IFRS 18, which sets out requirements and guidance on presentation and disclosure in financial statements, including:

- presentation in income statement of income and expenses within five defined categories: operating, investing, financing, income taxes, and discontinued operations;
- presentation in the income statement of new defined subtotals for operating profit and profit before financing and income taxes;
- enhanced guidance on aggregation and disaggregation of information and whether to provide information in the financial statements or in the notes;
- disclosure of specified expenses by nature; and
- disclosure of explanations of management-defined performance measures.

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* ("IAS 1") but carries forward many requirements from IAS 1 without any change. The standard is effective for the annual reporting periods beginning on or after January 1, 2027, with early application permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

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 these condensed consolidated interim financial statements and notes to the condensed consolidated interim financial statements. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimates are revised.

There have been no significant changes to the Company's material accounting judgements, estimates and uncertainties, as described in Note 4, *Material accounting judgements, estimates and uncertainties*, of the Company's audited consolidated financial statements for the year ended December 31, 2025.

Enthusiast Gaming Holdings Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2026 and 2025
(Unaudited - Expressed in Canadian Dollars)

5. Discontinued operations

As described in Note 1, on August 30, 2025 VSC acquired all the issued and outstanding common shares of the Acquired Entities and the Direct Sales Business Line for cash consideration of \$900,000 as well as the assumption of all existing and ongoing liabilities of the Acquired Entities and certain liabilities of the Direct Sales Business Line. The Company completed this transaction pursuant to the terms of the Forbearance and First Supplemental Credit Agreement with the Lenders and a Forbearance Agreement with the Bank (Note 10) in which the Company agreed to implement a cost-cutting plan to achieve a minimum of \$3,000,000 in annualized cost savings.

Discontinued operations presented in these condensed consolidated interim financial statements for the six months ended June 30, 2026 and 2025 are comprised of the operating results relating to the Acquired Entities and the Direct Sales Business Line.

The net gain (loss) from discontinued operations for the three and six months ended June 30, 2026 and 2025 is as follows:

	For the three months ended		For the six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Revenue	\$ -	\$ 2,578,779	\$ -	\$ 5,498,497
Cost of sales	-	(854,491)	-	(2,092,288)
Gross margin	-	1,724,288	-	3,406,209
Operating expenses	809,586	(3,605,761)	466,458	(10,110,504)
Intangible asset impairment (Note 7)	-	(45,331,449)	-	(45,331,449)
Other expenses	(266,453)	(27,649)	(266,453)	(35,416)
Gain (loss) before income taxes	543,133	(47,240,571)	200,005	(52,071,160)
Income taxes	-	11,363,200	-	11,363,200
Net gain (loss) from discontinued operations	\$ 543,133	\$ (35,877,371)	\$ 200,005	\$ (40,707,960)

During the six months ended June 30, 2026, operating expenses of \$466,458 include a gain on settlement of accounts payable of \$891,835 as well as increases in provisions of expected credit losses and write-offs of trade and other receivables of \$439,354 relating to the Direct Sales Business Line.

6. Trade and other receivables

A summary of trade and other receivables is as follows:

	June 30, 2026	December 31, 2025
Trade receivables (Note 18)	\$ 1,936,657	\$ 4,058,458
Other receivables	1,042,592	822,451
HST and VAT receivables	46,765	54,108
Expected credit loss provision (Note 18)	(319,209)	(128,175)
	\$ 2,706,805	\$ 4,806,842

Enthusiast Gaming Holdings Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2026 and 2025
(Unaudited - Expressed in Canadian Dollars)

7. Intangible assets

	Domain names	Application & technology development & website content	Brand names	Subscriber & sponsorship relationships	Multi-channel network license	Talent contracts & digital content	Total
Balance, January 1, 2025	\$ 38,975,000	\$ 18,257,456	\$ 26,181,473	\$ 8,121,668	\$ 7,653,789	\$ 5,507,000	\$ 104,696,386
Impairment	(36,025,000)	-	(6,855,000)	-	(2,451,449)	-	(45,331,449)
Disposals	-	-	-	-	(5,202,340)	(5,507,000)	(10,709,340)
Effect of movement in foreign exchange rates	-	(653,851)	(610,237)	12,407	-	-	(1,251,681)
Balance, December 31, 2025	\$ 2,950,000	\$ 17,603,605	\$ 18,716,236	\$ 8,134,075	\$ -	\$ -	\$ 47,403,916
Effect of movement in foreign exchange rates	-	518,341	486,501	29,041	-	-	1,033,883
Balance, June 30, 2026	\$ 2,950,000	\$ 18,121,946	\$ 19,202,737	\$ 8,163,116	\$ -	\$ -	\$ 48,437,799
Accumulated amortization							
Balance, January 1, 2025	\$ -	\$ 18,257,456	\$ -	\$ 4,451,565	\$ 4,664,880	\$ 5,507,000	\$ 32,880,901
Amortization	-	-	-	856,253	537,460	-	1,393,713
Disposals	-	-	-	-	(5,202,340)	(5,507,000)	(10,709,340)
Effect of movement in foreign exchange rates	-	(653,851)	-	887	-	-	(652,964)
Balance, December 31, 2025	\$ -	\$ 17,603,605	\$ -	\$ 5,308,705	\$ -	\$ -	\$ 22,912,310
Amortization	-	-	-	428,697	-	-	428,697
Effect of movement in foreign exchange rates	-	518,341	-	22,856	-	-	541,197
Balance, June 30, 2026	\$ -	\$ 18,121,946	\$ -	\$ 5,760,258	\$ -	\$ -	\$ 23,882,204
Balance, December 31, 2025	\$ 2,950,000	\$ -	\$ 18,716,236	\$ 2,825,370	\$ -	\$ -	\$ 24,491,606
Balance, June 30, 2026	\$ 2,950,000	\$ -	\$ 19,202,737	\$ 2,402,858	\$ -	\$ -	\$ 24,555,595

During the year ended December 31, 2025, the Company recognized an impairment charge of (i) \$36,025,000 for domain names relating to Enthusiast Gaming Properties Inc. ("Enthusiast Properties"), (ii) \$6,855,000 for brand names relating to Luminosity, and (iii) \$2,451,449 for the multi-channel network license relating to Omnia pursuant to the proposed consideration per the non-binding letter of intent entered into on July 7, 2025 (Note 1). During the year ended December 31, 2025, these impairment charges are included in net loss from discontinued operations (Note 5).

During the year ended December 31, 2025, the Company derecognized the multi-channel network license (\$5,202,340) and talent contracts and digital content (\$5,507,000) relating to Omnia as Omnia was sold to VSC on August 30, 2025 (Note 5).

Enthusiast Gaming Holdings Inc.
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(Unaudited - Expressed in Canadian Dollars)

8. Goodwill

The following comprises the balance of goodwill by CGU. Goodwill initially arose through the mergers and acquisitions of (i) Enthusiast Properties on August 30, 2019, (ii) Steel Media Limited ("Steel Media") on October 3, 2019, (iii) Vedatis SAS ("Vedatis") on May 1, 2021, (iv) GameKnot LLC ("GameKnot") on August 30, 2021, and (v) Fantasy Football Scout Limited ("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 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.

On August 30, 2025, VSC acquired all the issued and outstanding common shares of Luminosity and Omnia and those assets and contracts of the Company specifically related to the Direct Sales Business Line (Note 5). The Direct Sales Business Line was previously included in the Enthusiast Properties CGU and became a separate CGU in the year ended December 31, 2025 prior to its disposal. The disposal of the Direct Sales Business Line resulted in a disposal of goodwill relating to the Direct Sales Business Line of \$4,729,108 which is included in the net loss from discontinued operations during the year ended December 31, 2025.

A summary goodwill by CGU is as follows:

	Enthusiast Properties	TSR	Steel Media	Total
Balance, January 1, 2025	\$ 11,117,225	\$ 20,898,598	\$ 4,337,421	\$ 36,353,244
Disposal of goodwill	(4,729,108)	-	-	(4,729,108)
Effect of movement in foreign exchange rates	(162,107)	-	81,379	(80,728)
Balance, December 31, 2025	\$ 6,226,010	\$ 20,898,598	\$ 4,418,800	\$ 31,543,408
Effect of movement in foreign exchange rates	-	-	80,563	80,563
Balance, June 30, 2026	\$ 6,226,010	\$ 20,898,598	\$ 4,499,363	\$ 31,623,971

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 six months ended June 30, 2026, the Company concluded that there were no triggering events requiring an impairment assessment.

9. Accounts payable and accrued liabilities

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

	June 30, 2026	December 31, 2025
Accounts payable	\$ 3,018,738	\$ 4,947,749
Accrued liabilities	3,673,517	3,828,823
	\$ 6,692,255	\$ 8,776,572

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.

During the six months ended June 30, 2026, the Company settled certain accounts payable from continuing operations at a discounted price resulting in a gain on settlement of accounts payable of \$194,869 (June 30, 2025 - \$70,589) which is recognized within office and general expenses in the condensed consolidated interim statements of loss and comprehensive loss.

10. 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.

Upon the occurrence of an event of default that is continuing, interest rates on the Term Credit and Operating Credit will be increased by up to 2.00% per annum effective as of the date of the event of default and continuing until the event of default is cured.

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.

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.

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 was 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 was 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) Increased the Operating Credit authorized amount from \$5,000,000 to \$7,500,000, a minimum of \$2,500,000 of the Operating Credit was guaranteed by Export Development Canada (“EDC”), with a maturity date of June 30, 2025;
- (c) Subject to the Bank’s approval, the Company may have requested 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 have required, 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 could have exercised 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.

10. Long-term debt (continued)

(i) Commitment letter (continued)

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 requirements 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 guarantor 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 not to exceed 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 to the excess or deposit with the Bank cash in an amount of such excess.

The Term Credit under the Second Amendment to the Amended and Restated Commitment Letter was 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.

On December 31, 2024, the Company amended the Second Amendment to the Amended and Restated Commitment Letter by executing the Waiver and Third Amendment to the Amended and Restated Commitment Letter. As of September 30, 2024, the aggregate of all advances under the Operating Credit and Bank credit cards exceeded the lesser of (i) the Operating Credit, and (ii) the borrowing base. Pursuant to the Waiver and Third Amendment to the Amended and Restated Commitment Letter the Bank waived the borrowing base deficiency and deficiency repayment as of September 30, 2024 and certain definitions per the Second Amendment to the Amended and Restated Commitment letter were also amended.

During the six months ended June 30, 2025, the Company was not in compliance with covenants (i), (ii) and (iii) per the Second Amendment to the Amended and Restated Commitment Letter.

10. Long-term debt (continued)

(i) Commitment letter (continued)

On July 10, 2025, in response to certain defaults of the Company under the Company's Waiver and Third Amendment to the Amended and Restated Commitment Letter, the Company entered into a Forbearance Agreement (the "Senior Forbearance Agreement") with its senior Lender (the "Senior Lender"), the Bank, whereby the Bank agreed to forbear from demanding and accelerating repayment of indebtedness outstanding under the Waiver and Third Amendment to the Amended and Restated Commitment Letter and to forbear the Bank from enforcing its security thereunder, as a result of defaults by the Company thereunder. The Senior Forbearance Agreement is designed to support the Company's recapitalization and long-term business objectives and includes the following significant terms and amendments:

- (a) the forbearance period is until the earliest of (i) December 31, 2025, (ii) the date of repayment of the indebtedness in full, and (iii) the date of the occurrence or existence of any terminating event;
- (b) the Company agreed to implement a cost-cutting plan to achieve a minimum of \$3,000,000 in annualized cost savings;
- (c) as a result of the events of default, from January 1, 2025 and during the forbearance period and thereafter until no event of default is continuing, the Company is required to pay default interest on amounts outstanding on the Term Credit and Operating Credit at a rate of 2% per annum ("Default Interest") over and above the regular interest rate set out in the Commitment Letter. All accrued and unpaid Default Interest shall compound monthly on each date interest is due and shall be payable in accordance with the terms of the Commitment Letter;
- (d) during the forbearance period, monthly principal repayments of \$362,745 due in respect of the Term Credit are deferred until the end of the forbearance period;
- (e) the interest rate on the Term Credit was amended to the Bank's prime lending rate plus 5.60% per annum;
- (f) the Company is to pay the Bank a maturity fee of \$550,000 on the earlier of the occurrence of terminating event and December 31, 2025 which is included in the carrying value of Term Credit as of December 31, 2025; and,
- (g) amended the covenants that the Company must comply with at all times from June 1, 2025 to December 31, 2025, include i) maintaining a minimum unrestricted cash of the Company and the guarantor subsidiaries, which varies by period, (ii) maintaining a minimum trailing adjusted EBITDA of not less than applicable amount calculated monthly, which varies by period, and (iii) maintaining a maximum funded debt to revenue ratio not to exceed an applicable amount calculated on a monthly basis, which varies by period.

During the year ended December 31, 2025, the Company incurred transaction costs of \$58,316 in connection with the Senior Forbearance Agreement. As the terms of the Senior Forbearance Agreement were not substantially different from the Waiver and Third Amendment to the Amended and Restated Commitment Letter, the amendment was determined to be modification of debt in accordance with IFRS 9. During the year ended December 31, 2025, a loss on modification of long-term debt in the amount of \$700,759 was recognized in the condensed consolidated interim statements of loss and comprehensive loss.

The Term Credit under the Senior Forbearance Agreement is amortized at an effective interest rate of 8.28% following the transaction costs incurred and loss on modification of long-term debt recognized pursuant to the amendment.

As of June 30, 2026, March 31, 2026, December 31, 2025, September 30, 2025, June 30, 2025, March 31, 2025, and December 31, 2024, the aggregate of all advances under the Operating Credit and Bank credit cards exceeded the lesser of (i) the Operating Credit, and (ii) the borrowing base.

During the year ended December 31, 2025, and the Company was not in compliance with covenant (iii) as per the Senior Forbearance Agreement.

Enthusiast Gaming Holdings Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2026 and 2025
(Unaudited - Expressed in Canadian Dollars)

10. Long-term debt (continued)

(i) *Commitment letter (continued)*

During the six months ended June 30, 2026, the Company recognized \$825,341 (June 30, 2025 – \$931,337) of interest expense relating to the Term Credit and Operating Credit, which includes default interest of \$162,027 (June 30, 2025 - \$160,491), and \$Nil (June 30, 2025 – \$153,509) of accretion income relating to the Term Credit which are included in interest and accretion in the condensed consolidated interim statements of loss and comprehensive loss.

The forbearance period covering the Term Credit and Operating Credit has been extended on a day-to-day basis since December 31, 2025. The Term Credit and Operating Credit continue to be governed by the terms of the Waiver and Third Amendment to the Amended and Restated Commitment Letter. Monthly principal repayments of \$362,745 resumed in June 2026 at the Bank's request.

The following table shows the movement of the Term Credit and Operating Credit balances during the period:

	Amount
Balance, January 1, 2025	\$ 18,535,864
Advances	235,453
Repayments	(2,268,758)
Accretion	(245,953)
Transaction costs	(58,316)
Loss on modification of long-term debt	700,759
Balance, December 31, 2025	\$ 16,899,049
Advances	53,691
Repayments	(416,436)
Balance, June 30, 2026	16,536,304
Current portion of long-term debt	16,536,304
Long-term debt	\$ -

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

	June 30, 2026	December 31, 2025
Term Credit	\$ 9,255,884	\$ 9,618,629
Operating Credit	7,280,420	7,280,420
	\$ 16,536,304	\$ 16,899,049
Current portion of long-term debt	16,536,304	16,899,049
Long-term debt	\$ -	\$ -

10. 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 was a director of the Company, (collectively the “Lenders”), for a four-year non-revolving loan of \$20,000,000 (“Term Loan A”), due July 12, 2028. Term Loan A bears interest at a fixed rate of 14% per annum. The Company had 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 Term Loan A. PIK Interest will accrue interest, compounded monthly, and be added to the outstanding principal amount of Term Loan A. After January 31, 2025, interest must be paid in cash for the remainder of Term Loan A’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.

Term Loan A 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. Term Loan A 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 Term Loan A 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 Term Loan A advances, by paying the Lenders on a pro-rata basis the then outstanding Term Loan A 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 Term Loan A 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 Term Loan A advances and the maturity date of Term Loan A. If the prepayment occurs after 30 months following the Term Loan A 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 Term Loan A 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 Term Loan A 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 are 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.

Term Loan A and PIK Interest, excluding any elections to convert PIK Interest into common shares of the Company and any Term Loan A 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.

10. Long-term debt (continued)

(ii) Credit agreement (continued)

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

The prepayment option and certain accelerated payment options of Term Loan A, as mentioned above, meet the definition of an embedded derivative under IFRS 9. Management has elected to designate Term Loan A and its embedded derivative features at fair value through profit and loss.

The fair value of Term Loan A was estimated using a 'with' and 'without' approach. Under this approach, Term Loan A 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 is the estimated fair value of the prepayment option embedded derivative as of the valuation dates. The fair value of Term Loan A under the 'with' scenario was based on a Hull-White term structure model. The fair value of Term Loan A under the 'without' scenario was based on a standard discounted cash flow approach.

Per the terms of the Credit Agreement, the covenants that the Company must comply with included (i) maintaining a minimum unrestricted cash of the Company and the guarantor 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) maintaining a maximum funded debt to EBITDA ratio not to exceed an applicable amount calculated on a monthly basis, which varies by period, starting in December 2024. During the year ended December 31, 2024 the Company was not in compliance with covenants (ii) and (iii) per the Credit Agreement, as a result, as of December 31, 2024, the Credit Agreement long-term debt was classified as a current liability. During the six months ended June 30, 2025, the Company was not in compliance with covenants (i), (ii) and (iii) per the Credit Agreement, as a result, as of March 31, 2025 and June 30, 2025, the Credit Agreement long-term debt was classified as a current liability.

On July 10, 2025, the Company entered into a Forbearance and First Supplemental Credit Agreement with the Lenders to amend and supplement the Credit Agreement and to support the Company's recapitalization and long-term business objectives.

Pursuant to the terms of a Forbearance and First Supplemental Credit Agreement among the Company, as borrower, certain subsidiaries of the Company as guarantors, the Agent, as administrative and collateral agent, and Lenders, led by Beedie Investments Ltd. (the "Beedie Forbearance Agreement"), the Company received a secured non-revolving term loan in the principal amount of \$2,000,000 ("Term Loan B") due and payable by July 12, 2028. The Beedie Forbearance Agreement amends and supplements the Credit Agreement, in respect of the Company's four-year non-revolving loan of \$20,000,000 and includes a forbearance by the Agent and the Lenders whereby the Agent and the Lenders agreed to forbear from demanding and accelerating repayment of indebtedness outstanding under the Credit Agreement and to forbear from enforcing their security thereunder. The net proceeds of Term Loan B will be used for working capital purposes. Pursuant to the Beedie Forbearance Agreement and as a condition to the advance of Term Loan B, the Company also issued a private placement of common share purchase warrants of the Company to the Lenders. On July 24, 2025, the Company received the Term Loan B proceeds of \$2,000,000.

The forbearance period under the Beedie Forbearance Agreement will be until the earliest of (i) March 31, 2026, (ii) the completion date of a strategic transaction approved by the Agent on or before December 1, 2025 which may include recapitalization and refinancing transactions designed to strengthen the Company's balance sheet and deleverage the business, and (iii) the expiry or termination of the forbearance period agreed to by the Senior Lender (in the case of the Senior Forbearance Agreement) or the Lenders (in the case of the Beedie Forbearance Agreement), as applicable, or any further default.

Pursuant to the Beedie Forbearance Agreement, the Company agreed to implement a cost-cutting plan to achieve a minimum of \$3,000,000 in annualized cost savings.

10. Long-term debt (continued)

(ii) Credit agreement (continued)

Pursuant to the Beedie Forbearance Agreement, Term Loan B bears interest at a fixed rate of 16.0% per annum calculated and payable monthly in arrears, with: (i) interest at 8% per annum to accrue and be added to the outstanding principal amount of Term Loan B for that month ("PIK Interest"), and (ii) interest at 8% per annum payable in cash each month. The rate of interest on the existing Term Loan A pursuant to the Credit Agreement was amended from and after June 1, 2025 to correspond to the rate of interest under Term Loan B, but reducing to 14.0% (all paid in cash) from April 1, 2026 onwards. In addition, each Lender 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 Term Loan B PIK Interest into common shares in the capital of the Company at a price equal to the market price immediately prior to conversion on TSX. The Company will pay the Lenders a commitment fee in the amount of \$40,000 which is added to the outstanding principal of Term Loan B, as well as an exit fee in the amount of \$75,000 which is also added to the outstanding principal of Term Loan B (the exit fee would be reduced to \$50,000 if all outstanding obligations are repaid on or before December 31, 2025). On initial advance, the outstanding principal of Term Loan B is \$2,115,000.

The Company may make a prepayment of the outstanding Term Loan B advances 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 Agent the then outstanding Term Loan B advances or a portion thereof being prepaid together with accrued and unpaid interest, including PIK Interest, subject to a prepayment fee. If the prepayment occurs prior to a date which is 30 months following the Term Loan B advance, the prepayment fee will be the greater of (i) 3% of the principal amount of Term Loan B being prepaid, and, (ii) the interest that would have accrued on such Term Loan B 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 Term Loan B principal amount being prepaid. If the Company repays Term Loan B before March 31, 2026 no prepayment fee is payable.

Term Loan B will be guaranteed by certain 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.

As a result of the events of default, pursuant to the Beedie Forbearance Agreement, from January 1, 2025 and during the forbearance period and thereafter until no event of default is continuing, the Company is required to pay default interest on amounts outstanding at a rate of 5.0% per annum. Default interest on Term Loan A will be added to the outstanding principal balance of Term Loan A.

Upon an event of default, the Agent has a right to demand accelerated payment of the then outstanding Term Loan B advances together with all other outstanding obligations relating to Term Loan B 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 Term Loan B will be increased by an additional 5.0% 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 are not limited to defaults in payment, violation of covenants, misrepresentation, insolvency events, third party proceedings, judgements and cease trading. Default interest on Term Loan B commenced April 1, 2026 and is added to the outstanding principal balance of Term Loan B.

Per the terms of the Beedie Forbearance Agreement, the covenants per the Credit Agreement were amended. The covenants that the Company must comply with at all times from June 1, 2025 to March 31, 2026, include i) maintaining a minimum unrestricted cash of the Company and the guarantor subsidiaries, which varies by period, (ii) maintaining a minimum trailing adjusted EBITDA of not less than applicable amount calculated monthly, which varies by period, and (iii) maintaining a maximum funded debt to revenue ratio not to exceed an applicable amount calculated on a monthly basis, which varies by period. During the six months ended June 30, 2026 and during the year ended December 31, 2025, the Company was not in compliance with covenant (iii) per the Beedie Forbearance Agreement, as a result as of June 30, 2026 and December 31, 2025, Term Loan A and B long-term debt is classified as a current liability.

10. Long-term debt (continued)

(ii) Credit agreement (continued)

Pursuant to the Beedie Forbearance Agreement, the Company issued to the Lenders, in aggregate, 6,005,178 common share warrants (the “Participation Warrants”) and amended the exercise price of 36,574,074 warrants originally issued to Beedie Investments Ltd. on July 12, 2024 (the “Replacement Warrants”) to match the exercise price of the Participation Warrants issued to the Lenders in connection with Term Loan B. The exercise price of the Participation Warrants and Replacement Warrants is \$0.083, equal to a 15% premium over the five consecutive trading day volume-weighted average price of the Company’s common shares measured on July 9, 2025. Each Participation Warrant is exercisable to purchase one common share of the Company and expire on July 24, 2030. Included in the 6,005,178 Participation Warrants issued are 75,065 Participation Warrants issued to the Gnat Affiliate. Aside from the change in exercise price all other terms of the Replacement Warrants remained unchanged, including the expiry date.

Term Loan B is considered a separate unit of account from Term Loan A and therefore does not form part of the amendment of Term Loan A. On initial recognition the fair value of Term Loan B approximates Term Loan B’s transaction price of \$2,115,000.

The prepayment option and certain accelerated payment options of Term Loan B, as mentioned above, meet the definition of an embedded derivative under IFRS 9. Management has elected to designate Term Loan B and its embedded derivative features at fair value through profit and loss.

As of July 23, 2025, Term Loan A’s pre-modification date, and July 24, 2025, Term Loan A’s modification date, the Company was not in compliance with covenants as described below which is an event of default per the Credit Agreement and provides the Lenders the right to accelerate repayment of the Term Loan A rendering Term Loan A due and payable immediately. As of July 23, 2025 and July 24, 2025, the Company expected that the non-compliance with covenants will be waived and covenants will be amended by the Lenders and the prepayment option pursuant to the existing Credit Agreement will remain. As of July 23, 2025 and July 24, 2025, the Company also expected the probability of the Lenders accelerating the repayment of Term Loan A to be negligible. As of July 23, 2025 and July 24, 2025, the Company expected that in the event the Lenders accelerate repayment of Term Loan A, it was anticipated the Lenders would require the Company to settle the outstanding Term Loan A amount, including the mandatory prepayment fee, by March 31, 2026. To fair value Term Loan A as at July 23, 2025 and July 24, 2025, the Company assigned probabilities to (i) the non-compliance with covenants being waived and covenants being amended by the Lenders and the prepayment option remaining (“Scenario 1”), and, (ii) the Lenders accelerating repayment of Term Loan A (“Scenario 2”). Scenario 1 was fair valued using the Hull-White term structure model and Scenario 2 was fair valued using a discounted cash flow approach. Based on the fair values determined using Scenario 1 and 2, a probability weighted approach was used to determine the fair value of Term Loan A.

The fair value of Term Loan A based on the Hull-White term structure model as of July 23, 2025 and July 24, 2025 was calculated using the following inputs:

	July 24, 2025	July 23, 2025
Time to maturity	2.97 years	2.97 years
Loan interest rate – Term Loan A	16.00% (until Apr 1, 2026) & 14.00% (as of Apr 1, 2026)	14.00%
Risk-free rate	CAD OIS Curve	CAD OIS curve
Interest rate volatility	0.939%	0.933%
Mean reversion factor	2.635%	2.541%
Credit rating	CCC+	CCC+
Credit spread	8.64%	8.67%
Instrument-specific spread	5.00%	5.00%

As of July 23, 2025, Term Loan A was estimated to have a fair value of \$22,619,950 and as of July 24, 2025, Term Loan A was estimated to have a fair value of \$23,419,810.

For the accelerated payment embedded derivative, as of July 23, 2025 and July 24, 2025, 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 Term Loan A.

10. Long-term debt (continued)

(ii) Credit agreement (continued)

The Lenders have the option to convert all, or any portion of their respective pro-rata 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 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 23, 2025 and July 24, 2025 the conversion option was assigned a \$Nil value.

As the terms of the Beedie Forbearance Agreement were substantially different from the terms of the Credit Agreement, the amendment to Term Loan A was determined to be derecognition of debt in accordance with IFRS 9. A loss on derecognition of long-term debt relating to Term Loan A in the amount of \$799,860 was recognized in the condensed consolidated interim statements of loss and comprehensive loss during the year ended December 31, 2025. The amendments to Term Loan A did not impact or change the embedded derivatives identified above relating to Term Loan A, as a result management has elected to designate the substantially modified Term Loan A and its embedded derivative features at fair value through profit and loss.

The Participation Warrants issued in connection with Term Loan B are considered to form a part of the renegotiation of Term Loan A as well as the amended exercise price of the Term Loan A warrants issued to Beedie Investments Ltd. As a result, the fair value of the Participation Warrants and the incremental fair value of the Replacement Warrants are included in the loss on derecognition of long-term debt relating to Term Loan A.

The fair value of the Participation Warrants and Replacement Warrants was estimated using the Black-Scholes option pricing model using the following inputs and assumptions:

	Participation warrants	Replacement warrants (pre-modification)	Replacement warrants
Issuance/modification date	July 24, 2025	July 24, 2025	July 24, 2025
Valuation date	July 24, 2025	July 23, 2025	July 24, 2025
Maturity date	July 24, 2030	July 12, 2029	July 12, 2029
Expected life in years	5.00	3.97	3.97
Stock price	\$0.125	\$0.125	\$0.125
Exercise price	\$0.083	\$0.135	\$0.083
Expected volatility	95.00%	99.00%	99.00%
Expected dividend yield	Nil%	Nil%	Nil%
Risk-free rate	3.09%	2.97%	2.97%
Discount for lack of marketability	20.00%	20.00%	20.00%

The Participation Warrants were estimated to have a fair value of \$472,218 which is included in warrants reserve and the loss on derecognition of debt in the condensed consolidated interim statements of loss and comprehensive loss during the year ended December 31, 2025. The replacement warrants (pre-modification) were estimated to have a fair value of \$2,495,820 and the replacement warrants were estimated to have a fair value of \$2,761,665 resulting in an incremental fair value of \$265,845 which is included in warrants reserve and the loss on derecognition of debt in the condensed consolidated interim statements of loss and comprehensive loss during the year ended December 31, 2025.

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10. Long-term debt (continued)

(ii) Credit agreement (continued)

As of June 30, 2026 and December 31, 2025, the Company was not in compliance with covenant (iii) described above which is an event of default per the Beedie Forbearance Agreement and provides the Lenders the right to accelerate repayment of Term Loan A and B rendering Term Loan A and B due and payable immediately. As of June 30, 2026 and December 31, 2025, the Company expected that the non-compliance with covenants will be waived and covenants will be amended by the Lenders and the prepayment option pursuant to the Credit Agreement and Beedie Forbearance Agreement will remain. As of June 30, 2026 and December 31, 2025, the Company also expected the probability of the Lenders accelerating the repayment of the Loan to be negligible. As of June 30, 2026, the Company expected that in the event the Lenders accelerate repayment of the Term Loan A and B, it was anticipated the Lenders would require the Company to settle the outstanding Term Loan A and B amounts, including the mandatory prepayment fee, by September 30, 2026 (December 31, 2025 - June 30, 2026). To fair value Term Loan A and B as of June 30, 2026 and December 31, 2025, the Company assigned probabilities to (i) the non-compliance with the covenant being waived and covenant being amended by the Lenders and the prepayment option remaining ("Scenario 1"), and, (ii) the Lenders accelerating repayment of term Loan A and B ("Scenario 2"). Scenario 1 was fair valued using the Hull-White term structure model and Scenario 2 was fair valued using a discounted cash flow approach. Based on the fair values determined using Scenario 1 and 2, a probability weighted approach was used to determine the fair value of the Term Loan A and B.

The fair value of Term Loan A and B based on the Hull-White term structure model as of June 30, 2026 and Term Loan A and B as of December 31, 2025 was calculated using the following inputs:

	June 30, 2026	December 31, 2025
Time to maturity	0.25 years	0.50 years
Loan interest rate (Term Loan A)	14.00%	16.00% (until Apr 1, 2026) & 14.00% (as of Apr 1, 2026)
Loan interest rate (Term Loan B)	16.00%	16.00% (until Apr 1, 2026) & 14.00% (as of Apr 1, 2026)
Risk-free rate	CAD OIS curve	CAD OIS curve
Interest rate volatility	0.818%	0.786%
Mean reversion factor	3.192%	2.051%
Credit rating	CCC+	CCC+
Credit spread	10.03%	9.18%
Instrument-specific spread	5.00%	5.00%

As of June 30, 2026, Term Loan A was estimated to have a fair value of \$25,869,187 (December 31, 2025 - \$26,463,605) and Term Loan B was estimated to have a fair value of \$2,642,081 (December 31, 2025 - \$2,221,140).

The Lenders have the option to convert all, or any portion of their respective pro-rata 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 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. The Company elected to accrue PIK interest to the outstanding principal amount of Term Loan A. As a result, as of June 30, 2026 and December 31, 2025 the conversion option was assigned a \$Nil value.

During the six months ended June 30, 2026, the Company incurred \$2,650,656 (June 30, 2025 - \$2,049,271) of interest expense which includes PIK interest of \$569,156 (June 30, 2025 - \$254,223) and default interest of \$640,064 (June 30, 2025 - \$540,891). PIK interest and default interest are included in the outstanding principal amount of Term Loan A and B per the Credit Agreement and Beedie Forbearance Agreement. During the six months ended June 30, 2026, PIK interest and default interest of \$1,209,220 (June 30, 2025 - \$795,114) is included in the loss on revaluation of long-term debt and in the condensed consolidated interim statements of loss and comprehensive loss. During the six months ended June 30, 2026, the Company recognized \$1,441,436 (June 30, 2025 - \$1,795,048) of interest expense which is included in interest and accretion in the condensed consolidated interim statements of loss and comprehensive loss.

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10. Long-term debt (continued)

(ii) *Credit agreement (continued)*

During the year ended December 31, 2025, the Company recognized a loss on derecognition of long-term debt of \$1,537,923 which is comprised of a loss on derecognition of long-term debt of \$799,860, the estimated fair value of Participation Warrants of \$472,218 and the estimated incremental fair value of Replacement Warrants of \$265,845. During the year ended December 31, 2025, the Company incurred transaction costs of \$389,439 which are expensed as transaction costs within the condensed consolidated interim statements of loss and comprehensive loss.

During the six months ended June 30, 2026, the Company recognized a gain on revaluation of long-term debt in the amount of \$173,477 (June 30, 2025 – (loss) \$899,816) in the condensed consolidated interim statements of loss and comprehensive loss.

The forbearance period covering the Term Loan A and B ended on March 31, 2026. Term Loan A is governed by the terms of the Credit Agreement, as amended by the Forbearance and First Supplemental Credit Agreement, and Term Loan B is governed by the terms of the Forbearance and First Supplemental Credit Agreement, subsequent to March 31, 2026.

The following table shows the movement of the Term Loan A and B balance during the period:

	Amount
Balance, January 1, 2025	\$ 20,454,468
Fair value of Term Loan B on initial recognition	2,115,000
Loss on derecognition of Term Loan A	799,860
Loss on revaluation of long-term debt ⁽ⁱ⁾	5,315,417
Balance, December 31, 2025	28,684,745
Gain on revaluation of long-term debt ⁽ⁱ⁾	(173,477)
Balance, June 30, 2026	28,511,268
Current portion of long-term debt	28,511,268
Long-term debt	\$ -

- (i) For the six months ended June 30, 2026 and the year ended December 31, 2025, PIK interest, default interest and loss on revaluation of long-term debt are 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:

	June 30, 2026	December 31, 2025
Commitment Letter	\$ 16,536,304	\$ 16,899,049
Credit Agreement	28,511,268	28,684,745
	45,047,572	45,583,794
Current portion of long-term debt	45,047,572	45,583,794
Long-term debt	\$ -	\$ -

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11. Deferred payment liability

The deferred payment liability arose on the acquisition of Vedatis on May 1, 2021. The Vedatis earn-out payment (the “Vedatis Earn-Out Payment”), subject to certain conditions, was 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 was for four years following May 1, 2021.

The Company had, 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 used Monte-Carlo simulation valuation techniques to estimate the net present value of the Vedatis Earn-Out Payment prior to the end of the earn-out period. The cash portion and equity portion were present valued separately based on the outcomes of the Monte-Carlo simulation. The Vedatis Earn-Out Payment was 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.

The Vedatis earn-out period ended June 30, 2025. On December 19, 2025, the Company made a payment of \$1,376,800 towards the Earn-Out Payment. As of December 31, 2025, the Vedatis Earn-Out Payment reflected the remaining estimated amount expected to be paid by the Company. On April 21, 2026, the Vedatis Earn-Out Payment was settled at the estimated amount used in determining the remaining estimated amount to be paid as of December 31, 2025.

On May 25, 2026, the Company settled \$945,089 of the Vedatis Earn-Out Payment by the Company issuing 22,379,563 common shares of the Company through the exercise of the Company option (Note 12). As the Company settled a portion of the Vedatis Earn-Out Payment through the issuance of shares, \$422,302 of the payment made on December 19, 2025 was reclassified to other receivables as these funds are due to the Company and are being held in escrow with the court.

During the six months ended June 30, 2026, the Company recognized a gain on revaluation of deferred payment liability of \$Nil (June 30, 2025 - \$238,756).

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

	Amount
Balance, January 1, 2025	\$ 2,322,274
Accretion	145,819
Payment – cash	(1,376,800)
Gain on revaluation of deferred payment liability	(743,298)
Effect of movement in exchange rates	177,088
Balance, December 31, 2025	525,083
Payment – issuance of shares	(945,089)
Reclassified to other receivables	422,302
Effect of movement in exchange rates	(2,296)
Balance, June 30, 2026	\$ -

12. Share capital

Authorized:

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

During the six months ended June 30, 2026:

- (i) On May 25, 2026, the Company issued 22,379,563 common shares to settle the Vedatis Earn-Out Payment (Note 11).

During the six months ended June 30, 2025, the Company had no share capital activity.

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13. 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 June 30, 2026 and December 31, 2025:

	June 30, 2026		December 31, 2025	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Beginning balance	2,016,772	\$ 0.89	4,329,735	\$ 1.91
Forfeited/expired	(269,363)	(3.43)	(2,312,963)	(2.79)
Ending balance	1,747,409	\$ 0.50	2,016,772	\$ 0.89
Exercisable	1,070,420	\$ 0.71	956,481	\$ 1.70

The Company has the following stock options outstanding as of June 30, 2026:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable	Weighted average remaining life (years)
February 16, 2027	30,652	\$ 1.13	30,652	0.63
April 20, 2027	181,467	2.75	181,467	0.81
November 17, 2027	51,403	1.13	51,403	1.38
December 12, 2028	53,000	1.00	53,000	2.45
April 10, 2029	599,998	0.19	199,973	2.78
May 27, 2029	683,857	0.14	455,904	2.91
August 23, 2029	87,282	0.155	58,188	3.15
November 25, 2029	59,750	0.16	39,833	3.41
	1,747,409	\$ 0.50	1,070,420	2.58

The Company recorded a share-based compensation expense of \$5,898 (June 30, 2025 – \$30,063) for stock options vesting and forfeited during the six months ended June 30, 2026.

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14. 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. Restricted share units are expected to be settled through the issuance of common shares of the Company.

The following table reflects the continuity of restricted share units as of June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
Beginning balance	4,390,728	4,396,062
Forfeited	(84,922)	(5,334)
Ending balance	4,305,806	4,390,728
Vested	3,845,515	3,046,609

The Company recorded share-based compensation expense of \$9,778 (June 30, 2025 - \$66,937) for restricted share units vesting and forfeited during the six months ended June 30, 2026.

15. Warrants

On July 12, 2024, the Company issued 37,037,037 common share purchase warrants in connection with the Credit Agreement (Note 10). On July 24, 2025, the Company issued 6,005,178 common share purchase warrants and amended the exercise price of 36,574,074 warrants originally issued to Beedie Investments Ltd. in connection with the Beedie Forbearance Agreement (Note 10).

The following table reflects the continuity of common share purchase warrants as of June 30, 2026 and December 31, 2025:

	June 30, 2026		December 31, 2025	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Beginning balance	43,042,215	\$ 0.084	37,037,037	\$ 0.135
Issued	-	-	6,005,178	0.083
Ending balance	43,042,215	\$ 0.084	43,042,215	\$ 0.084

The Company has the following common share purchase warrants outstanding as of June 30, 2026:

Expiry date	Number of stock warrants outstanding	Exercise price	Weighted average remaining life (years)
July 12, 2029	36,574,074	\$ 0.083	3.04
July 12, 2029	462,963	0.135	3.04
July 24, 2030	6,005,178	0.083	4.07
	43,042,215	\$ 0.084	3.18

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16. Related party transactions and balances

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

Compensation provided to key management during the three and six months ended June 30, 2026 and 2025 is as follows:

	For the three months ended		For the six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Short-term benefits	\$ 620,270	\$ 477,484	\$ 860,323	\$ 815,577
Share-based compensation	8,864	37,211	21,967	76,323
	\$ 629,134	\$ 514,695	\$ 882,290	\$ 891,900

A summary of other related party transactions during the three and six months ended June 30, 2026 and 2025 is as follows:

	For the three months ended		For the six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Total transactions during the period:				
Expenses				
Consulting fees	\$ 104,630	\$ -	\$ 234,634	\$ -
Interest and accretion	5,402	16,394	11,953	25,692

A summary of related party balances as of June 30, 2026 and December 31, 2025 is as follows:

	June 30, 2026	December 31, 2025
Balances receivable (payable):		
Accounts payable and accrued liabilities	\$ (411,420)	\$ (279,270)
Long-term debt	-	(328,711)

As of June 30, 2026, a balance of \$279,270 (December 31, 2025 - \$279,270) is included in accounts payable and accrued liabilities for severance payable to the former Chief Financial Officer who was reappointed as the Chief Financial Officer of the Company effective December 31, 2024, then reappointed as Chief Executive Officer on July 6, 2025.

On July 12, 2024, the Company entered into a \$250,000 Credit Agreement (Note 10) with an affiliate of Jordan Gnat (the "Gnat Affiliate"), who was a director of the Company, and on July 10, 2025, the Company entered into a \$25,000 Beedie Forbearance Agreement (Note 10) with the Gnat Affiliate. The Company also issued 462,963 common share purchase warrants to the Gnat Affiliate pursuant to the Credit Agreement and 75,065 common share purchase warrants to the Gnat Affiliate pursuant to the Beedie Forbearance Agreement. Jordan Gnat resigned as a director of the Company on May 13, 2026. During the six months ended June 30, 2026, the Company incurred interest expense of \$11,953 (June 30, 2025 - \$25,692) to the Gnat Affiliate. As of December 31, 2025, a balance of \$328,711 was payable to the Gnat Affiliate relating to the Credit Agreement and Beedie Forbearance Agreement. See Note 10 for information relating to warrants issued to the Gnat Affiliate.

During the six months ended June 30, 2026, the Company recognized \$234,634 (June 30, 2025 - \$Nil) in consulting fees relating to Board of Director and committee fees payable to certain directors. As of June 30, 2026, a balance of \$132,150 (December 31, 2025 - \$Nil) is included in account payable and accrued liabilities.

17. 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 is presently seeking additional sources of financing. 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 six months ended June 30, 2026. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements aside from the covenants described in Note 10.

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).

18. Financial instruments

Fair values

The fair values of cash, trade and other receivables, accounts payable and accrued liabilities and deferred payment liability approximate their carrying values due to the relatively short-term nature of these financial instruments. The fair value of long-term debt and lease liabilities 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 June 30, 2026, Term Loan A and B are classified as Level 3 financial instruments, see Note 10.

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18. Financial instruments (continued)

Fair values (continued)

Total interest income and interest expense for the three and six months ended June 30, 2026 and 2025 for financial assets or financial liabilities that are not at fair value through profit or loss are as follows:

	For the three months ended		For the six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Interest income	\$ (43)	\$ (43)	\$ (463)	\$ (5,532)
Interest and accretion expense	1,076,877	1,760,522	2,292,150	2,578,667
Net interest expense	\$ 1,076,834	\$ 1,760,479	\$ 2,291,687	\$ 2,573,135

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.

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

	June 30, 2026	December 31, 2025
Trade receivables aging:		
0-30 days	\$ 1,099,546	\$ 1,280,656
31-60 days	6,952	318,339
61-90 days	16,684	123,594
Greater than 90 days	813,475	2,335,869
	1,936,657	4,058,458
Expected credit loss provision	(319,209)	(128,175)
Net trade receivables	\$ 1,617,448	\$ 3,930,283

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

	June 30, 2026	December 31, 2025
Expected credit loss provision, beginning balance	\$ (128,175)	\$ (125,991)
Increase in provision of expected credit losses	(339,144)	(41,829)
Write-offs	152,009	36,887
Effect of movement in exchange rates	(3,899)	2,758
Expected credit loss provision, ending balance	\$ (319,209)	\$ (128,175)

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 June 30, 2026:

	Total	Not past due	Over 30 days past due	Over 60 days past due	Over 90 days past due
Default rates		1.21%	1.45%	1.80%	37.55%
Trade receivables	\$ 1,936,657	\$ 1,099,546	\$ 6,952	\$ 16,684	\$ 813,475
Expected credit loss provision	\$ 319,209	\$ 13,346	\$ 101	\$ 300	\$ 305,462

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

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18. Financial instruments (continued)

Concentration risk

The Company has one customer which makes up more than 10% of revenue. This customer accounts for approximately 43.11% (December 31, 2025 – 25.60%) of trade receivables as of June 30, 2026 and 33.55% (June 30, 2025 – 32.90% (Amended – Note 21)) of revenue for the six months ended June 30, 2026 and 38.77% (June 30, 2025 – 38.95% (Amended – Note 21)) of revenue for the three months ended June 30, 2026.

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.

	Less than one year	One to two years	Two to three years	More than three years	Total
Accounts payable and accrued liabilities	\$ 6,692,255	\$ -	\$ -	\$ -	\$ 6,692,255
Income tax payable	241,055				241,055
Lease liabilities	122,420	-	-	-	122,420
Long-term debt ⁽ⁱ⁾	44,042,436	-	-	-	44,042,436
	\$ 51,098,166	\$ -	\$ -	\$ -	\$ 51,098,166

- (i) Included in long-term debt in less than one year is \$27,506,132 of debt payable pursuant to the Beedie Forbearance Agreement (Note 10) which is not due until July 12, 2028 but has been presented as a current liability as of June 30, 2026 due to the Company not being in compliance with covenants.

Currency risk

A large portion of the Company's transactions occur in foreign currencies (including US dollars, UK pound sterling and Euro) and, therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its US dollars, UK pound sterling and Euro denominated trade and other receivables, accounts payable and accrued liabilities, contract liabilities, deferred payment liability and cash. As of June 30, 2026, a 10% depreciation or appreciation of the US dollar, UK pound sterling and Euro against the Canadian dollar would have resulted in an approximate \$143,000, \$251,000, and \$22,000 decrease or increase, respectively, in total condensed consolidated interim statements of loss and comprehensive loss.

Interest rate risk

The Company's Term Credit bears interest at the Bank's prime lending rate plus 5.60% per annum. The Company's Operating Credit bears interest at the greater of (i) the Bank's prime lending rate plus 1.50%, and (ii) 2.45% per annum. Fluctuations in 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 \$80,000 change in the annual interest expense.

19. Commitments

As of June 30, 2026, the Company has the following payment commitments with respect to consulting and other contractual obligations:

Not later than one year	\$ 120,000
Later than one year and not later than five years	100,000
	\$ 220,000

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20. Segment disclosure

The Company operates in one industry segment of digital media products and events. 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 review information on a consolidated basis.

Revenues by pillar for the three and six months ended June 30, 2026 and 2025 are as follows:

	For the three months ended		For the six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
		(Amended – Note 21)		(Amended – Note 21)
Media and content	\$ 3,470,544	\$ 3,281,926	\$ 6,913,349	\$ 6,112,412
Events	977,646	942,130	4,383,194	4,066,091
Subscriptions	2,494,305	2,901,727	5,090,515	5,929,499
	\$ 6,942,495	\$ 7,125,783	\$ 16,387,058	\$ 16,108,002

Revenues, in Canadian dollars, in each of the four major geographic locations for the three and six months ended June 30, 2026 and 2025 are as follows:

	For the three months ended		For the six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
		(Amended – Note 21)		(Amended – Note 21)
Canada	\$ 268,661	\$ 292,248	\$ 535,665	\$ 540,935
USA	4,033,264	3,883,112	8,192,926	7,926,286
England and Wales	2,001,337	1,943,677	6,282,563	5,865,096
All other countries	639,233	1,006,746	1,375,904	1,775,685
	\$ 6,942,495	\$ 7,125,783	\$ 16,387,058	\$ 16,108,002

Non-current assets, in Canadian dollars, in each of the Company's geographic locations as of June 30, 2026 and December 31, 2025 are as follows:

	June 30, 2026	December 31, 2025
Canada	\$ 34,098,735	\$ 34,437,105
USA	13,131,967	12,666,203
France	3,335,000	3,335,000
England and Wales	5,619,220	5,605,461
	\$ 56,184,922	\$ 56,043,769

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21. Amendment of revenue on a net basis

During the year ended December 31, 2025, management reassessed the recognition and presentation of media and content revenue under an arrangement with a third-party advertising monetization company, based on the relevant facts and circumstances considered in connection with the preparation of the Company's 2025 consolidated financial statements. As a result of that reassessment, management concluded that the third-party advertising monetization company is the Company's customer and revenue is recognized and presented based on the Company's contractual share of net revenues remitted by the third-party advertising monetization company.

Management has retrospectively amended the comparative media and content revenue and cost of sales amounts for the three and six months ended June 30, 2025 to reflect the revenue earned from the third-party advertising monetization company as the Company's contractual share of net revenue, with no cost of sales. This amendment resulted in a decrease in both revenue and cost of sales of \$301,103 for the three months ended June 30, 2025 and \$561,703 for the six months ended June 30, 2025, with no impact on gross profit, net loss, net loss per share, cash flows, total assets, total liabilities, or shareholders' equity.

The impact of the amendment on revenue, costs of sales and gross margin from continuing operations for the three and six months ended June 30, 2025 is as follows:

	For the three months ended June 30, 2025	Adjustment	Amended amount for the three months ended June 30, 2025
Revenue	\$ 7,426,886	\$ (301,103)	\$ 7,125,783
Cost of sales	1,140,482	(301,103)	839,379
Gross margin	\$ 6,286,404	\$ -	\$ 6,286,404

	For the six months ended June 30, 2025	Adjustment	Amended amount for the six months ended June 30, 2025
Revenue	\$ 16,669,705	\$ (561,703)	\$ 16,108,002
Cost of sales	3,032,034	(561,703)	2,470,331
Gross margin	\$ 13,637,671	\$ -	\$ 13,637,671

The impact of the amendment revenues by pillar from continuing operations for the three and six months ended June 30, 2025 is as follows:

	For the three months ended June 30, 2025	Adjustment	Amended amount for the three months ended June 30, 2025
Media and content	\$ 3,583,029	\$ (301,103)	\$ 3,281,926
Events	942,130	-	942,130
Subscriptions	2,901,727	-	2,901,727
	\$ 7,426,886	\$ (301,103)	\$ 7,125,783

	For the six months ended June 30, 2025	Adjustment	Amended amount for the six months ended June 30, 2025
Media and content	\$ 6,674,115	\$ (561,703)	\$ 6,112,412
Events	4,066,091	-	4,066,091
Subscriptions	5,929,499	-	5,929,499
	\$ 16,669,705	\$ (561,703)	\$ 16,108,002

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21. Amendment of revenue on a net basis (continued)

The impact of the amendment on revenues from continuing operations, in Canadian dollars, in each of the four major geographic locations, for the three and six months ended June 30, 2025 is as follows:

	For the three months ended June 30, 2025	Adjustment	Amended amount for the three months ended June 30, 2025
Canada	\$ 308,753	\$ (16,505)	\$ 292,248
USA	4,100,792	(217,680)	3,883,112
England and Wales	1,956,373	(12,696)	1,943,677
All other countries	1,060,968	(54,222)	1,006,746
	\$ 7,426,886	\$ (301,103)	\$ 7,125,783
	For the six months ended June 30, 2025	Adjustment	Amended amount for the six months ended June 30, 2025
Canada	\$ 569,975	\$ (29,040)	\$ 540,935
USA	8,344,081	(417,795)	7,926,286
England and Wales	5,889,024	(23,928)	5,865,096
All other countries	1,866,625	(90,940)	1,775,685
	\$ 16,669,705	\$ (561,703)	\$ 16,108,002