

**East Side Games Group Inc.
Management's Discussion and Analysis ("MD&A")
For the Year Ended December 31, 2023**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A should be read in conjunction with the audited consolidated financial statements of East Side Games Group ("ESGG", or the "Company") for the year ended December 31, 2023 and the related notes. The Company's functional and reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. This MD&A is dated April 1, 2024.

CAUTION ON FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward looking statements". Forward looking statements include, but are not limited to, statements regarding future anticipated business developments and the timing thereof, business and financing plans, and ongoing litigation. No assurance can be given that such expectations will prove to be correct. Forward looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. Forward looking statements are not guarantees of future performance, and actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to generate future revenues; competition; regulation; potential intellectual property issues; reliance on third party distributors; dependence on key executives; dependence on advertising revenue; potential requirement for further funding; IT security risks; potential conflicts of interest with proposed directors and officers; potential share price volatility; need to attract and retain qualified personnel; litigation risks; and ability to implement business strategies.

Although the Company has attempted to identify important factors that could affect it, unknown events may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A address only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unforeseen events other than as required by applicable law.

COMPANY BACKGROUND & DESCRIPTION OF BUSINESS

ESGG is a free-to-play mobile game group, creating engaging games that produce enduring player loyalty. Our entrepreneurial culture is anchored in creativity, execution, and a focused growth strategy of games development and publishing of original and licensed IP games, licensing of our Game Kit(s), technology platforms and a disciplined studio acquisition consolidation strategy. Headquartered in Vancouver, the Company has approximately 115 employees and currently operates multiple virtual studios under the East Side Games ("ESG") and LDRLY (Technologies) Inc. ("LDRLY") banners. The Company develops, operates and publishes mobile games within our group and distributed network of Game Kit partners on two main platforms: Apple's iOS and Google's Android.

We generate revenue through in-app purchases ("IAP") from the sale of in-game virtual items that enhance the game-playing experience, and through in-game advertising. Revenue growth will continue to depend on our ability to attract and retain players and effectively monetize our players. We intend to do this through the launch of new games, enhancements to current games and expansion into new markets and distribution platforms.

East Side Games Group Inc.
Management’s Discussion and Analysis (“MD&A”)
For the Year Ended December 31, 2023

Our financial reporting structure will not report on individual titles to respect our partner non-disclosure agreements and competitive information. At December 31, 2023, key published titles and launch dates are as follows:

Game Title	Developer/ Publisher	Worldwide Launch Date	IP Ownership
<i>Trailer Park Boys: Greasy Money</i>	ESG	April 20, 2017	Trailer Park Boys Inc.
<i>Bud Farm Idle Tycoon</i>	LDRLY	March 23, 2019	ESGG
<i>Cheech & Chong Bud Farm</i>	LDRLY	April 19, 2020	Cheech & Chong LLC
<i>RuPaul’s Drag Race Superstar</i>	ESG / Night Garden	October 25, 2021	World of Wonder Productions Inc.
<i>The Office: Somehow We Manage</i>	ESG	January 27, 2022	NBC Universal
<i>Star Trek: Lower Decks - the Badgey Directive</i>	ESG / Mighty Kingdom	September 13, 2022	CBS Viacom
<i>Bud Farm : Munchie Match</i>	ESG / Funkitron	October 25, 2022	ESGG
<i>Milk Farm Tycoon</i>	ESG / NoPowerUp	February 8, 2023	ESGG
<i>Doctor Who: Lost in Time</i>	ESG / Bigfoot	March 8, 2023	BBC Studios
<i>AEW : Rise to the Top</i>	ESG / Game Masons	January 15, 2024	All Elite Wrestling, LLC

Four of ESGG's top seven games are titles that launched in the past two years: *RuPauls Drag Race Superstar*, *The Office: Somehow We Manage*, *Doctor Who: Lost in Time* and *Star Trek: Lower Decks - The Badgey Directive*. These titles prove out the product market fit for GameKit, our proprietary software that allows developers to build faster, cheaper, and with a higher chance of success. It also proves our focus on IP driven games is a solid model in a post Identification for Advertisers (“IDFA”) world.

GROWTH STRATEGY

We are focused on four primary ways to grow our business:

1. Strategic Realignment for Profitability

- Realigning the Company structure to proactively adapt to the major shifts in the gaming industry and macro-economic environment for sustainable profitability and growth
- Tighter focus on IP driven games and partnerships
- Reducing costs and promoting talent density within the Company

2. Organic Growth

- Games Development & Publishing – licensed IP or owned IP
- Unlock white space, loyal fandoms and underserved markets such as Cannabis and LGBTQ+
- Active “Live Ops” services to drive player retention and long-term commitment through content driven in-game events

3. Distributed Growth through the Game Kit Software Platform

- Game Kit is ESGG’s core software technology. This internally developed proprietary software framework for building specific mobile games allows for a material decrease in the typical build to launch timeline for mobile games to reduce development cost and increase the potential for game success with proven monetization mechanics. This platform is utilized internally within the group to drive efficiencies and is licensed to related or 3rd party professional development studios on an invite only basis on a revenue-share and SaaS-based models

East Side Games Group Inc.
Management’s Discussion and Analysis (“MD&A”)
For the Year Ended December 31, 2023

4. Acquired Growth

- ESGG is an opportunistic and disciplined buyer looking for accretive acquisitions that support diversification of studio talent, technology, intellectual property and games in an exceptional way.
- The Game Kit ecosystem provides a high-quality pipeline for future acquisitions through an “incubator” line of sight which allows us to assess cultural fit, skill sets and acquire studio management alignment.
- ESGG will focus on increasing quality and quantity of creative assets, diversity of ad networks and audiences in conjunction with increased collaboration with analytics and product to maximize new game launch opportunities.

OVERALL PERFORMANCE

For the Three and Twelve Months Ended December 31, 2023 and 2022

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Twelve Months Ended December 31, 2023	Twelve Months Ended December 31, 2022
Revenue	\$ 20,582,746	\$ 25,920,220	\$ 86,978,175	\$ 116,279,619
Cost of sales	6,969,261	11,350,153	32,649,805	43,766,931
Gross profit	13,613,485	14,570,068	54,328,370	72,512,688
Operating expenses	11,314,512	16,309,056	54,756,442	81,705,295
Other income (expense)	194,268	(207,311)	146,666	19,146,769
Income tax expense (recovery)	1,405,220	144,213	(368,074)	(801,596)
Net income (loss)	1,088,021	(2,090,513)	86,668	10,755,758
EBITDA (note 1)	4,709,809	1,246,170	11,132,248	22,755,698
Adjusted EBITDA (note 2)	4,467,152	2,544,195	12,848,978	7,490,412
Earnings (loss) per share	0.01	(0.03)	0.00	0.13
USD : CAD average exchange rate	\$ 1.36	\$ 1.35	\$ 1.35	\$ 1.30

Note 1 - The term EBITDA does not have a standardized meaning according to IFRS. See Non-GAAP Measures - EBITDA and Adjusted EBITDA for more information.

Note 2 - The term Adjusted EBITDA is not defined under IFRS and is not a measure of operating income, operating performance or liquidity presented in accordance with IFRS. The Company defines Adjusted EBITDA as EBITDA adjusted for stock-based compensation, unrealized foreign exchange gain or loss, and non-cash and other adjustments. See non-GAAP measures for more information.

East Side Games Group Inc.
Management's Discussion and Analysis ("MD&A")
For the Year Ended December 31, 2023

Commentary for the three months and year ended ended December 31, 2023:

- For Q4 2023, Adjusted EBITDA was \$4.5 million. This represents the most profitable quarter in the Company's history since going public as well as the fifth straight quarter of positive Adjusted EBITDA above \$2.5 million.
- Revenue for Q4 2023 of \$20.6 million was a 20% decrease over Q4 2022. This decline reflects the reduction in marketing expenses in preceding quarters as the Company worked to refine campaigns for better return on ad spend as part of its focus on profitability.
- In the year ended December 31, 2023 the Company spent \$20.1 million in UA (user acquisition) costs, the spend for the same period in 2022 was \$35.7 million, a 43.5% drop year over year. The Company continues to explore refining campaigns that generate an above average payback window, and working more closely with IPs to continue to reach out and attract new users.
- Q4 saw positive returns from the worldwide launch of Bud Farm: Munchie Match. It represents ESGG's entry into the Match Genre and we continue to invest heavily into it as we see positive returns in our DAU, ARPDAU and retention, with more growth planned for Q1 2024.
- Cost of sales include platform fees from Apple and Google, which are 30% of in-app purchases, Amazon hosting fees and IP royalties.
- Q4 2023 advertising revenue decreased to \$5.0 million, or 24% of total revenue, marginally increased from 23.2% of total revenue in Q3 2023.
- During the quarter, ESGG implemented a series of strategic shifts to proactively bolster its position in the market, to address the trends in the gaming industry and the overall macroeconomic environment. This realignment is designed to transform ESGG into a leaner, stronger, and more focused company, well-equipped to tackle the challenges and opportunities that lie ahead. The restructuring has resulted in a reduction of OPEX by \$5 million annualized with minimal expected impact on overall revenue or to the ongoing core business of ESGG. As a result, revenue only experienced a less than 1% dip from Q3 2023 and the OPEX savings contributed to the Company's most profitable quarter ever.
- Operating expenses include development and live operation expenses related to published games, UA costs, administration expenses and amortization expenses. Due to the strategic shift and restructuring in Q3 2023, UA and development costs were significantly lower for Q4 2023 as compared to the prior year quarter. Development costs decreased over the prior year quarter due to reduced headcount. Amortization expense was consistent with the prior year quarter. We will continue to optimize these costs as we focus on EBITDA and only make focused bets on new games with high probabilities of a successful outcome.
- For the three-month period ended December 31, 2023, the Company recorded a net income of \$1.1 million, which included amortization of \$2.2 million, stock-based compensation adjustment of \$0.2 million, tax recovery of \$1.4 million and operating margin excluding these items of \$4.7 million. This compares to a net loss of \$2.1 million in the prior year quarter. For the year ended December 31, 2023, the Company recorded a net profit of \$0.1 million, which included amortization of \$11.4 million, restructure and transaction costs of \$1.1 million, tax recovery of \$0.4 million and operating margin excluding these items of \$11.1 million. This compares to a net income of \$10.8 million for the year ended December 31, 2022, which benefited from a \$19.5 million gain on reversal of contingent liabilities.

East Side Games Group Inc.
Management’s Discussion and Analysis (“MD&A”)
For the Year Ended December 31, 2023

Non GAAP Key Audience Metrics:

We manage our business by tracking several non-GAAP operating metrics we believe collectively best reflect key audience growth, retention and monetization trends. The audience metrics areas are outlined as follows:

Daily Active Users (DAU): The Company defines DAU as the number of users who played one of its mobile games during a particular day. DAU for a particular period is the average DAU of each day during that period. We use DAU as a measure of audience engagement.

Monthly Active Users (MAU): The Company defines MAU as the number of users who played one or more of its mobile games during a 30-day period ending with the measurement date. Annual and quarterly MAU is the average MAU at each month-end during that period. We use MAU as a measure of total game audience size.

DAU/MAU %: The Company defines DAU/MAU “stickiness rate” as Daily Active Users (DAU) in the period divided by Monthly Active Users (MAU) in the period. We use this metric to evaluate how often users interact with our products.

Average Revenue per Daily Active Users (ARPDau): The Company defines ARPDau as its total revenue in a particular period, divided by the number of days in that period, divided by DAU in that period. We use this metric to evaluate monetization across our player base from both in-app purchases and advertising.

Key Metrics	Q4 2023	Q4 2022	2023	2022
DAU	247,628	276,706	259,802	332,594
<i>Y-o-Y %</i>	<i>-10.5%</i>	<i>-21%</i>	<i>-22.0%</i>	<i>19%</i>
MAU	939,583	907,903	936,916	1,256,939
<i>Y-o-Y %</i>	<i>3.5%</i>	<i>-40%</i>	<i>-25.6%</i>	<i>20%</i>
DAU / MAU	26.4%	30.5%	27.7%	26.4%
<i>Y-o-Y %</i>	<i>-13.5%</i>	<i>33%</i>	<i>4.9%</i>	<i>-1%</i>
ARPDau	\$0.90	\$1.04	\$0.92	\$0.93
<i>Y-o-Y %</i>	<i>-13.2%</i>	<i>26%</i>	<i>-1.1%</i>	<i>2%</i>

Total Game Portfolio: We finished the year with average DAU of 259,802, down 22% year-over-year, and average MAU of 939,916, down 25.6% year-over-year. This decline was driven by decreased UA investment. ARPDau of \$0.92, decreased as compared to Q4 2022 and is consistent on a year-to-date basis. The core metrics of the games remain solid, with the challenge being in only discovery and new player acquisition. The Company intends to solve this through IP and marketing innovation.

East Side Games Group Inc.
Management's Discussion and Analysis ("MD&A")
For the Year Ended December 31, 2023

SELECT QUARTERLY INFORMATION

	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Revenue	\$ 35,607,906	\$ 29,703,359	\$ 25,048,134	\$ 25,920,220
Cost of sales	11,563,064	10,979,589	9,874,127	11,350,153
Gross profit	24,044,843	18,723,771	15,174,008	14,570,068
Operating expenses	24,256,493	21,275,991	19,863,754	16,309,056
Other income (expenses), net	131,692	18,971,482	250,906	(207,311)
Income tax expense (recovery)	(105,434)	(420,187)	(420,188)	144,213
Net income (loss) for the period	25,475	16,839,448	(4,018,653)	(2,090,513)
EBITDA (Note 1)	3,120,798	19,626,841	(1,238,111)	1,246,170
Adjusted EBITDA (Note 2)	3,740,589	1,391,909	(186,281)	2,544,195
Earnings (loss) per share	0.00	0.21	(0.05)	(0.03)
USD : CAD average exchange rate	\$ 1.27	\$ 1.28	\$ 1.33	\$ 1.26

	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Revenue	\$ 24,294,382	\$ 21,274,204	\$ 20,826,843	\$ 20,582,746
Cost of sales	9,651,733	6,984,240	9,044,571	6,969,261
Profit before other expenses	14,642,649	14,289,964	11,782,272	13,613,485
Operating expenses	15,995,925	15,145,292	12,300,713	11,314,512
Other income (expenses), net	22,220	(103,182)	33,360	194,268
Income tax expense (recovery)	(223,861)	(826,162)	(723,271)	1,405,220
Net income (loss) for the period	(1,107,195)	(132,348)	238,190	1,088,021
EBITDA (Note 1)	1,946,909	2,188,104	2,287,426	4,709,809
Adjusted EBITDA (Note 2)	2,534,860	2,713,468	3,133,498	4,467,152
Earnings (loss) per share	(0.01)	0.00	(0.00)	0.01
USD : CAD average exchange rate	\$ 1.35	\$ 1.34	\$ 1.34	\$ 1.36

Note 1 - The term EBITDA does not have a standardized meaning according to IFRS. See Non-GAAP Measures - EBITDA and Adjusted EBITDA for more information.

Note 2 - The term Adjusted EBITDA is not defined under IFRS. See non-GAAP measures for more information.

East Side Games Group Inc.
Management’s Discussion and Analysis (“MD&A”)
For the Year Ended December 31, 2023

LIQUIDITY & CAPITAL RESOURCES

Cash for the Company at December 31, 2023 was \$5.2 million, compared to net cash of \$4.7 million at December 31, 2022. Subsequent to December 31, the Company collected the Apple receivable of \$1.7 million on January 4, 2024, putting the Company’s cash at \$6.9 million.

On November 14, 2023, the Company announced a renewal of its Normal Course Issuer Bid (“NCIB”) authorizing the Company to purchase 4,076,819 of its shares. Through December 31, 2023, the Company purchased 951,979 shares at an average price of \$0.82. We plan on continuing to buy back shares.

The net cash generated in operating activities for the period ended December 31, 2023 was \$1.6 million compared to \$10.0 million generated during the prior year period. This is mainly due to decreases in overall revenues, the timing of minimum guarantee payments for IP in payables and changes in prepaid expenses relating to development on upcoming games. Operating cash flow before working capital changes remains strong at \$12.0 million, an increase of \$5.6 million from 2022.

Cash used in financing activities during the year ended December 31, 2023 included \$0.5 million for the share buyback and \$0.9 for the repayment of bank indebtedness.

SHARE CAPITAL

The Company has an unlimited number of authorized common shares.

On November 14, 2023, the Company announced a renewal of its NCIB authorizing the Company to purchase 4,076,819 of its shares. Total cumulative shares bought back through the NCIB through to December 31, 2023 were 951,979 at an average cost of \$0.82 per share.

Significant share transactions during the year ended December 31, 2023 were:

- 717,246 shares repurchased under the NCIB at an average cost of \$0.64 per share.

Former ESG shareholders agreed that 48,985,416 shares are subject to lock-up with one third coming out of lock-up on each of February 5, 2022, February 5, 2023 and February 5, 2024. As of the date of this MD&A, all of these shares have been released, including the contingent shares.

	Shares Locked-up	Released on Feb 5, 2022	Released on Feb 5, 2023	Released on Feb 5, 2024
Acquisition of ESG	48,985,416	16,328,472	16,328,472	16,328,472
Contingent payment (shares issuable)	2,962,962	-	1,481,481	1,481,481

FINANCIAL INSTRUMENTS

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company’s main exposure to credit risk relates to its trade receivables. The credit risk is minimal since the majority of the Company’s receivables come from large corporations who pay the Company advertising and gaming revenue. There is no bad debt expense in the current or prior periods and in the opinion of management, none of the amounts comprising this balance were considered impaired. As at December 31, 2023, 71% (December 31, 2022 – 68%) of the Company’s trade receivables were concentrated to three major Digital Storefronts and advertisers. The Company has not had any problems with payment from these Digital Storefronts and advertisers and as such management is of the opinion that any concentration of credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. The following are the remaining contractual maturities of financial liabilities at the reporting date:

	Contractual cash flows				
	Total	2 months	3-12 months	13-24 months	25-48 months
December 31, 2023					
Trade and other payables	12,476,853	9,785,185	2,691,668	-	-
Long-term liabilities ⁽ⁱ⁾ (minimum guarantee payments)	3,110,813	-	-	2,774,588	336,225
	15,587,666	9,785,185	2,691,668	2,774,588	336,225
December 31, 2022					
Trade and other payables	15,874,340	11,733,346	4,140,994	-	-
Long-term liabilities ⁽ⁱ⁾ (minimum guarantee payments)	6,825,329	-	-	4,101,904	2,723,423
	22,699,669	11,733,346	4,140,994	4,101,904	2,723,423

(i) Total cash payment amounts do not include present value discounts.

East Side Games Group Inc.
Management’s Discussion and Analysis (“MD&A”)
For the Year Ended December 31, 2023

Currency risk

Currency risk is the risk to the Company’s earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash and cash equivalents, trade and other receivables, and trade and other payables held primarily in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At December 31, 2023, 1 Canadian Dollar was equal to \$0.7561 US Dollar (December 31, 2022 - \$0.7357).

	December 31, 2023		December 31, 2022	
	US Dollar	CDN Equivalent	US Dollar	CDN Equivalent
Cash and cash equivalents	3,218,365	4,256,610	3,335,621	4,533,776
Trade and other receivables	4,790,427	6,335,819	4,418,117	6,005,105
Trade and other payables	(3,102,401)	(4,103,235)	(6,749,582)	(9,174,032)

Based on the net exposures as of December 31, 2023 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in a change to the Company’s net income by approximately \$589,927 (December 31, 2022 - \$128,523).

INVESTMENT IN TRULY SOCIAL GAMES

The Company entered into a membership interest purchase agreement (the “MIPA”) to acquire Truly Social Games Inc. (“TSG”) on June 22, 2021, the details of which were announced in the Company’s news release on the same date. Pursuant to the MIPA, the Company was entitled to acquire a 20% membership interest in TSG, in consideration of the Company funding up to \$3.0 million in development expenses in relation to four game titles. Additionally, the Company was granted options to acquire the remaining membership interests in TSG.

The Company acquired its initial 20% membership interest in TSG, having funded the \$3.0 million required under the MIPA. The Company also provided TSG with additional funding in excess of that amount. In October 2022, the Company provided notice to TSG that it did not intend to exercise its options to acquire the remaining membership interests in TSG. TSG subsequently filed claims in Oregon and in British Columbia, which claim, among other things, that the Company is in breach of its obligations under the MIPA and publishing agreements related to aforementioned game titles, and that the Company has improperly used TSG’s intellectual property with respect to same.

As of December 11, 2023, the claims brought against the Company in the United States District Court of Oregon have been dismissed. The dismissal underscores the lack of merit in the claims brought forth by TSG regarding the integrity and professionalism of ESGG. The Company will continue to vigorously defend against all such claims and has filed a response to TSG’s claim and filed a counter claim against TSG in British Columbia. The Company intends to pursue all legal and/or equitable remedies available to it with respect to the repayment of all excess amounts funded.

RELATED PARTY TRANSACTIONS

Transactions with Night Garden

During the year ended December 31, 2023, the Company incurred \$2.2 million (2022 – \$3.3 million) in development costs to Night Garden and were expensed during the quarter. In addition, the Company has \$0.4 million in payables at year end.

Transactions with Bailey Ransen Family Trust

The Company has an escrow payable to Bailey Ransen Family Trust totaling \$0.9 million.

Transactions with Vohora LLP

The Company has an estimated \$30,000 in costs owed to Vohora for tax services, an entity with common directorship.

Transactions with RDO Holdings Ltd

The Company has a \$3,130 in costs incurred for consulting fees relating to RDO Holdings, an entity with common directorship.

NON-GAAP MEASURES

We have included certain non-GAAP performance measures throughout this MD&A. These performance measures are employed by us internally to measure operating and economic performance and to assist in business decision-making, as well as providing key performance information to senior management. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors and other stakeholders also use this information to evaluate our operating and financial performance; however, these non-GAAP performance measures do not have any standardized meaning. Accordingly, these performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

East Side Games Group Inc.
Management’s Discussion and Analysis (“MD&A”)
For the Year Ended December 31, 2023

Non-GAAP Measures – EBITDA and Adjusted EBITDA

We believe that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors use EBITDA and Adjusted EBITDA as an indicator of our ability to generate liquidity by producing operating cash flow to fund working capital needs and fund development expenditures. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or “EBITDA multiple” that is based on an observed or inferred relationship between EBITDA and market values to determine the approximate total enterprise value of a company.

EBITDA and Adjusted EBITDA are intended to provide additional information to investors and analysts and do not have any standardized definition under IFRS, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA and Adjusted EBITDA exclude the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA and Adjusted EBITDA differently.

EBITDA

ESGG defines EBITDA as net income or loss adjusted for income taxes, interest expense, depreciation and amortization.

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Net income (loss)	25,475	16,839,448	(4,018,653)	(2,090,513)	(1,107,195)	(132,348)	238,190	1,088,021
Income tax	(105,434)	(420,187)	(420,188)	144,213	(223,861)	(826,162)	(723,271)	1,405,220
Depreciation and amortization	3,200,757	3,207,580	3,200,730	3,192,470	3,277,965	3,146,614	2,772,507	2,216,568
EBITDA	3,120,798	19,626,841	(1,238,111)	1,246,170	1,946,909	2,188,104	2,287,426	4,709,809

Adjusted EBITDA

ESGG defines Adjusted EBITDA as EBITDA adjusted for stock-based compensation, unrealized foreign exchange gains or losses, non-recurring costs, and non-cash and other adjustments.

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
EBITDA	3,120,798	19,626,841	(1,238,111)	1,246,170	1,946,909	2,188,104	2,287,426	4,709,809
Stock based comp	728,110	736,550	621,777	441,373	360,380	291,160	237,665	(151,800)
Transaction expenses and restructuring costs	23,373	-	680,959	649,341	249,791	131,022	641,767	103,411
One time items	(131,692)	(18,971,482)	(250,906)	207,311	(22,220)	103,182	(33,360)	(194,268)
Adjusted EBITDA	3,740,589	1,391,909	(186,281)	2,544,195	2,534,860	2,713,468	3,133,498	4,467,152

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes to the consolidated financial statements. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the Company to make estimates include identification and valuation of intangible assets and contingent liabilities in business combinations, impairment of long-lived assets, indefinite life intangible assets and goodwill. The application of these and other accounting policies are described in note 2 of our annual consolidated financial statements for the year ended December 31, 2023, filed on April 1, 2024. Actual amounts may vary significantly from estimates used. There have been no significant changes in accounting policies applied to the December 31, 2023 consolidated financial statements.

ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET APPLIED

The Company is not aware of any proposed accounting standards or amendments that would have a significant effect on the consolidated financial statements as at December 31, 2023.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Based on a review of the Company's internal control procedures, the Company's Chief Executive Officer and Chief Financial Officer believe its internal controls and procedures are appropriately designed and have certified on the operating effectiveness of internal controls as at December 31, 2023.

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

Disclosure Controls and Procedures

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

RISK FACTORS AFFECTING OUR PERFORMANCE

The securities of ESGG should be considered highly speculative due to the nature of the Company's businesses and the current stage of its development. Risks and uncertainties are discussed in great detail in the Company's Annual Information Form available on SEDAR at www.sedar.com.

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

ADDITIONAL INFORMATION

Additional information relating to the Company is available in the consolidated financial statements of the Company for the year ended December 31, 2023 and the annual consolidated financial statements for the years ended December 31, 2023 and 2022. Additional information can also be found in the investors section of the Company's website at www.eastsidegamesgroup.com or on the Company's SEDAR profile at www.sedar.com.