

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This MD&A should be read in conjunction with the audited consolidated financial statements of LEAF Mobile Inc. (doing business as East Side Games Group) ("ESGG", "LEAF" or the "Company") for the year ended December 31, 2021 and the related notes, and our unaudited interim financial statements for the three months ended March 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 May 12, 2022. The Company expects to officially change its name to East Side Games Group Inc. at its Annual General Meeting scheduled for May 17, 2022.

On February 5, 2021, the Company acquired Eastside Games Inc. (ESG) in a reverse takeover transaction. On February 5, 2022, the Company achieved the first earn-out target of \$100 million in revenue. Note 4 of the condensed consolidated interim financial statements for the three months ended March 31, 2022 provides additional information on this acquisition and the earn-out.

## **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, the acquisition Truly Social Games, statements regarding future anticipated business developments and the timing thereof, and business and financing plans. 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; 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 200 employees and currently operates multiple virtual studios under the East Side Games and LDRLY Games 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.

**LEAF Mobile Inc.**  
**(doing business as East Side Games Group)**  
**Management’s Discussion and Analysis (“MD&A”)**  
**For the three months ended March 31, 2022**

---

Our financial reporting structure will not report on individual titles to respect our partner non-disclosure agreements and competitive information. At March 31, 2022, key published titles and launch dates are as follows:

<b>Game Title</b>	<b>Developer/ Publisher</b>	<b>Worldwide Launch Date</b>	<b>IP Ownership</b>
<i>Trailer Park Boys: Greasy Money</i>	ESG	April 20, 2017	TPB Inc.
<i>Bud Farm Idle Tycoon</i>	LDRLY	March 23, 2019	ESGG
<i>Cheech &amp; 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

Mature games typically generate 30% profit margins and profits from mature games are currently being reinvested to develop new games and to support the investment in new game launches. A game reaches maturity 12 – 18 months after game launch and a mature game profit structure is as follows:

Revenue	100%
COS – platform fees / royalties	(30%)
User acquisition / marketing	(30%)
Live Ops	(10%)
<b>Net Margin</b>	<b>30%</b>

## **GROWTH STRATEGY**

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

### **1. Organic growth**

- Games Development & Publishing – use licensed IP driven and owned IP Franchises
- Unlock white space, loyal fandoms and underserved markets
- Active “Live Ops” services player retention and long-term commitment to the player community

We built on our strong Q4 results through Q1 2022 as we captured a full quarter of *RuPaul’s Drag Race Superstar* revenue and started to realize revenue from our newly launched title, *The Office:Somehow We Manage* and *Funko Pop! Blitz* game acquisition. We announced new game introductions of *Doctor Who* and *Star Trek Lower Decks* which we expect to launch in mid 2022. We are also excited to be part of Netflix early entry into the mobile game space with ESG’s *Dragon Up* being available to play exclusively on Netflix in May.

### **2. 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 3<sup>rd</sup> party professional development studios on an invite only basis on a revenue-share and SaaS-based models.

We have a total of 11 Game Kit partners, who are anticipated to launch, in the aggregate, up to nine new games in 2022 as well as announcing a three game expansion with *Mighty Kingdom*.

**LEAF Mobile Inc.**  
**(doing business as East Side Games Group)**  
**Management’s Discussion and Analysis (“MD&A”)**  
**For the three months ended March 31, 2022**

---

**3. Acquired Growth**

- ESGG is an opportunistic and disciplined buyer looking for accretive acquisitions that support diversification of studio talent, technology, intellectual property and games.
- 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.

In January 2022, we acquired all of N3TWORK Inc.’s interest in the *Funko Pop! Blitz* mobile game, and all assets used and related to the free-to-play mobile game on iOS and Android thereto. The purchase price included 419,389 shares and the assumption of certain liabilities.

**OVERALL PERFORMANCE**

**For the Three Months Ended March 31, 2022 and 2021**

	<b>Three Months Ended March 31, 2022</b>	<b>Three Months Ended March 31, 2021 (Note 1)</b>
Revenue	\$ 35,607,906	\$ 23,004,986
Cost of sales	11,193,873	7,968,314
Gross profit	24,414,033	15,036,672
Operating expenses	24,120,400	17,225,687
Other income	131,692	4,680,986
Income tax expense (recovery)	(105,434)	1,231,881
Net income	530,759	1,260,090
EBITDA (note 2)	2,340,449	3,610,227
Adjusted EBITDA (note 3)	2,960,240	2,695,929
Earnings per share	0.01	0.02
US : CAD average exchange rate	\$ 1.27	\$ 1.27

Note 1 – The ESG Acquisition completed on Feb 5, 2021. Had the acquisition occurred on January 1, 2021, revenue would have been \$25,268,255 and Adjusted EBITDA would have been \$3,004,416.

Note 2 - The term EBITDA does not have a standardized meaning according to IFRS. See Non-GAAP Measures - EBITDA and Adjusted EBITDA for more information.

Note 3 - 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.

**LEAF Mobile Inc.**  
**(doing business as East Side Games Group)**  
**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2022**

---

**Commentary for the three months ended March 31, 2022:**

- Q1 2022 revenue was a record \$35.6 million for the quarter ended March 31, 2022, a 55% increase (41% on a pro forma basis) compared to \$23.0 million in the prior year quarter and a 24% sequential increase compared to Q4 2021. The quarterly increase is largely due to the launch of *RuPaul's Drag Race Superstar* on October 25, 2021 and *The Office: Somehow We Manage*. In addition, we recognized revenue for the license of certain intellectual property.
- Q1 2022 advertising revenue increased to \$9.1 million, or 26% of total revenue, up from \$7.5 million, or 27% of total revenue, in Q4 2021.
- Cost of sales include platform fees from Apple and Google, which are 30% of in-app purchases, Amazon hosting fees and IP royalties. The increase over the prior year is due to the higher revenues. Cost of sales as a percentage of revenues is lower year over year as a result of higher overall revenues and the license revenue noted above.
- Operating expenses include development and live operation expenses related to published games, user acquisition costs and administration expenses. User acquisition costs increased over the prior year due to the launch of *RuPaul's Drag Race Superstar* in October 2021 and *The Office: Somehow we Manage* on January 15, 2022. User acquisition costs in the current quarter were partially offset by an incentive payment received from AppLovin Corporation. Development costs increased over the prior year quarter due to increased headcount, the introduction of new games and investment in new games. General and administration expenses decreased compared to the prior year quarter due to lower stock based compensation, partially offset by increased headcount. Transaction expenses in Q1 2022 related to the FunkoPop! acquisition and the Q1 2021 costs related to the ESG acquisition.
- Other income for the three months ended March 31, 2021 includes the \$5.0 million gain on distribution of the Company shares to ESG shareholders as part of the ESG Acquisition.
- For the three month period, the Company recorded net income of \$0.5 million largely as a result of strong operating income, partially offset by the amortization of intangibles, stock based compensation and accretion expense. This compares to net income of \$1.3 million in the prior year quarter which benefited from the \$5.0 million gain on distribution of the Company shares as part of the ESG Acquisition.
- For Q1 2022, Adjusted EBITDA was \$3.0 million for the quarter, representing an 8% margin, compared to \$2.7 million for the prior year quarter. Adjusted EBITDA was assisted by one-time agreements during the quarter, including Netflix and AppLovin.

**LEAF Mobile Inc.**  
**(doing business as East Side Games Group)**  
**Management’s Discussion and Analysis (“MD&A”)**  
**For the three months ended March 31, 2022**

---

**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.

<b>Total ESGG Portfolio of Games</b>			
<b>Key Metrics</b>	<b>Q1 2022</b>	<b>Q4 2021</b>	<b>Q1 2021</b>
DAU	407,147	348,154	277,089
<i>Y-o-Y %</i>	<i>47%</i>	<i>21%</i>	<i>N/A</i>
MAU	1,750,835	1,526,246	1,006,081
<i>Y-o-Y %</i>	<i>74%</i>	<i>53%</i>	<i>N/A</i>
DAU / MAU	23%	23%	28%
<i>Y-o-Y %</i>	<i>17%</i>	<i>-21%</i>	<i>N/A</i>
ARPDau	0.94	\$0.90	\$1.01
<i>Y-o-Y %</i>	<i>-6%</i>	<i>-1%</i>	<i>N/A</i>

**Total Game Portfolio:** We finished the first quarter with record average DAU of 407,147, up 47% year-over-year, and average MAU of 1,750,835, up 74% year-over-year. Our DAU and MAU also grew on a sequential basis. This growth was driven by increased UA investment and the introduction of two new marquee titles *RuPaul’s Drag Race Superstar* that launched on October 25, 2021 and *The Office: Somehow We Manage* which launched on January 27, 2022.

Q1 2022 Average Revenue Per DAU (ARPDau) of \$0.94 increased as compared to Q4 2021 but decreased as compared to Q1 2021. The lower Q1 2022 ARPDau as compared to Q1 2021 was due to the successful launch of *RuPaul’s Drag Race Superstar* during Q4 2021 and the early stage of monetization for both this game and *The Office: Somehow We Manage*.

**LEAF Mobile Inc.**  
**(doing business as East Side Games Group)**  
**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2022**

**SELECT QUARTERLY INFORMATION**

	<b>Q2 2020*</b>	<b>Q3 2020*</b>	<b>Q4 2020*</b>	<b>Q1 2021*</b>
Revenue	\$ 17,570,206	\$ 18,339,884	\$ 19,164,686	\$ 23,004,986
Cost of sales	5,449,043	4,598,114	4,247,549	7,968,314
Gross profit	12,121,163	13,741,770	14,917,137	15,036,672
Operating expenses	9,149,968	10,449,593	8,549,079	17,225,687
Other income (expenses), net	9,707,412	136,271	(695,340)	4,680,986
Income tax expense (recovery)	2,949,741	868,272	1,209,694	1,231,881
Net income (loss) for the period	9,728,867	2,560,176	4,463,024	1,260,090
EBITDA (Note 1)	12,746,202	3,499,801	5,772,147	3,610,227
Adjusted EBITDA (Note 2)	3,210,584	3,535,324	6,566,978	2,695,930
Earnings (loss) per share	0.19	0.06	0.11	0.00
US : CAD average exchange rate	\$ 1.39	\$ 1.33	\$ 1.30	\$ 1.27

	<b>Q2 2021</b>	<b>Q3 2021</b>	<b>Q4 2021</b>	<b>Q1 2022</b>
Revenue	\$ 22,538,799	\$ 19,035,401	\$ 28,607,632	\$ 35,607,906
Cost of sales	8,525,928	6,870,726	9,908,405	11,193,873
Profit before other expenses	14,012,871	12,164,675	18,699,227	24,414,033
Operating expenses	13,870,866	13,408,749	20,832,991	24,120,400
Other income (expenses), net	(883,980)	(343,382)	(173,187)	131,692
Income tax expense	152,264	(142,448)	(1,505,191)	(105,434)
Net income (loss) for the period	(894,238)	(1,445,008)	(801,760)	530,759
EBITDA (Note 1)	899,844	62,785	(612,988)	2,340,449
Adjusted EBITDA (Note 2)	2,560,133	1,082,411	1,097,623	2,960,240
Earnings (loss) per share	(0.01)	(0.02)	(0.01)	0.01
US : CAD average exchange rate	\$ 1.23	\$ 1.26	\$ 1.26	\$ 1.27

\* For Pro Forma information for historical quarters please refer to the 2021 annual MDA.

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.

**LIQUIDITY & CAPITAL RESOURCES**

Cash for the Company at March 31, 2022 was \$6.2 million. Including the \$1.9 million drawn against the credit line, net cash was \$4.3 million, compared to \$9.2 million at December 31, 2021. The decrease of \$4.9 million resulted from the \$10.0 million earnout payment, offset by cash generated from operations of \$5.0 million during Q1 2022.

During Q1 2022, the Company expanded its bank credit facility from \$3.5 million to \$7.1 million increasing its overall credit facilities to \$17.1 million. At March 31, 2022, the Company had undrawn credit facilities of \$15.2 million (December 31, 2021 - \$13.5 million).

The net cash generated in operating activities for the three months ended March 31, 2022 was \$5.0 million compared to a use of cash of \$2.1 million in the prior year period. The increased cash from operations was due to the significant increase in revenue and net margin, partially offset by higher operating expenses, and changes in working capital.

**LEAF Mobile Inc.**  
**(doing business as East Side Games Group)**  
**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2022**

---

Cash used in investing activities during the three months ended March 31, 2022 was \$0.1 million for the purchase of office equipment.

Cash used in financing activities during the three months ended March 31, 2022 was \$8.0 million primarily due to the \$10.0 million earn out payment, partially offset by \$1.9 million drawn on the line of credit and \$0.1 million received in stock option and warrant exercises.

In the prior year quarter, there were a number of financing transactions that took place as a result of the acquisition of ESG, resulting in an overall use of cash of \$4.2 million, as follows:

- A cash dividend of \$6.3 million was paid out by ESG to its shareholders prior to the acquisition.
- Proceeds received from the Company's share issuance of \$21.0 million.
- These proceeds from the share issuance were largely paid out to the shareholders of ESG as part of the acquisition in the amount of \$19.3 million.

## **SHARE CAPITAL AND ESG EARN OUT**

The Company has an unlimited number of authorized common shares.

On August 16, 2021, the Company announced a 10-for-1 share consolidation. The share consolidation has been reflected in all share amounts in this MD&A.

Significant share transactions during the three months ended March 31, 2022 were:

- In January, the Company issued 419,389 shares for the purchase of FunkoPop!
- In February, the Company issued 4,444,444 shares at \$2.25 as part of the ESG Acquisition earn out.
- During the quarter, the Company issued 1,874,800 stock options to employees at an average exercise price of \$3.07.

Share transactions during 2021 as part of the ESG Acquisition were:

- On February 4, 2021, the Company issued 10,222,222 shares at \$2.25 for gross proceeds of \$23.0 million prior to the ESG acquisition.
- On February 5, 2021, the Company issued 44,444,444 shares to purchase ESG.
- On February 5, 2021, the Company issued 613,333 warrants to Haywood Capital as part of the share issuance. The warrants have an exercise price of \$2.25 and a two year exercise period.
- On February 5, 2021, the Company granted 2.4 million stock options to the Company's directors and CEO at an exercise price of \$2.25.

As part of the purchase of ESG, ESG shareholders had the ability to earn an additional \$40.0 million over the next 24 months, with the vendors' option to convert up to 50% of the contingent consideration into the Company's common shares at a set price of \$2.25 per share.

As noted above, during Q1 2022, the Company met the \$100 million gross revenue target and \$20 million became payable. The vendors elected to take the maximum consideration, or \$10 million, in shares at the set price of \$2.25. This resulted in the issuance of 4,444,444 shares. The remaining \$10 million was paid out in cash during Q1 2022.

The remaining \$20 million of contingent consideration becomes payable if ESGG achieves \$150 million in gross revenue between February 5, 2022 and February 5, 2023.

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. Accordingly, as of the date of this MD&A,

**LEAF Mobile Inc.**  
**(doing business as East Side Games Group)**  
**Management’s Discussion and Analysis (“MD&A”)**  
**For the three months ended March 31, 2022**

---

32,656,944 of these shares are in lock-up. In addition, two thirds, or 2,962,962, of the contingent shares are in lock-up.

	Shares Locked-up	Released on Feb 5, 2022	To be released on Feb 5, 2023	To be 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

**ACQUISITION OF TRULY SOCIAL GAMES**

The Company entered into an agreement to acquire Truly Social Games Inc. (“TSG”) on June 22, 2021. The Company initially acquired 20% of TSG in July 2021 in exchange for an initial investment of up to \$3.0 million which will be used by TSG to develop new game titles. The Company is committed to increasing its ownership position if certain performance targets are met. The remaining 80% ownership position would be purchased for \$19.0 million, to be paid in ESGG shares on the achievement of defined revenue targets by June 2024. The Company is also committed to a \$15.0 million payment to TSG, also in ESGG shares, on the achievement of TSG achieving defined revenue targets by June 2027. As of March 31, 2022, the Company had advanced \$1.0 million to TSG.

**ACQUISITION OF FUNKO POP! BLITZ MOBILE GAME**

On January 18, 2022, the Company announced that it acquired all of N3twork Inc.’s (“N3twork”) rights to the Funko Pop! Blitz mobile game, and all assets used and related to the free-to-play mobile game on iOS and Android platforms. The Company issued 419,389 shares and assumed \$1.2 million of N3twork’s obligations as part of this transaction. These obligations are recorded in long term liabilities.

**OTHER COMMITMENTS**

In addition to the commitments related to the ESG, TSG and N3twork transactions noted above, the Company has minimum guarantees and other commitments of \$0.6 million to certain IP holders. The Company believes that its cash on hand and credit facilities, combined with the cash generated from operations is sufficient to meet its obligations.

**RELATED PARTY TRANSACTIONS**

*Transactions with TSG*

The Company accrued \$0.2 million in royalties to TSG during Q1 2022 and as of March 31, 2022 had advanced \$1.0 million of the \$3.0 million commitment.

*Transactions with Night Garden*

In November 2020, the Company purchased 25% of Night Garden for \$0.1 million. During the year ended December 31, 2021, the Company incurred \$2.2 million (2020 - \$nil) in development costs which are recoupable from Night Garden. The \$2.2 million of recoupable costs are included in prepaids at March 31, 2022. During Q1 2022, the Company accrued \$0.9 million in research and development expense related to Night Garden.

*Transactions with Pioneer*

During the three months ended March 31, 2022, the Company received 698,671 Pioneer shares in exchange for a license of certain intellectual property. Pioneer and the Company have directors in common.

*Transactions with Growthworks*

Accounting and administrative services of \$0.1 million were provided by a company controlled by a director of ESGG.

## **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.

### **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.

**LEAF Mobile Inc.**  
**(doing business as East Side Games Group)**  
**Management’s Discussion and Analysis (“MD&A”)**  
**For the three months ended March 31, 2022**

---

**EBITDA**

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

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
<b>Net income (loss)</b>	\$ 9,728,866	\$ 2,560,176	\$ 4,463,024	\$ 1,260,090	\$ (894,238)	\$ (1,445,008)	\$ (801,760)	\$ 530,759
<b>Income tax</b>	2,949,741	868,272	1,209,694	1,231,881	152,264	(142,448)	(1,505,191)	(105,434)
<b>Depreciation and amortization</b>	67,595	71,353	99,429	1,118,256	1,641,818	1,650,241	1,693,963	1,915,124
<b>EBITDA</b>	\$ 12,746,202	\$ 3,499,801	\$ 5,772,147	\$ 3,610,227	\$ 899,844	\$ 62,785	\$ (612,988)	\$ 2,340,449

**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.

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
<b>EBITDA</b>	\$ 12,640,828	\$ 2,984,998	\$ 2,931,459	\$ 2,520,615	\$ 899,844	\$ 62,785	\$ (612,988)	\$ 2,340,449
<b>Stock based comp</b>	431,511	431,511	194,930	3,119,412	608,495	463,204	376,600	728,110
<b>Public listing and transaction costs</b>	790,941	-	1,378,022	2,045,375	167,815	213,040	602,637	23,373
<b>One time items</b>	(9,707,412)	(136,271)	695,340	(4,680,986)	883,980	343,382	731,374	(131,692)
<b>Adjusted EBITDA</b>	\$ 4,155,868	\$ 3,280,238	\$ 5,199,751	\$ 3,004,416	\$ 2,560,134	\$ 1,082,411	\$ 1,097,623	\$ 2,960,240

**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 acquired in business combinations, contingent liabilities resulting from business combinations and the fair value of share-based payments. The application of these and other accounting policies are described in notes 2 and 3 of our annual consolidated financial statements and our MD&A, for the year ended December 31, 2021, filed on March 10, 2022. Actual amounts may vary significantly from estimates used. There have been no significant changes in accounting policies applied to the December 31, 2021 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 March 31, 2021.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER 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.

There have been no material changes in the Company's internal control over financial reporting during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## **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](http://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, 2020 and 2019, 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 interim consolidated financial statements of the Company for the three months ended March 31, 2022 and the consolidated financial statements for the years ended December 31, 2021 and 2020. Additional information can also be found in the investors section of the Company's website at [www.eastsidegamesgroup.com](http://www.eastsidegamesgroup.com) or on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).