

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A should be read in conjunction with the audited consolidated financial statements of East Side Games Group (formerly known as Leaf Mobile Inc.) ("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 and nine months ended September 30, 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 November 10, 2022. The Company changed its name to East Side Games Group Inc. at its Annual General Meeting on May 17, 2022.

On February 5, 2021, the Company acquired Eastside Games Inc. (ESG) in a reverse takeover transaction. Note 4 of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2022 and the Share Capital and ESG Earn Out section of this MD&A provides additional information on this acquisition.

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.

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Our financial reporting structure will not report on individual titles to respect our partner non-disclosure agreements and competitive information. At September 30, 2022, 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	TPB 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

Three of ESGG's top five games are titles that have been launched in the past 12 months. RuPauls Drag Race Superstar, The Office: Somehow We Manage, 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 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

Revenue for the third quarter of \$25.0 million was a 32% increase over the third quarter of 2021. For the nine months ended September 30, 2022, revenue increased 40% over the comparable prior year period. The increase in revenue was due to the launch of *RuPaul’s Drag Race Superstar* in late 2021, revenue from *The Office: Somehow We Manage* which launched in early 2022 and *Star Tre k: Lower Decks - the Badgey Directive* which launched in September 2022. We announced the new game introductions of *Doctor Who* which we expect to launch worldwide in the first quarter of 2023. 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 2022.

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 3rd party professional development studios on an invite only basis on a revenue-share and SaaS-based models.

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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.

OVERALL PERFORMANCE

For the Three and Nine Months Ended September 30, 2022 and 2021

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021 (Note 1)
Revenue	\$ 25,048,134	\$ 19,035,401	\$ 90,359,399	\$ 64,579,186
Cost of sales	9,504,936	6,870,726	31,309,207	23,364,968
Gross profit	15,543,198	12,164,675	59,050,192	41,214,218
Operating expenses	19,727,661	13,408,749	64,987,959	44,505,303
Other income (expense)	250,906	(343,380)	19,354,080	3,453,627
Income tax expense (recovery)	(420,188)	(142,448)	(945,809)	1,241,698
Net income (loss)	(3,513,369)	(1,445,006)	14,362,123	(1,079,156)
EBITDA (note 2)	(2,018,460)	62,785	19,168,482	4,572,855
Adjusted EBITDA (note 3)	(966,630)	1,082,411	2,605,170	6,338,475
Earnings (loss) per share	(0.04)	(0.02)	0.18	(0.01)
US : CAD average exchange rate	\$ 1.31	\$ 1.26	\$ 1.29	\$ 1.25

Note 1 – The ESG Acquisition completed on Feb 5, 2021. Had the acquisition occurred on January 1, 2021, revenue for the nine months ended September 30, 2021 would have been \$66,842,455 and Adjusted EBITDA would have been \$6,646,961.

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.

Commentary for the three and nine months ended September 30, 2022:

- Q3 2022 revenue was \$25.0 million for the quarter ended September 30, 2022, a 32% increase compared to \$19.0 million in the prior year quarter. For the nine months ended September 30, 2022, revenue increased to \$90.4 million compared to \$64.6 million in the prior year period. The quarterly and nine month increases were largely due to the launch of *RuPaul's Drag Race Superstar* on October 25, 2021, *The Office: Somehow We Manage* on January 15, 2022 and *Star Trek: Lower Decks* on September 13, 2022.
- Q3 2022 advertising revenue increased to \$6.4 million, or 26% of total revenue, up from \$5.2 million, or 27% of total revenue, in Q3 2021 as a result of an increase in daily active users.
- 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.
- 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 nine month period were partially offset by an incentive payment received from AppLovin Corporation. Development costs increased over the prior year periods due to increased headcount, the introduction of new games, and investment in new games development, as well as expansion of the software and sales teams for Game Kit. Transaction expenses during 2022 related to the FunkoPop! acquisition and some contract termination costs, while the 2021 transaction costs related to the ESG acquisition and other capital markets activity.
- Other income for the nine months ended September 30, 2022 includes a \$19.5 million reversal of the remaining earn out payment accrued on the expectation of achieving \$150 million in revenue for the twelve months ending February 5, 2023 (see Acquisition of ESG below for additional details). Other income for the nine months ended September 30, 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 ended September 30, 2022, the Company recorded a net loss of \$3.5 million, which included amortization of \$1.9 million, stock based compensation of \$0.6 million, transaction expenses of \$0.7 million, tax recovery of \$0.4 million, other income of \$0.2 million and negative operating margin excluding these items of \$0.9 million. This compares to a net loss of \$1.4 million in the prior year quarter. For the nine month period ended September 30, 2022, the Company recorded net income of \$14.4 million largely as a result of the reversal of the \$19.5 million contingent payment and operating margins, partially offset by amortization of \$5.8 million and \$2.1 million of stock based compensation. This compares to a net loss of \$1.1 million for the nine months ended September 30, 2021.
- For Q3 2022, Adjusted EBITDA was negative \$1.0 million, compared to positive \$1.1 million for the prior year quarter. As the Mobile Games market continues to evolve with changes in regulations, changes of platform policy, changes in post pandemic player patterns, and the maturing of the market as a whole, ESGG is constantly reassessing its business models, team size, and projects we are investing in. Recently the Company made some changes to improve talent density, cancelled projects that were underperforming, and reduced marketing budgets to be more focused on long term retention of players over short term monetization. These changes should result in achieving positive Adjusted EBITDA in the fourth quarter and in 2023.

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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.

Total ESGG Portfolio of Games				
Key Metrics	Q3 2022	Q3 2021	YTD 2022	YTD 2021
DAU	297,801	243,757	351,778	257,000
<i>Y-o-Y %</i>	22%	<i>N/A</i>	37%	<i>N/A</i>
MAU	1,034,943	871,089	1,377,301	892,293
<i>Y-o-Y %</i>	19%	<i>N/A</i>	54%	<i>N/A</i>
DAU / MAU	29%	28%	26%	29%
<i>Y-o-Y %</i>	3%	<i>N/A</i>	-11%	<i>N/A</i>
ARPDau	\$0.94	\$0.85	\$0.94	\$0.95
<i>Y-o-Y %</i>	11%	<i>N/A</i>	-2%	<i>N/A</i>

Total Game Portfolio: We finished the third quarter with average DAU of 297,801, up 22% year-over-year, and average MAU of 1,034,943, up 19% year-over-year. 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. Q3 2022 Average Revenue Per DAU (ARPDau) of \$0.94 increased as compared to Q3 2021 and is consistent on a year to date basis.

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SELECT QUARTERLY INFORMATION

	Q4 2020*	Q1 2021*	Q2 2021	Q3 2021
Revenue	\$ 19,164,686	\$ 23,004,986	\$ 22,538,799	\$ 19,035,401
Cost of sales	4,247,549	7,968,314	8,525,928	6,870,726
Gross profit	14,917,137	15,036,672	14,012,871	12,164,675
Operating expenses	8,549,079	17,225,687	13,870,866	13,408,749
Other income (expenses), net	(695,340)	4,680,986	(883,980)	(343,382)
Income tax expense (recovery)	1,209,694	1,231,881	152,264	(142,448)
Net income (loss) for the period	4,463,024	1,260,090	(894,238)	(1,445,008)
EBITDA (Note 1)	5,772,147	3,610,227	899,844	62,785
Adjusted EBITDA (Note 2)	6,566,978	2,695,930	2,560,133	1,082,411
Earnings (loss) per share	0.11	0.00	(0.01)	(0.02)
US : CAD average exchange rate	\$ 1.30	\$ 1.27	\$ 1.23	\$ 1.26

	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Revenue	\$ 28,607,632	\$ 35,607,906	\$ 29,703,359	\$ 25,048,134
Cost of sales	9,908,405	11,193,873	10,610,398	9,504,936
Profit before other expenses	18,699,227	24,414,033	19,092,961	15,543,198
Operating expenses	20,832,991	24,120,400	21,139,898	19,727,661
Other income (expenses), net	(173,187)	131,692	18,971,482	250,906
Income tax expense	(1,505,191)	(105,434)	(420,187)	(420,188)
Net income (loss) for the period	(801,760)	530,759	17,344,732	(3,513,369)
EBITDA (Note 1)	(612,988)	2,340,449	18,846,492	(2,269,366)
Adjusted EBITDA (Note 2)	1,097,623	2,960,240	611,560	(966,630)
Earnings (loss) per share	(0.01)	0.01	0.23	(0.04)
US : CAD average exchange rate	\$ 1.26	\$ 1.27	\$ 1.28	\$ 1.33

* 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 September 30, 2022 was \$5.2 million. Including the \$0.8 million drawn against the credit line, net cash was \$4.4 million, compared to \$9.2 million at December 31, 2021. The decrease of \$4.8 million resulted from the \$10.0 million earnout payment, \$0.2 million in capital expenditures and \$0.2 million used for share repurchases, offset by cash generated from operations of \$5.6 million during the first nine months of 2022.

On August 11, 2022, the Company announced a Normal Course Issuer Bid (“NCIB”) authorizing the Company to purchase 4,076,819 of its shares. Through September 30, 2022, the Company purchased 98,139 shares at an average price of \$1.98.

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. During Q2 2022, an additional \$10.0 million acquisition facility was added. This facility can be used for acquisitions and up to \$2.0 million can be used for stock buybacks under the Company’s recently announced NCIB.

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The net cash generated in operating activities for the nine months ended September 30, 2022 was \$5.6 million compared to \$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.

Cash used in investing activities during the nine months ended September 30, 2022 was \$0.2 million for the purchase of office equipment. During the prior year period, the Company received \$5.5 million from the sale of marketable securities, acquired \$4.4 million in cash in the ESG Acquisition and used \$0.5 million for the purchase of office equipment and other investments.

Cash used in financing activities during the nine months ended September 30, 2022 was \$9.4 million primarily due to the \$10.0 million earn out payment and \$0.2 million for the share buyback, partially offset by \$0.8 million drawn on the line of credit. In the prior year period, 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:

- Proceeds received from the Company's share issuance of \$21.0 million.
- Cash from refundable taxes and stock option proceeds of \$0.4 million, offset by:
- A cash dividend of \$6.3 million was paid out by ESG to its shareholders prior to the acquisition.
- 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.

On August 11, 2022, the Company announced a NCIB authorizing the Company to purchase 4,076,819 of its shares and through September 30, 2022, the Company purchased 98,139 shares.

Significant share transactions during the nine months ended September 30, 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 nine months ended September 30, 2022, the Company issued 2,109,800 stock options to employees at an average exercise price of \$2.95.
- 98,139 shares repurchased under the NCIB at an average cost of \$1.98 per share.

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.

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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. This \$20 million liability was accrued at its present value at the time of the acquisition. However, the Company reversed this liability into other income during Q2 2022 as a result of its assessment of the likelihood of achieving the \$150 million revenue target.

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, 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 which will be used by TSG to develop new game titles. Subsequent to quarter end, the Company informed TSG that it had completed its obligations under the first tranche of the Agreement. In response TSG has filed a claim. The Company believes that the claim has no merit.

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 \$1.3 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 \$5.1 million to certain IP holders which will be paid on achieving certain milestones over the next 18 month period. 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 \$0.1 million in royalties to TSG during the nine months ended September 30, 2022.

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 September 30, 2022. During the nine months ended September 30 2022, the Company accrued \$2.6 million in research and development expense related to Night Garden.

Transactions with Pioneer

During the nine months ended September 30, 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 \$0.2 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.

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EBITDA

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

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Net income (loss)	\$ 4,463,024	\$ 1,260,090	\$ (894,238)	\$ (1,445,008)	\$ (801,760)	\$ 530,759	\$ 17,344,732	\$ (3,513,369)
Income tax	1,209,694	1,231,881	152,264	(142,448)	(1,505,191)	(105,434)	(420,187)	(420,188)
Depreciation and amortization	99,429	1,118,256	1,641,818	1,650,241	1,693,963	1,915,124	1,921,947	1,915,097
EBITDA	\$ 5,772,147	\$ 3,610,227	\$ 899,844	\$ 62,785	\$ (612,988)	\$ 2,340,449	\$ 18,846,492	\$ (2,018,460)

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.

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
EBITDA	\$ 5,772,147	\$ 3,610,227	\$ 899,844	\$ 62,785	\$ (612,988)	\$ 2,340,449	\$ 18,846,492	\$ (2,018,460)
Stock based comp	99,491	2,556,314	608,495	463,204	376,600	728,110	736,550	621,777
Public listing and transaction costs	-	1,210,375	167,815	213,040	602,637	23,373	-	680,959
One time items	695,340	(4,680,986)	883,980	343,382	731,374	(131,692)	(18,971,482)	(250,906)
Adjusted EBITDA	\$ 6,566,978	\$ 2,695,930	\$ 2,560,134	\$ 1,082,411	\$ 1,097,623	\$ 2,960,240	\$ 611,560	\$ (966,630)

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 September 30, 2022.

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 September 30, 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.

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, 2021 and 2020, 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 and nine months ended September 30, 2022 and the annual 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 or on the Company's SEDAR profile at www.sedar.com.