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, 2022 and the related notes, 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 March 31, 2023. 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 consolidated financial statements and the Share Capital and ESG Earn Out section of this MD&A provides additional information on this acquisition.

As part of the issuance of the December 31, 2022 financial statements, the Company has restated the consolidated financial statements as at and for the year ended December 31, 2021 for the correction of an error as discussed in Note 2 to the financial statements. The previously issued consolidated financial statements for the year ended December 31, 2021 filed on March 10, 2022 should not be relied upon. The management discussion and analysis for the current period reflects consideration of the adjustments required by this restatement.

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 180 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.

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

Game Title	Developer/ Publisher	Worldwide Launch Date	IP Ownership
Trailer Park Boys: Greasy Money	ESG	April 20, 2017	TPB Inc.
Bud Farm Idle Tycoon	LDRLY	March 23, 2019	ESGG
Cheech & Chong Bud Farm	LDRLY	April 19, 2020	Cheech & Chong LLC
RuPaul's Drag Race Superstar	ESG / Night Garden	October 25, 2021	World of Wonder Productions Inc.
The Office: Somehow We Manage	ESG	January 27, 2022	NBC Universal
Star Trek: Lower Decks - the Badgey Directive	ESG / Mighty Kingdom	September 13, 2022	CBS Viacom

Three of ESGG's top five games are titles that launched in the past 18 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. Subsequent to December 31, 2022, *Milk Farm Tycoon* successfully launched in February 2023 and *Dr. Who: Lost in Time* successfully launched in March 2023.

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 fourth quarter of $25.9 million was a 9% decrease over the fourth quarter of 2021. However, for the year ended December 31, 2022, revenue increased 25% over the comparable prior year period. The increase in revenue for the year was due to the launch of *RuPaul's Drag Race Superstar* in late 2021 (with ongoing revenue received through 2022), revenue from *The Office: Somehow We Manage* which launched in early 2022 and *Star Trek: Lower Decks - the Badgey Directive* which launched in September 2022. We announced the new game introductions of *Doctor Who,* which launched in March 2023.

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.

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 Months and Year Ended December 31, 2022 and 2021

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021 (restated – Note 4)	Year Ended December 31, 2022	Year Ended December 31, 2021 (Note 1) (restated – Note 4)
Revenue	$ 25,920,220	$ 28,607,632	$ 116,279,619	$ 93,186,818
Cost of sales	11,350,153	9,708,035	43,766,931	32,471,893
Gross profit	14,570,068	18,899,597	72,512,688	60,714,925
Operating expenses	16,816,056	21,276,743	81,705,295	67,113,300
Other income (expense)	(207,311)	(136,188)	19,146,769	3,317,436
Income tax expense (recovery)	144,213	(1,505,191)	(801,596)	(263,494)
Net income (loss)	(2,597,513)	(1,008,143)	10,755,758	(2,817,445)
EBITDA (note 2)	1,246,170	(400,169)	22,755,698	4,700,148
Adjusted EBITDA (note 3)	2,544,195	1,273,444	7,490,412	8,139,379
Earnings (loss) per share	(0.02)	(0.01)	0.13	(0.05)
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 year ended December 31, 2021 would have been $95.5 million.

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.

Note 4 – The consolidated financial statements for the year ended December 31, 2021 have been restated as described in Note 2 to the consolidated financial statements for the year ended December 31, 2022. The restatement had no impact on revenue, decreased net income in each quarter, and increased EBITDA and Adjusted EBITDA in each quarter. See impact of restatement in this MD&A.

Commentary for the three months and year ended December 31, 2022:

- Revenue for the fourth quarter of $25.9 million was a 9% decrease over the fourth quarter of 2021. For the year ended December 31, 2022, revenue increased 25% over the comparable prior year period. The decrease in revenue for the quarter was due to lower revenue for *RuPaul's Drag Race* in Q4 2022 compared to Q4 2021. The increase in revenue for the year 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 Trek: Lower Decks - the Badgey Directive* which launched in September 2022.

- Q4 2022 advertising revenue decreased to $6.3 million, or 24% of total revenue, down from $7.6 million, or 26% of total revenue, in Q4 2021 as a result of a decrease in daily active users.

- Cost of sales include platform fees from Apple and Google, which are generally 30% of in-app purchases, Amazon hosting fees and IP royalties. The increase over the prior year is due to higher royalties and platform fees.

- Operating expenses include development and live operation expenses related to published games, user acquisition costs, administration expenses and amortization expense. User acquisition was lower for Q4 2022 as compared to the prior year quarter but higher for the year overall. User acquisition costs for the prior year quarter were magnified due to the launch of *RuPaul's Drag Race Superstar* in October 2021. 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. Amortization expense increased during 2022 as a result of additional IP contracts signed during 2022 and 2021, which amortized for a full year in 2022. Transaction expenses during 2022 related to the FunkoPop! acquisition, contract termination costs and severance costs, while the 2021 transaction costs related to the ESG acquisition and other capital markets activity.

- Other income for the year ended December 31, 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 year ended December 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 ended December 31, 2022, the Company recorded a net loss of $2.6 million, which included amortization of $3.7 million, stock based compensation of $0.4 million, restructuring charges of $0.6 million, tax expense of $0.1 million and operating margin excluding these items of $2.2 million. This compares to a net loss of $1.0 million in the prior year quarter. For the year ended December 31, 2022, the Company recorded net income of $10.8 million largely as a result of the reversal of the $19.5 million contingent payment and operating margins, partially offset by amortization of $12.8 million and $2.5 million of stock based compensation. This compares to a net loss of $2.8 million for the year ended December 31, 2021.

- For Q4 2022, Adjusted EBITDA was $2.5 million, compared to $1.3 million for the prior year quarter. For the year, Adjusted EBITDA was $7.5 million, compared to $8.1 million for 2021.

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	**Q4 2022**	**Q4 2021**	**2022**	**2021**
DAU	276,706	348,939	332,594	279,985
Y-o-Y %	*-21%*	*N/A*	*19%*	*N/A*
MAU	907,903	1,522,017	1,256,939	1,049,724
Y-o-Y %	*-40%*	*N/A*	*20%*	*N/A*
DAU / MAU	30%	23%	26%	27%
Y-o-Y %	*33%*	*N/A*	*-1%*	*N/A*
ARPDAU	$1.04	$0.83	$0.93	$0.91
Y-o-Y %	*26%*	*N/A*	*2%*	*N/A*

Total Game Portfolio: We finished the year with average DAU of 332,594, up 19% year-over-year, and average MAU of 1,256,939, up 20% year- over-year. This growth was driven by increased UA investment during the year 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. Average Revenue Per DAU (ARPDAU) for the year of $0.93 increased as compared to 2021. The Q4 2021 metrics were strongly influenced by the launch of *RuPaul's Drag Race Superstar* and significant launch marketing.

SELECT QUARTERLY INFORMATION – AS RESTATED

As Restated	**Q1 2021***	**Q2 2021**	**Q3 2021**	**Q4 2021**
Revenue	$ 23,004,986	$ 22,538,799	$ 19,035,401	$ 28,607,632
Cost of sales	7,767,944	8,325,558	6,670,356	9,708,035
Gross profit	15,237,042	14,213,241	12,365,045	18,899,597
Operating expenses	17,669,439	14,314,618	13,852,501	21,276,743
Other income (expenses), net	4,680,986	(883,980)	(343,382)	(136,188)
Income tax expense (recovery)	1,231,881	152,264	(142,448)	(1,505,191)
Net income (loss) for the period	1,016,708	(1,137,621)	(1,688,390)	(1,008,143)
EBITDA (Note 1)	3,786,048	1,075,664	238,606	(400,169)
Adjusted EBITDA (Note 2)	2,871,751	2,735,954	1,258,232	1,273,444
Earnings (loss) per share	0.02	(0.02)	(0.02)	(0.01)
US : CAD average exchange rate	$ 1.27	$ 1.23	$ 1.26	$ 1.26

As Restated	**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
Profit before other expenses	24,044,843	18,723,771	15,174,008	14,570,068
Operating expenses	24,087,494	21,106,991	19,694,754	16,816,056
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	194,475	17,008,448	(3,849,653)	(2,597,513)
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)
US : CAD average exchange rate	$ 1.27	$ 1.28	$ 1.33	$ 1.26

* For Pro Forma information for Q1 2021 please refer to the 2021 annual MDA. Q4 2022 was not reported but these are the numbers that we would have reported if policies and adjustments hadn't been restated retroactively.

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.

SELECT QUARTERLY INFORMATION – AS REPORTED

As Reported	Q1 2021*	Q2 2021	Q3 2021	Q4 2021
Revenue	$ 23,004,986	$ 22,538,799	$ 19,035,401	$ 28,607,632
Cost of sales	7,968,314	8,525,928	6,870,726	9,908,405
Gross profit	15,036,672	14,012,871	12,164,675	18,699,227
Operating expenses	17,225,687	13,870,866	13,408,749	20,832,991
Other income (expenses), net	4,680,986	(883,980)	(343,382)	(173.187)
Income tax expense (recovery)	1,231,881	152,264	(142,448)	(1,505,191)
Net income (loss) for the period	1,260,090	(894,238)	(1,445,008)	(801,760)
EBITDA (Note 1)	3,610,227	899,844	62,785	(612,988)
Adjusted EBITDA (Note 2)	2,695,930	2,560,133	1,082,411	1,097,623
Earnings (loss) per share	0.00	(0.01)	(0.02)	(0.01)

As Reported	Q1 2022	Q2 2022	Q3 2022	Q4 2022*
Revenue	$ 35,607,906	$ 29,703,359	$ 25,048,134	$ 25,920,220
Cost of sales	11,193,873	10,610,398	9,504,936	10,980,962
Profit before other expenses	24,414,033	19,092,961	15,543,198	15,093,314
Operating expenses	24,120,400	21,139,898	19,727,661	16,848,963
Other income (expenses), net	131,692	18,971,482	250,906	(3,119,880)
Income tax expense	(105,434)	(420,187)	(420,188)	(520,319)
Net income (loss) for the period	530,759	17,344,732	(3,513,369)	(4,509,266)
EBITDA (Note 1)	2,340,449	18,846,492	(2,018,460)	(2,446,748)
Adjusted EBITDA (Note 2)	2,960,240	611,560	(966,630)	1,763,846
Earnings (loss) per share	0.01	0.23	(0.04)	(0.04)

SELECT QUARTERLY INFORMATION – IMPACT OF RESTATEMENT**

Restatement impact	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022*
Net Income	(243,382)	(243,382)	(243,382)	(206,383)	(336,284)	(336,284)	(336,284)	1,911,753
EBITDA	175,821	175,821	175,821	212,820	780,349	780,349	780,349	3,692,918
Adjusted EBITDA	175,821	175,821	175,821	175,821	780,349	780,349	780,349	780,349

* For Pro Forma information for Q1 2021 please refer to the 2021 annual MDA. Q4 2022 was not reported but these are the numbers that we would have reported if policies and adjustments hadn't been restated retroactively.

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.

** The Company has restated the consolidated financial statements for the year ended December 31, 2021 as described in Note 2 to the consolidated financial statements for the year ended December 31, 2022 for the correction of certain accounting errors. This restatement and the related correction also impacted the quarters ended March 31, 2022, June 30, 2022 and September 30, 2022, as reflected in the table above.

LIQUIDITY & CAPITAL RESOURCES

Cash for the Company at December 31, 2022 was $5.7 million. Including the $0.9 million drawn against the credit line, net cash was $4.7 million, compared to $9.2 million at December 31, 2021. The decrease of $4.5 million resulted from the $10.0 million earnout payment with respect to the ESG acquisition, $4.1 million in intangible and capital expenditures and $0.3 million used for share repurchases, offset by cash generated from operations of $9.9 million in 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 December 31, 2022, the Company purchased 234,733 shares at an average price of $1.37.

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. The bank facility is limited to approximately 85% of its outstanding accounts receivables. During Q2 2022, an additional $10.0 million acquisition facility was added. This facility can be used to fund up to 70% of an acquisition and up to $2.0 million can be used for stock buybacks under the Company's recently announced NCIB.

The net cash generated in operating activities for the year ended December 31, 2022 was $10.0 million compared to $4.5 million during 2021. The increased cash from operations was due to the increase in revenue and net margin, partially offset by higher operating expenses, and changes in working capital.

Cash used in investing activities during the year ended December 31, 2022 included $3.9 million for the purchase of intangible assets (including IP minimum guarantee payments and game development) and $0.2 million for the purchase of office equipment. During 2021, the Company received $5.2 million from the sale of marketable securities, acquired $4.4 million in cash in the ESG Acquisition and used $5.2 million for the purchase of intangibles and office equipment.

Cash used in financing activities during the year ended December 31, 2022 was $9.5 million primarily due to the $10.0 million earn out payment and $0.3 million for the share buyback, partially offset by $0.9 million drawn on the line of credit. During 2021, 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, which were largely paid out to the vendors in the ESG acquisition in the amount of $19.3 million;
- Cash from refundable taxes and stock option proceeds of $0.5 million, offset by a cash dividend of $6.3 million, which was paid out by ESG to its shareholders prior to the completion of the acquisition.

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. Significant share transactions during the year ended December 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 year ended December 31, 2022, the Company granted 2,109,800 stock options to employees at an average exercise price of $2.95.
- 234,733 shares repurchased under the NCIB at an average cost of $1.37 per share.

Share transactions on February 4^{th} and 5^{th} 2021 as part of the ESG Acquisition were:

- Issued 10,222,222 shares at $2.25 for gross proceeds of $23.0 million prior to the ESG acquisition.
- Issued 44,444,444 shares to purchase ESG.
- Issued 613,333 warrants to Haywood Capital as part of the share issuance. The warrants had an exercise price of $2.25 and a two year exercise period. These warrants expired unexercised subsequent to year end.
- 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 (the "Vendors") had the ability to earn an additional $40.0 million over the next 24 months starting from February 5, 2021, 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.

During Q1 2022, the Company met the first year target of $100 million gross revenue 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 and the payment of $10 million in Q1 2022.

The remaining $20 million of contingent consideration was payable to the Vendors if the Company achieved $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. 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. On February 5, 2023, it was determined that the revenue target was not achieved, and as such the remaining $20 million of contingent consideration is not payable.

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, 16,328,472 of these shares are in lock-up. In addition, 1,481,481, 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

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. The Company believes these claims have no merit, intends 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. The outcome of the claim is not yet determinable.

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.

RELATED PARTY TRANSACTIONS

Transactions with TSG

The Company paid $0.6 million in royalties to TSG during 2022 (2021 - $1.1 million) and as of December 31, 2022 had advanced them an additional $0.4 million in prepaid royalties. In addition, development fees and other payments made to TSG during 2022 were $3.0 million (2021 - $3.1 million).

Transactions with Night Garden

During the year ended December 31, 2022, the Company incurred $3.3 million (2021 - $2.2 million) in development costs which are recoupable from Night Garden, a portion of which were expensed during the year.

Key Management Personnel

Compensation expenses for key management and directors, including stock-based compensation were $1.9 million for the year ended December 31, 2022 (2021 - $2.8 million).

Pioneer Media Holdings Ltd. Transactions

During 2022, the Company received $0.8 million in license revenue (recorded in game revenue) from Pioneer, a company with common directorship.

Growthworks Transactions

During 2022, accounting and administrative services of $0.1 million (2021 - $0.3 million) were provided by Growthworks, 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.

EBITDA

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

As Restated	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Net income (loss)	1,016,708	(1,137,621)	(1,688,390)	(1,008,143)	194,475	17,008,448	(3,849,653)	(2,597,513)
Income tax	1,231,881	152,264	(142,448)	(1,505,191)	(105,434)	(420,187)	(420,188)	144,213
Depreciation and amortization	1,537,458	2,061,020	2,069,443	2,113,165	3,031,757	3,038,580	3,031,730	3,699,470
EBITDA	3,786,048	1,075,664	238,606	(400,169)	3,120,798	19,626,841	(1,238,111)	1,246,170

As Reported	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022*
Net income (loss)	$ 1,260,090	$ (894,238)	$ (1,445,008)	$ (801,760)	$ 530,759	$ 17,344,732	$ (3,513,369)	$ (4,509,266)
Income tax	1,231,881	152,264	(142,448)	(1,505,191)	(105,434)	(420,187)	(420,188)	(520,319)
Depreciation and amortization	1,118,256	1,641,818	1,650,241	1,693,963	1,915,124	1,921,947	1,915,097	2,582,837
EBITDA	3,610,227	899,844	62,785	(612,988)	2,340,449	18,846,492	(2,018,460)	(2,446,748)

*Q4 2022 was not reported but these are the numbers that we would have reported if policies and adjustments hadn't been restated retroactively.

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.

As Restated	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
EBITDA	3,786,048	1,075,664	238,606	(400,169)	3,120,798	19,626,841	(1,238,111)	1,246,170
Stock based comp	2,556,314	608,495	463,204	376,600	728,110	736,550	621,777	441,373
Transaction expenses and restructuring costs	1,210,375	167,815	213,040	602,637	23,373	-	680,959	649,341
One time items	(4,680,986)	883,980	343,382	694,375	(131,692)	(18,971,482)	(250,906)	207,311
Adjusted EBITDA	2,871,751	2,735,954	1,258,232	1,273,444	3,740,589	1,391,909	(186,281)	2,544,195

As Reported	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022*
EBITDA	3,610,227	899,844	62,785	(612,988)	2,340,449	18,846,492	(2,018,460)	(2,446,748)
Stock based comp	2,556,314	608,495	463,204	376,600	728,110	736,550	621,777	441,373
Public listing and transaction costs	1,210,375	167,815	213,040	602,637	23,373	-	680,959	649,341
One time items	(4,680,986)	883,980	343,382	731,374	(131,692)	(18,971,482)	(250,906)	3,119,880
Adjusted EBITDA	2,695,930	2,560,134	1,082,411	1,097,623	2,960,240	611,560	(966,630)	1,763,846

*Q4 2022 was not reported but these are the numbers that we would have reported if policies and adjustments hadn't been restated retroactively.

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 for the year ended December 31, 2022. Actual amounts may vary significantly from estimates used. There have been no significant changes in accounting policies applied to the December 31, 2022 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, 2022.

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, 2022.

There have been no material changes in the Company's internal control over financial reporting during the year ended December 31, 2022 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, 2022, 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, 2022 and 2021, 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, 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.