EAST SIDE GAMES GROUP ANNOUNCES CLOSING OF STRATEGIC PRIVATE PLACEMENT WITH NEW INVESTORS AND INSIDERS, SETTING FOUNDATION FOR RENEWED GROWTH STRATEGY

The transaction will strengthen balance sheet, broaden the shareholder base, and support a refocused operating strategy

VANCOUVER, BC, May 20, 2026 /CNW/ - East Side Games Group (TSX: EAGR) (OTC: EAGRF) (the "**Company**" or "**ESGG**"), Canada's leading free-to-play mobile game group, is pleased to announce the closing of its previously announced non-brokered private placement of units of the Company (the "**Units**") for aggregate gross proceeds of $2.95 million (the "**Offering**").

The Company issued an aggregate of 26,896,816 Units at a price of $0.11 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $0.14 per share until May 12, 2029, subject to standard anti-dilution adjustments. The securities issued under the Offering are subject to a statutory hold period expiring on September 13, 2026, in accordance with applicable Canadian securities laws.

The Offering included participation from a group of new strategic investors alongside meaningful participation from existing insiders, including Derek Lew, a director of the Company, who subscribed for $1.0 million, representing 9,090,909 Units, and Russell Ovans, a director of the Company, who subscribed for $22,000, representing 200,000 Units.

The Company intends to use the net proceeds of the Offering to repay indebtedness, fund operating expenses, and provide additional general working capital. The transaction strengthens the Company's balance sheet, broadens its shareholder base, and provides the financial flexibility required to execute the strategic plan outlined in the Company's March 31, 2026 corporate update. In connection with the closing of the Offering, the Company is reaffirming its previously issued 2026 outlook of $50–$56 million in revenue and 15–18% A-EBITDA margins.

Jason Bailey, Executive Chairman and Chief Executive Officer of the Company, commented:

"We are excited to pursue the next chapter of East Side Games Group with a new capital markets strategy, a renewed balance sheet, additional visionary shareholders, and a focus on our profitable core portfolio. We want to thank our new and existing shareholder base for their faith in us and our ability to refocus, right-size and steer this company into a profitable 2026 and beyond. With our balance sheet repaired, our cost structure right-sized, and our team focused on our highest-margin franchises, we are reaffirming our 2026 outlook and are confident in our ability to deliver on it."

Strategic Rationale and Renewed Path Forward

The Board of Directors and management have completed a comprehensive review of the Company's capital structure, operating performance, and strategic direction, building on the operational reset initiated in December 2025 and the 2026 outlook issued on March 31, 2026.

The conclusions of that review, together with the closing of the Offering, form the foundation for the next chapter of ESGG. Early progress was reflected in the Company's Q1 2026 results, reported on May 14, 2026, which demonstrated the deliberate trade-off of top-line growth for profitability and cash discipline, with revenue of $12.5 million accompanied by A-EBITDA of $1.74 million, up $1.44 million from Q4 2025

The Company's share price performance has not reflected the long-term potential of its idle IP franchises and proprietary GameKit® platform. Contributing factors have included an over-leveraged balance sheet relative to trailing EBITDA, an over-extended development slate, and limited engagement with the broader investment community.

The Offering, together with the strategic, operational, and capital markets initiatives described below, is intended to directly address these issues and reposition ESGG as a focused, cash-generative, free-to-play mobile games company. The renewed Company will be anchored by a proven portfolio of long-lived idle IP titles, supplemented by capital-light publishing partnerships, and underpinned by the financial flexibility to pay down debt, return to positive A-EBITDA, and deliver meaningful shareholder returns through 2026 and beyond.

Pillars of the Renewed Strategy:

- ***Strengthened Balance Sheet:*** A portion of the net proceeds of the Offering is intended to be applied to repay outstanding indebtedness, materially reducing financial risk, lowering interest expense, and restoring covenant headroom. Together with the headcount and capital expenditure reductions completed in early 2026, which are expected to deliver approximately $4 million in annualized operating savings, the Company enters the second half of 2026 with an improved financial profile and a clear path to further debt reduction.

- ***Execution of the Operating Strategy Announced in March 2026:*** With the Offering closed, the Company is better positioned to execute the operating strategy outlined in its March 31, 2026 corporate update, including (i) a refocused live-ops effort on the Company's highest-engagement idle IP franchises, including The Office: Somehow We Manage, RuPaul's Drag Race Superstar (recently transitioned to the Company's internal Live Ops team), and the newly launched Trailer Park Boys Match, (ii) a 30-day return-on-ad-spend discipline in user acquisition, (iii) the pivot to paid publishing partnerships and work-for-hire arrangements that leverage the Company's proprietary GameKit® platform, and (iv) margin tailwinds from off-platform payments and Google's revised platform fee structure. Reflecting early progress on this strategy, the Company reduced user acquisition spend to $2.3 million in Q1 2026, down from $5.9 million in Q4 2025, while direct-to-consumer revenue grew to 11% of total revenue, up from 8% in Q4 2025.

- ***Enhanced Capital Markets Engagement:*** With a refreshed shareholder base that now includes new strategic investors alongside meaningful insider participation, the Company intends to expand its investor engagement program through more regular communication with current and prospective shareholders, refreshed disclosure practices, broader participation in gaming and small-cap investor conferences, and renewed engagement with the analyst and broader investment community.

Further Details of the Offering

The Offering, including the participation by insiders, was reviewed and approved by the independent members of the Board of Directors. Any director participating in the Offering recused himself from the Board’s consideration and approval of matters relating to his participation.

In connection with the Offering, the Company paid finder's fees consisting of 1,360,000 common shares and 1,250,000 broker warrants to Haywood Securities Inc. Each broker warrant entitles the holder to acquire one common share of the Company at a price of $0.14 per share until May 8, 2029.

Resignation of Director

The Company also announces that Jeremy Pierce has stepped down from the Board of Directors, effective May 19, 2026, for personal reasons. The Company thanks him for his valued contributions and service to ESGG and its shareholders. As part of the Company's renewed strategic direction, the Board is undertaking a refresh of its composition to align Board skills and experience with the next chapter of the Company, and expects to announce additional appointments in due course.

ABOUT EAST SIDE GAMES GROUP

ESGG is a leader in free-to-play mobile gaming, thrilling players with unforgettable experiences that spark lifelong fandom. Fueled by an entrepreneurial spirit, we are driven by creativity, flawless execution, and a laser-focused strategy. We develop and publish both original and licensed IP titles, license our cutting-edge GameKit(s) platforms, and strategically acquire studios or games to expand our family.

Headquartered in Vancouver with around 100 talent-dense team members, we operate over a dozen titles under East Side Games ("**ESG**") and LDRLY (Technologies) Inc. ("**LDRLY**"). Together, we're crafting, launching, and publishing mobile games across our own studios and an extended Game Kit partner network-reaching players on iOS and Android worldwide.

We power our success through in-app purchases ("**IAP**") — offering exclusive, game-enhancing virtual items — and in-game advertising. To keep growing, we focus on captivating audiences, keeping them engaged, and unlocking exciting new ways to monetize. We'll drive this momentum by launching bold new titles, enriching our current lineup, innovating discovery, expanding into fresh markets, and exploring new distribution platforms.

Additional information about the Company continues to be available under its legal name, East Side Games Group Inc., at www.sedarplus.ca.

Cautionary Statement Regarding Forward-Looking Information

This news release contains forward-looking information and forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking information in this news release includes, but is not limited to, statements regarding the intended use of proceeds of the Offering, the repayment of indebtedness, the Company's strategic plan, the expected benefits of the Offering, the Company's capital allocation framework, proposed governance changes, investor relations initiatives, management incentive alignment, the evaluation of strategic alternatives, and the Company's expectations regarding future growth, profitability, financial flexibility, and shareholder value creation.

Forward-looking information is based on the Company's current expectations, estimates, projections and assumptions as of the date of this news release. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking information. These risks and uncertainties include, among others, risks

related to the Company's ability to execute its strategic plan, repay or restructure indebtedness, improve operating performance, complete governance changes, realize the expected benefits of the Offering, maintain adequate working capital, and comply with applicable regulatory and stock exchange requirements.

Readers are cautioned not to place undue reliance on forward-looking information. Except as required by applicable law, the Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

This news release refers to "Adjusted EBITDA" or "A-EBITDA," which is a non-IFRS financial measure that does not have any standardized meaning prescribed by International Financial Reporting Standards ("**IFRS**") and may not be comparable to similar measures presented by other issuers. A-EBITDA is defined as net income or loss before interest, taxes, depreciation, and amortization, adjusted to exclude share-based compensation, foreign exchange gains and losses, restructuring and severance costs, impairment charges, gains and losses on disposal of assets, transaction costs, and other items that management does not consider reflective of the Company's underlying operating performance.

Management uses A-EBITDA as a supplemental measure to evaluate the Company's operating performance and believes it provides useful information to investors because it excludes items that are not reflective of the Company's ongoing operating results. A-EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS, and should be read in conjunction with the Company's consolidated financial statements and management's discussion and analysis available on SEDAR+ at www.sedarplus.ca.

U.S. Securities Law Matters

This news release does not constitute an offer to sell or a solicitation of an offer to buy any securities in the United States. The securities described herein have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available.

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