Enthusiast Gaming Holdings Inc.

(formerly Tova Ventures II Inc.)

Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(In Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Enthusiast Gaming Holdings Inc.:

Opinion

We have audited the consolidated financial statements of Enthusiast Gaming Holdings Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not yet realized profitable operations and has incurred a cumulative deficit of $22,308,126 as of December 31, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ajmer Singh Sran.

MNP LLP

Toronto, Ontario
April 29, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

Enthusiast Gaming Holdings Inc.
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note		**December 31, 2018**		December 31, 2017
ASSETS					
Current					
Cash	20	**$**	**11,642,304**	$	1,362,215
Cash in trust	20		**270,387**		834,260
Trade and other receivables	6, 20		**2,706,360**		1,236,075
Loans receivable from related parties	18		**147,000**		-
Prepaid expenses			**25,907**		49,710
Total current assets			**14,791,958**		3,482,260
Non-current					
Property and equipment, net	8		**130,410**		-
Loans receivable from related parties	18		**44,283**		-
Intangible assets	5, 9		**1,531,136**		243,856
Goodwill	4		**-**		765,532
Total Assets		**$**	**16,497,787**	$	4,491,648
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	20	**$**	**3,500,232**	$	1,469,291
Current portion of long-term debt			**9,960**		10,160
Warrant liability	11, 13, 14(i)		**-**		1,167,900
Total current liabilities			**3,510,192**		2,647,351
Non-current					
Long-term debt			**29,880**		39,840
Convertible debentures	10		**7,326,863**		-
Deferred tax liability	16		**196,792**		-
Total liabilities		**$**	**11,063,727**	$	2,687,191
Shareholders' Equity					
Share capital	13		**16,733,136**		3,654,069
Warrants reserve	13, 14		**10,749,946**		-
Conversion option on convertible debentures	10		**313,780**		-
Contributed surplus	15		**776,988**		2,130,681
Accumulated other comprehensive loss			**(831,664)**		(39,271)
Deficit			**(22,308,126)**		(3,941,022)
Total shareholders' equity			**5,434,060**		1,804,457
Total liabilities and shareholders' equity		**$**	**16,497,787**	$	4,491,648

Going concern *(Note 1)*
Commitments *(Notes 21)*
Subsequent events *(Note 23)*

Approved by the Board of Directors of the Company

Signed: *"Menashe Kestenbaum"*
Director

Signed: *"Alan Friedman"*
Director

The accompanying notes are an integral part of these consolidated financial statements

Enthusiast Gaming Holdings Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note		**Year ended December 31, 2018**		Year ended December 31, 2017
Revenue	22	**$**	**10,970,855**	$	3,394,524
Cost of sales	2(v)		**9,428,575**		2,881,869
Gross margin			**1,542,280**		512,655
Expenses					
Professional and consulting fees	18		**4,102,108**		463,480
Advertising and promotion			**2,329,604**		14,475
Office and general			**1,083,473**		142,594
Salaries and wages			**954,866**		346,569
Technology support and web development			**703,439**		120,596
Interest, accretion and bank charges	10, 20		**217,048**		3,888
Bad debt			**104,141**		-
Foreign exchange gain			**(343,498)**		-
Loss on revaluation of warrant liability	14(i)		**6,480,933**		1,339,872
Share-based compensation	15, 13(xv)		**1,617,621**		240,635
Listing expense	3		**1,259,425**		-
Goodwill impairment	4		**765,532**		-
Amortization and depreciation	8, 9		**558,136**		67,380
Loss on investment	7, 12		**120,000**		167,000
Total expenses			**19,952,828**		2,906,489
Net loss for the year before income tax recovery			**(18,410,548)**		(2,393,834)
Deferred income tax recovery	16		**(43,444)**		-
Net loss for the year			**(18,367,104)**		(2,393,834)
Other comprehensive income (loss)					
Foreign currency translation adjustment			**(792,393)**		(39,271)
Net loss and comprehensive loss for the year		**$**	**(19,159,497)**	$	(2,433,105)
Net loss and comprehensive loss per share, basic and diluted	**17**	**$**	**(0.51)**	$	(0.16)
Weighted average number of common shares outstanding, basic and diluted	**17**		**37,459,827**		15,078,593

The accompanying notes are an integral part of these consolidated financial statements

Enthusiast Gaming Holdings Inc.
Consolidated Statements of Shareholders' Equity (Deficiency)
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	Number of shares	Share capital	Contributed surplus	Warrant reserve	Conversion option on convertible debentures	Accumulated other comprehensive loss	Deficit	Total shareholders' equity (deficiency)
Balance December 31, 2016		13,977,009	$ 527,100	$ 280,780	$ -	$ -	$ -	$ (1,547,188)	$ (739,308)
Private placements and share issuances	13(ii)	1,679,786	562,224	-	-	-	-	-	562,224
Share issuance costs	13(ii)	-	(42,267)	-	-	-	-	-	(42,267)
Share-based compensation	15	-	-	240,635	-	-	-	-	240,635
Conversion of preferred shares to common shares	11	7,900,036	2,607,012	-	-	-	-	-	2,607,012
Shares to be issued for private placement and acquisition	13(iii), (iv), 4	-	-	1,609,266	-	-	-	-	1,609,266
Other comprehensive loss		-	-	-	-	-	(39,271)	-	(39,271)
Net loss for the year		-	-	-	-	-	-	(2,393,834)	(2,393,834)
Balance December 31, 2017		**23,556,831**	**$ 3,654,069**	**$ 2,130,681**	**$ -**	**$ -**	**$ (39,271)**	**$ (3,941,022)**	**$ 1,804,457**
Shares issued in a private placement	13(iii), (iv), (v)	9,405,729	3,125,583	(1,555,691)	-	-	-	-	1,569,892
Shares issued for the acquisition of assets in the prior year	13(vi)	300,000	53,575	(53,575)	-	-	-	-	-
Shares issued in a private placement, net of share issuance costs	13(viii)	6,799,300	6,240,792	-	-	-	-	-	6,240,792
Shares issued upon exercise of warrants	13(ix), (x)	766,590	622,854	-	-	-	-	-	622,854
Shares issued upon exercise of options	13(xi)	1,130,769	280,533	(133,533)	-	-	-	-	147,000
Shares, warrants and options deemed to be issued as part of reverse takeover transaction	13(xii), 3	1,379,904	1,376,454	114,761	43,471	-	-	-	1,534,686
Reclassification of warrant liability as part of reverse takeover transaction	13(xiii)	-	-	-	9,578,951	-	-	-	9,578,951
Enterpeneur warrants issued	13(xv)	-	-	-	1,331,800	-	-	-	1,331,800
Warrants and conversion option related to convertible debentures, net of costs	10	-	-	-	590,031	554,016	-	-	1,144,047
Deferred tax expense on convertible debentures	10	-	-	-	-	(240,236)	-	-	(240,236)
Shares issued for the asset acquisitions in current year	13(vii)	243,394	196,310	-	-	-	-	-	196,310
Shares issued upon exercise of warrants	13(xiv)	1,067,117	1,165,770	-	(794,307)	-	-	-	371,463
Shares issued upon exercise of options	13(xvi)	13,619	17,196	(11,476)	-	-	-	-	5,720
Share-based compensation	15	-	-	285,821	-	-	-	-	285,821
Other comprehensive loss		-	-	-	-	-	(792,393)	-	(792,393)
Net loss for the year		-	-	-	-	-	-	(18,367,104)	(18,367,104)
Balance December 31, 2018		**44,663,253**	**$ 16,733,136**	**$ 776,988**	**$ 10,749,946**	**$ 313,780**	**$ (831,664)**	**$ (22,308,126)**	**$ 5,434,060**

The accompanying notes are an integral part of these consolidated financial statements

Enthusiast Gaming Holdings Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	**Year ended December 31, 2018**	Year ended December 31, 2017
Cash flows from operations			
Net loss for the year		**$ (18,367,104)**	$ (2,393,834)
Items not affecting cash:			
Amortization and depreciation	8, 9	**558,136**	67,380
Share-based compensation	15	**1,617,621**	240,635
Accretion expense	10	**61,490**	-
Bad debt expense		**104,141**	-
Deferred income tax recovery	16	**(43,444)**	-
Unrealized foreign exchange gain		**(472,547)**	-
Loss on revaluation of warrant liability	14(i)	**6,480,933**	1,339,872
Loss on investment	7, 12	**120,000**	167,000
Goodwill impairment	4	**765,532**	-
Listing expense, net of cash acquired	3	**1,259,425**	-
Changes in working capital			
Changes in trade and other receivables		**(1,574,426)**	(1,168,322)
Changes in prepaid expenses		**23,803**	(48,778)
Changes in accounts payable and accrued liabilities		**1,977,667**	1,268,901
		(7,488,773)	(527,146)
Investing activities			
Cash paid for business combinations and asset acquisitions	5	**(1,506,376)**	(1,196,567)
Acquisition of property and equipment	8	**(148,585)**	-
Investment in an associate ownership	7	**(120,000)**	-
		(1,774,961)	(1,196,567)
Financing activities			
Proceeds from the issuance of shares, net of issuance costs	13	**10,124,847**	2,696,427
Proceeds from convertible debentures, net of issuance costs	10	**8,409,420**	-
Proceeds from (repayment of) long-term debt		**(10,160)**	50,000
Proceeds from exercise of warrants	13	**594,882**	-
Proceeds received for shares to be issued	13	**-**	834,260
Proceeds from exercise of options	13, 15	**152,720**	-
Loans to related parties	18	**(191,283)**	-
		19,080,426	3,580,687
Effect on cash held in foreign currency		**(100,476)**	(11,666)
Net change in cash		**9,716,216**	1,856,974
Cash, beginning of year		**2,196,475**	351,167
Cash, end of year		**$ 11,912,691**	$ 2,196,475

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of Operations

Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.) (the "Company" or "Enthusiast") was incorporated under the Canada Business Corporations Act on February 27, 2017 and upon incorporation was classified as a Capital Pool corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The registered head office of the Company is 150 Eglinton Avenue East, Suite 203, Toronto, ON, M4P 1E8.

On September 21, 2018, the Company completed a qualifying transaction with Enthusiast Gaming Inc. ("EG Inc."), a corporation incorporated in the Province of Ontario ("Business Combination Agreement"). The Business Combination Agreement entered into between the Company, a subsidiary of the Company and EG Inc. was structured as a three-cornered amalgamation under the Business Corporations Act (Ontario) (the "Transaction"). As a result of the Transaction, EG Inc. became a wholly-owned subsidiary of the Company. The completion of the Transaction resulted in a reverse takeover and change of business for the Company (the "RTO"). The terms of the RTO required the Company to consolidate its common shares prior to the RTO on a 1:4.2 basis. The Company also exchanged 100% of the issued and outstanding securities of EG Inc. on a 1:1 basis with the then securityholders of EG Inc. for securities in the capital of the Company. Upon the completion of the Transaction, Tova Ventures II Inc. changed its name to Enthusiast Gaming Holdings Inc.

The Company obtained final approval for the Transaction from the Exchange on October 2, 2018 and start trading on the TSX Venture Exchange ("TSX.V) under the symbol "EGLX".

The Company's principal business activity is owning and operating an online network of websites devoted to video gaming as well as Canada's largest video-gaming expo. Between its online digital media properties, its network of partner websites, and video-gaming expo, Enthusiast engages video gaming enthusiasts online worldwide.

These consolidated financial statements were authorized for issuance by the Board of Directors on April 29, 2019.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary, should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cause significant doubt about the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of $22,308,126 as at December 31, 2018 (December 31, 2017 – $3,941,022). The recoverability of the carrying value of the assets and the Company's continued existence is dependent upon the achievement of profitable operations. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at December 31, 2018, the Company had current assets of $14,791,958 (December 31, 2017 - $3,482,260) to cover current liabilities of $3,510,192 (December 31, 2017 - $2,647,351).

2. Significant accounting policies

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. Significant accounting policies (continued)

(ii) Basis of preparation

The consolidated financial statements are prepared on a going concern basis, under the historical cost convention except for the revaluation of certain financial assets and liabilities to fair value. All financial information is presented in Canadian dollars, except per share amounts or as otherwise noted.

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

(iii) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries; Enthusiast Gaming Inc. (Canada), Hexagon Games Corp. (Canada), Enthusiast Gaming Live Inc. (Canada), Enthusiast Gaming Media Inc. (Canada) and Enthusiast Gaming Media (US) Inc. (United States of America).

Subsidiaries are entities controlled by the Company where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. All intercompany balances, transactions, income and expenses have been eliminated on consolidation.

(iv) Revenue

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") as issued by the International Accounting Standard Board ("IASB") on May 28, 2014 outlines a single comprehensive model to account for revenue arising from contracts with customers and replaced the majority of existing IFRS requirements on revenue recognition including IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. The core principle of the standard is to recognize revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has prescribed a five-step model to apply the principles. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract as well as requiring more informative and relevant disclosures. IFRS 15 applies to nearly all contracts with customers, unless covered by another standard, such as leases, financial instruments and insurance contracts. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue. The amendments also provide additional transition relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard.

The Company has adopted IFRS 15 Revenue from Contracts with Customers with an initial adoption date of January 1, 2018. The Company utilized the cumulative effect method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration receivable in exchange for those goods or services, net of discounts and sales taxes. The Company generates revenue primarily by delivering digital advertising and exhibition services.

Revenue from digital advertising

The Company generates revenues primarily by delivering performance and brand advertising. Performance advertising creates and delivers relevant advertisements that users will click, leading to direct engagement with advertisers. Brand advertising enhances users' awareness of and affinity with advertisers' products and services, through videos, text, images, and other advertisements that run across various devices. Revenue from digital advertising is recognized when the user clicks on the advertisement or when the user views the advertisement for a specified period of time or based on cost-per-impression, which is based on the number of times an advertisement is displayed.

2. Significant accounting policies (continued)

(iv) Revenue (continued)

Revenue from digital advertising (continued)

The Company evaluates whether it is acting as principal (i.e., report revenue on a gross basis) or agent (i.e., report revenue on a net basis). The Company reports revenue on gross basis as the Company controls the advertising inventory. Recording revenue on gross basis is evidenced by the Company's ability to monetize the digital advertising inventory before it is transferred to the customers, and is further supported by the fact that the Company is primarily responsible to its customers and having a level of discretion in establishing pricing.

Revenue from the rendering of exhibition services

The Company generates revenue through ticket sales and sponsorships during its exhibition events. The exhibition events are short in duration ranging from three to four days. The Company records revenue from ticket sales and sponsorships once the event is held and the performance obligation is met.

(v) Cost of sales

Cost of sales consists of advertising costs directly related to revenue earned.

(vi) Foreign currency

The consolidated financial statements are presented in Canadian dollars. The functional currency of Enthusiast Gaming Holdings Inc., Hexagon Games Corp., Enthusiast Gaming Live Inc. and Enthusiast Gaming Media Inc. is Canadian dollars and the functional currency of Enthusiast Gaming Inc. and Enthusiast Gaming Media (US) Inc. is United States dollars.

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the reporting period date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in the accumulated other comprehensive loss included in the consolidated statements of changes in shareholders' equity (deficiency). Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the consolidated statements of loss and comprehensive loss.

(vii) Share-based payments

The Company grants stock options to its employees, directors and consultants. Stock options vest over and expire after various periods of time. The vesting policy is that the options granted vest one-third on the date of grant, one-third on the first anniversary and the remaining one-third on the second anniversary of the date of grant. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in Note 15.

Share-based compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

(viii) Income taxes and deferred taxes

The income tax provision comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2. Significant accounting policies (continued)

(viii) Income taxes and deferred taxes (continued)

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the asset is realized or liability is settled. Deferred tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized. The extent to which deductible temporary differences, unused tax losses and other income tax deductions are expected to be realized is reassessed at the end of each reporting period.

In a business combination, temporary differences arise as a result of differences in the fair values of identifiable assets and liabilities acquired and their respective tax bases. Deferred tax assets and liabilities are recognized for the tax effects of these differences. Deferred tax assets and liabilities are not recognized for temporary differences arising from goodwill or from the initial recognition of assets and liabilities acquired in a transaction other than a business combination which do not affect either accounting or taxable income or loss.

(ix) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of loss and comprehensive loss during the period in which they are incurred.

Depreciation is calculated at 20% of the declining balance for furniture and fixtures, 30% of the declining balance for computer equipment and three years for leasehold improvements, which is the lesser of useful life and lease term. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted, if required.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of loss and comprehensive loss.

(x) Intangible assets

Intangible assets with finite lives that are acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, such intangible assets are carried at cost less any accumulated amortization on a straight-line basis over the following periods:

Trademark	4 years
Application and technology development	5 years
Website	2 years

Amortization expense is included in the consolidated statements of loss and comprehensive loss.

The estimated useful life and amortization method are reviewed annually, with the effect of any change in estimate being accounted for on a prospective basis. These assets are subject to impairment testing as described below in Note 2(xii).

(xi) Goodwill

Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the Company's share of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses.

2. Significant accounting policies (continued)

(xii) Impairment testing of goodwill, other intangible assets and property and equipment

For purposes of assessing impairment under IFRS, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating unit). The Company only has one cash generating unit and goodwill is tested for impairment at least annually. All other long-lived assets and finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell or value-in-use. To determine the value-in-use, management estimates expected future cash flows from the cash-generating unit and determines a suitable pre-tax discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements.

Discount factors have been determined for the cash-generating unit and reflect its risk profile as assessed by management.

Impairment losses for the cash-generating unit reduce first the carrying amount of any goodwill allocated to that cash-generating unit, with any remaining impairment loss charged pro rata to the other assets in the cash-generating unit. In allocating an impairment loss, the Company does not reduce the carrying amount of an asset below the highest of its fair value less costs of disposal or its value in use and zero.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the assets' recoverable amount exceeds its carrying amount only to the extent of the new carrying amount does not exceed the carrying value of the asset had it not originally been impaired.

(xiii) Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash, cash in trust, trade and other receivables, and loans receivable from related parties.

2. Significant accounting policies (continued)

(xiii) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets mandatorily measured at fair value through profit or loss.

- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions. The Company applies the simplified approach for trade receivables. Using the simplified

2. Significant accounting policies (continued)

(xiii) Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

2. Significant accounting policies (continued)

(xiv) Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where material, provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(xv) Cash

Cash comprises of cash held with financial institutions and cash held in trust.

(xvi) Warrants

All warrants issued under a unit financing arrangement are valued on the date of grant using the Black-Scholes pricing model, net of related issuance costs. Expired warrants are removed from warrant reserve and credited directly to retained earnings. Where warrants are denominated in a currency other than the Company's functional currency, they are considered a derivative liability and marked to market at each reporting period using the Black-Scholes pricing model.

(xvii) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The average number of shares is calculated by assuming that outstanding conversions were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period. For the years ended December 31, 2018 and 2017, potentially dilutive common shares issuable upon the exercise of conversion option related to convertible debentures, warrants and options were not included in the computation of loss per share because their effect was anti-dilutive.

(xviii) Business combinations

On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value of the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date. Incremental costs related to acquisitions are expensed as incurred. When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

2. Significant accounting policies (continued)

(xix) Significant accounting judgments, estimates and uncertainties

The preparation of consolidated 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 goodwill impairment testing and recoverability of assets, business combinations, income taxes, estimated useful life of long-lived assets, the fair value of share-based payments, provision for expected credit losses and calculation of warrant liability. These estimates and judgments are further discussed below:

(a) Goodwill impairment testing and recoverability of assets

The Company only has one cash-generating unit and reviews the value in use versus the carrying value both in total and for each of the individual assets. The recoverable amount of the cash-generating unit was estimated based on an assessment of value in use using a discounted cash flow approach. The approach uses cash flow projections based upon a financial forecast approved by management, covering a five-year period. Cash flows for the years thereafter are extrapolated using the estimated terminal growth rate. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions and other events.

(b) Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

(c) Income taxes

At the end of each reporting period, the Company assesses whether the realization of deferred tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realized from available income tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available income tax strategies are lowered, or if changes in current income tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilize deferred tax benefits.

The Company's effective income tax rate can vary significantly quarter-to-quarter for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized. The Company's effective income tax rate can also vary due to the impact of foreign exchange fluctuations.

2. Significant accounting policies (continued)

(xix) Significant accounting judgments, estimates and uncertainties (continued)

(d) Estimated useful lives of long-lived assets

Management reviews the useful lives of depreciable assets at each reporting date. Management assesses that the useful lives represent the expected utilization in terms of duration of the assets to the Company. Actual utilization, however, may vary due to technical obsolescence, particularly relating to website content and application and technology development.

(e) Share-based payments

The fair value of all share-based payments granted are determined using the Black-Scholes option pricing model which incorporates assumptions regarding risk-free interest rates, dividend yield, expected volatility, estimated forfeitures, and the expected life of options. The Company has a significant number of options outstanding and expects to continue to make option grants.

(f) Provision for expected credit losses ('ECLs")

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs.

The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results are used to calculate the run rates of default which are then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

(g) Warranty liability

The Black-Scholes Option pricing model is used to determine the fair value of the warrants and utilizes subjective assumptions such as expected price volatility which is based on comparable companies, expected life of the warrant and the risk-free rate. Any changes in these input assumptions can significantly affect the fair value estimate.

(xx) Accounting standards implemented in 2018

The Company adopted the following accounting standards which came into effect commencing January 1, 2018:

IFRS 15, Revenue from Contracts with Customers

The Company has adopted IFRS 15 with an initial application date of January 1, 2018. The impact on the 2018 consolidated financial statements and additional disclosures are detailed as follows:

The Company determines revenue recognition through the following steps: a) identification of the contract with a customer; b) identification of the performance obligations in the contract; c) determination of the transaction price; d) allocation of the transaction price for the performance obligations in the contract; and e) recognition of revenue when the Company satisfies a performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration receivable in exchange for those goods or services, net of discounts and sales taxes. The Company generates revenue primarily by delivering digital advertising and exhibition services.

2. Significant accounting policies (continued)

(xx) Accounting standards implemented in 2018 (continued)

IFRS 15, Revenue from Contracts with Customers (continued)

Revenue from digital advertising

The Company generates revenues primarily by delivering performance and brand advertising. Performance advertising creates and delivers relevant advertisements that users will click, leading to direct engagement with advertisers. Brand advertising enhances users' awareness of and affinity with advertisers' products and services, through videos, text, images, and other advertisements that run across various devices. Revenue from digital advertising is recognized when the user clicks on the advertisement or when the user views the advertisement for a specified period of time or based on cost-per-impression, which is based on the number of times an advertisement is displayed.

The Company evaluates whether it is acting as principal (i.e., report revenue on a gross basis) or agent (i.e., report revenue on a net basis). The Company reports revenue on gross basis as the Company controls the advertising inventory. Recording revenue on gross basis is evidenced by the Company's ability to monetize the digital advertising inventory before it is transferred to the customers, and is further supported by the fact that the Company is primarily responsible to its customers and having a level of discretion in establishing pricing.

Revenue from the rendering of exhibition services

The Company generates revenue through ticket sales and sponsorships during its exhibition events. The exhibition events are short in duration ranging from three to four days. The Company records revenue from ticket sales and sponsorships once the event is held and the performance obligation is met.

Contract liabilities are recorded when cash payments are received or due in advance of the Company's performance.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable, net of returns and discounts and was recognized when the risks and rewards of ownership had transferred to the customer or as services were performed. No revenue was recognized if there were significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred could not be measured reliably, or there was continuing management involvement with the goods. IFRS 15 had no impact on the Company's consolidated statement of loss and comprehensive loss for the year ended December 31, 2018 or opening deficit.

IFRS 9, Financial Instruments

The Company has adopted IFRS 9 with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairment model.

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

(Presented in Canadian Dollars)

2. Significant accounting policies (continued)

(xx) Accounting standards implemented in 2018(continued)

IFRS 9, Financial Instruments (continued)

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 is as follows:

Financial assets and liabilities	IAS 39	IFRS 9		IFRS 39 / IFRS 9 Carrying value
Cash	Loans and receivables	Amortized cost	$	1,362,215
Cash in trust	Loans and receivables	Amortized cost	$	834,260
Trade and other receivables	Loans and receivables	Amortized cost	$	1,236,075
Loans receivable from related parties	Loans and receivables	Amortized cost	$	-
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	$	1,469,291
Long-term debt	Other financial liabilities	Amortized cost	$	50,000
Warrant liability	FVTPL	FVTPL	$	1,167,900
Convertible debenture	Other financial liabilities	Amortized cost	$	-

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated and applied from January 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

IFRS 3 Business Combinations (Amendment)

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IFRS 3, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in December 2018. The amendments clarify the definition of a business, permitting a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments were effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 with earlier application permitted.

Effective January 1, 2018, the Company adopted the amendments to IFRS 3, Business Combinations and assessed various asset purchase transactions entered into during the year to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. Based on the clarification related to the definition of a business, the Company determined that none of the asset purchase transactions entered into during the year ended December 31, 2018 met the definition of a business. Therefore, all the asset purchase transactions during the year have been accounted for as asset acquisitions.

(xxi) Standards, amendments and interpretations issued and not yet effective and have not been adopted by the Company

The International Accounting Standards Board has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intended to adopt those standards when they become effective.

In January 2016, the IASB issued *IFRS 16, Leases* ("IFRS 16"). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

2. Significant accounting policies (continued)

(xxi) Standards, amendments and interpretations issued and not yet effective and have not been adopted by the Company (continued)

IFRS 16 will also result in reclassification of the nature of lease expenses to depreciation and interest expense. IFRS 16 offers a range of transition options. The Company plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16, if any, will be

recognized as an adjustment to opening retained earnings as at January 1, 2019, with no restatement of comparative information.

Based on the information currently available, the Company estimates that it will recognize a lease liability and right to use asset of approximately $63,000 as at January 1, 2019. This preliminary estimate is subject to adjustment as management continues to monitor and refine certain elements of its IFRS 16 adoption in advance of Q1 2019 reporting. The Company is on track to complete its implementation of IFRS 16 effective January 1, 2019.

3. Reverse takeover transaction

On September 21, 2018, the Company completed its qualifying transaction (the "Transaction") in accordance with the policies of the TSX Venture Exchange (the "TSXV"), pursuant to which the security holders of Enthusiast Gaming Inc. exchanged all of the securities of Enthusiast Gaming Inc. for securities of the Company, resulting in Enthusiast Gaming Inc. becoming a wholly-owned subsidiary of the Company.

The amalgamation was accounted for in accordance with IFRS 2, Share Based-Payments. The Transaction is considered to be a reverse takeover of Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.) by Enthusiast Gaming Inc. A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a share-based payment transaction, rather than a business combination. The transaction is equivalent to the issuance of equity instruments (shares, stock options and warrants) by Enthusiast Gaming Inc. for the net assets and eventual public listing status of the nonoperating company, Enthusiast Gaming Holdings Inc. (formerly Tova Ventures II Inc.). The fair value of the shares issued was determined based on the fair value of the common shares issued by Enthusiast Gaming Inc. Comparative figures presented within these consolidated financial statements are those of Enthusiast Gaming Inc.

Immediately prior to the Transaction, the Company consolidated its outstanding share capital on a 1:4.2 basis from 5,795,600 common shares to 1,379,904 common shares outstanding.

Upon closing of the Transaction, all outstanding common shares, warrants and options of Enthusiast Gaming Inc. were exchanged for common shares, warrants and options of the Company on a 1:1 basis.

In conjunction with the share consolidation, the Company consolidated its outstanding stock options on a 1:4.2 basis from 572,000 options at an exercise price of $0.10 to 136,190 options at an exercise price of $0.42, expiring October 17, 2022. The Company also consolidated its outstanding warrants on a 1:4.2 basis from 274,400 warrants at an exercise price of $0.10 to 65,333 warrants at an exercise price of $0.42, expiring on October 17, 2019.

The fair value of the stock options as at September 21, 2018 was $114,761 and was determined using the Black-Scholes Option pricing model with the following assumptions: a share price of $0.9975, an exercise price of $0.42, a volatility of 123.90% based on comparable companies; an expected life of 4.07 years, a dividend yield of 0%, and a risk-free interest rate of 2.29%.

The fair value of the warrants as at September 21, 2018 was $43,471 and was determined using the Black-Scholes Option pricing model with the following assumptions: a share price of $0.9975, an exercise price of $0.42, a volatility of 107.80% based on comparable companies; an expected life of 1.07 years, a dividend yield of 0%, and a risk-free interest rate of 2.18%.

(Presented in Canadian Dollars)

3. Reverse takeover transaction (continued)

The fair value of the consideration is as follows:

Consideration transferred - 1,379,904 shares @ $0.9975	$	1,376,454
Tova Ventures II Inc. stock options converted to resulting issuer stock options		114,761
Tova Ventures II Inc. warrants converted to resulting issuer warrants		43,471
Net working capital acquired		275,261
Listing expense	$	**1,259,425**

4. Business combination and goodwill

On June 15, 2017, the Company purchased all the assets of Destructoid LLC ("Destructoid"). Based in San Francisco, Destructoid has been a leading online authority for over 10 years as the alternative to mainstream gaming news sites and a sought-after destination for gamers to blog about their favourite video games. Consistently attracting a large number of monthly visitors, Destructoid adds a significant boost to the Company's international reach of gamers.

The acquisition was accounted for as a business combination under IFRS 3. The total consideration paid by the Company to acquire the assets of Destructoid was $860,491 ($650,000 USD) and 300,000 common shares of the Company which were issued subsequent to the year ended December 31, 2017 and were valued at $53,575.

Consideration		
Cash consideration	$	860,491
Common shares		53,575
	$	**914,066**

Purchase price allocation		
Destructoid tradename	$	148,534
Goodwill		765,532
	$	**914,066**

The Company has not disclosed the total revenue for the above-mentioned acquisition due to impracticality as the Company does not track revenue and profit or loss for each website. Transaction costs incurred were expensed in the year.

Goodwill arose in the acquisition of Destructoid primarily due to the potential of the Company's continued growth and profitability and synergies by leveraging and cross-promoting its existing gaming-oriented web properties. These benefits were not recognize separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Impairment charge

At December 31, 2018, the recoverable amount of the Company was determined to be $13,017,677 as compared to the carrying value of $13,783,209. As a result, for the year ended December 31, 2018, the Company recorded an impairment charge of $765,532 against the carrying value of the goodwill.

The recoverable amount of the Company was determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period and an after-tax discount rate of 26.5% (pre-tax – 32%) per annum. The cash flows beyond the five-year period have been extrapolated using a steady 2.0% per annum growth rate. The cash flow projections used in estimating the recoverable amounts are generally consistent with results achieved historically adjusted for anticipated growth.

(Presented in Canadian Dollars)

5. Asset acquisition transactions

During the year ended December 31, 2018, the Company entered into seven asset purchase agreements with at-arm's length parties to acquire websites, which comprise of URLs, domain names, website content and Facebook pages. Effective January 1, 2018, the Company adopted the amendments to IFRS 3, Business Combinations and assessed various asset purchase transactions entered into during the year to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. Based on the clarification related to the definition of a business, the Company determined that none of the asset purchase transactions entered into during the year met the definition of a business. Therefore, all the asset purchase transactions during the year have been accounted for as asset acquisitions. Total consideration paid or payable consists of $1,559,650 in cash, 243,394 common shares valued in the amount of $196,310 for total consideration of $1,755,960. As at December 31, 2018, the Company has $53,274 in cash consideration payable related to the IncGamers Ltd. asset acquisition that is included in accounts payable and accrued liabilities in the consolidated statements of financial position. Details of all the asset acquisitions including date of acquisitions are as follows:

Asset acquisition transaction	Date of acquisition
Pixelframe LLC	February 5, 2018
Gamnesia Media	February 16, 2018
Daily Esports	March 7, 2018
Gameumentary	June 22, 2018
The Escapist	July 31, 2018
IncGamers Ltd.	July 4, 2018
Operations Sports LLC	November 13, 2018

6. Trade and other receivables

Trade and other receivables consist of the following:

		December 31, 2018		December 31, 2017
Trade receivables	$	2,404,573	$	1,180,772
HST receivable		342,973		55,303
Expected credit loss provision		(41,186)		-
	$	2,706,360	$	1,236,075

In addition to the expected credit loss provision of $41,186, the Company recognized $62,955 in bad debt expense related to revenues earned in 2018 as the amounts were deemed uncollectible.

7. Investment

On July 12, 2018, the Company purchased a 20% ownership interest in 2643067 Ontario Ltd, an Ontario corporation operating as Canada Cup Gaming ("Canada Cup") in consideration for $120,000. Canada Cup has been hosting annual e-sports competitions since 2009 and became the final Premier Event of the Capcom Pro Tour season in 2015.
As part of agreement between the Company and Canada Cup, the Company has an option to purchase the remaining 80% of Canada Cup within two years, subject to the fulfilment of certain milestones. The Company has also committed to invest up to $80,000 in services of the Company towards Canada Cup's 2018 fall tournament to be hosted at the Company's EGLX event in October 2018. The Company determined that it does not exercise significant influence or control over Canada Cup Gaming and the investment has been classified as a fair value through profit or loss financial instrument.

The Company assessed the investment for fair value as at December 31, 2018 and determined the fair value to be $nil. As a result, the investment has been written down to $nil and the Company has recorded a corresponding loss on investment in the amount of $120,000, which is included in the consolidated statements of loss and comprehensive loss.

(Presented in Canadian Dollars)

8. Property and equipment

	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost	$	$	$	$
Balance, December 31, 2017	-	-	-	-
Additions during the year	57,565	73,581	17,439	148,585
Balance, December 31, 2018	**$ 57,565**	**$ 73,581**	**$ 17,439**	**$ 148,585**
Accumulated depreciation				
Balance, December 31, 2017	-	-	-	-
Depreciation during the year	4,980	11,887	1,308	18,175
Balance, December 31, 2018	**$ 4,980**	**$ 11,887**	**$ 1,308**	**$ 18,175**
Net book value				
Balance, December 31, 2017	$ -	$ -	$ -	$ -
Balance, December 31, 2018	**$ 52,585**	**$ 61,694**	**$ 16,131**	**$ 130,410**

9. Intangible assets

	Website	Application and technology development	Trademark	Total
Cost				
Balance, January 1, 2017	$ 35,180	$ 156,112	$ -	$ 191,292
Additions during the year	-	-	-	-
Additions from business combination (Note 4)	-	-	148,534	148,534
Balance, December 31, 2017	35,180	156,112	148,534	339,826
Additions during the year	-	-	-	-
Additions from asset acquisition transactions (Note 5)	1,755,960	-	-	1,755,960
Effect of movement in foreign exchange rates	92,488	8,061	7,670	108,219
Balance, December 31, 2018	$ 1,883,628	$ 164,173	$ 156,204	$ 2,204,005
Accumulated amortization				
Balance, January 1, 2017	$ 10,260	$ 18,330	$ -	$ 28,590
Amortization during the year	17,589	31,225	18,566	67,380
Balance, December 31, 2017	27,849	49,555	18,566	95,970
Amortization during the year	420,988	80,620	38,353	539,961
Effect of movement in foreign exchange rates	26,071	7,561	3,306	36,938
Balance, December 31, 2018	$ 474,908	$ 137,736	$ 60,225	$ 672,869
Net book value				
Balance, December 31, 2017	$ 7,331	$ 106,557	$ 129,968	$ 243,856
Balance, December 31, 2018	**$ 1,408,720**	**$ 26,437**	**$ 95,979**	**$ 1,531,136**

10. Convertible debentures

On November 8, 2018, the Company issued convertible debenture units (the "Debenture Units") for total gross proceeds of $9,000,000 (the "Offering").

Each Debenture Unit, issued at a price of $1,000, is comprised of one unsecured convertible debenture (each a "Debenture" and collectively, the "Debentures"), having a principal amount of $1,000 and accruing interest at 9% per annum, payable semi-annually until maturity, and 315 common share purchase warrants of the Company (each, a "Debenture Warrant"). Each Debenture is convertible into shares of the Company at a conversion price of $1.60 per common share (the "Conversion Price"), subject to acceleration in certain events. The Debentures mature on December 31, 2021. Each Debenture Warrant entitles the holder to acquire one share at a price of $2.00 per share for a period of two years, subject to acceleration in certain events. The Debentures and the Debenture Warrants contain customary anti-dilution provisions. The Company also issued 540 Debenture Units to the brokers as part of the transaction in addition to 2,835,000 Debenture Warrants.

Beginning on March 9, 2019, the Company may, at its option, require the conversion of the then outstanding principal amount of the Debentures (plus accrued and unpaid interest thereon) at the Conversion Price on not less than 30 days' notice, should the daily volume-weighted average trading price of the shares of the Company be greater than $2.40 for each of seven consecutive trading days, ending five trading days prior to the applicable date.

The Company may accelerate the expiry date of the then outstanding Debenture Warrants on not less than 30 days' notice, should the volume-weighted average trading price of the shares be greater than $3.00 for the twenty consecutive trading days, ending five trading days prior to the applicable date.

Upon initial recognition, the convertible debentures have been presented as a liability and the embedded conversion feature and warrants have been presented as equity as the fixed-for-fixed criteria is met. The fair value of the convertible debentures (host debt) in the amount of $8,074,019 is measured using a market rate of 13.0% for a similar unsecured debt without the conversion feature. The residual amount of $925,981 was allocated proportionally based on relative fair values between conversion feature and warrants in the amount of $615,679 and $310,302, respectively. The fair value of the conversion feature was determined using Black-Scholes pricing model with the following assumptions: a share price of $1.01, an exercise price of $1.60, a volatility of 111.15%, an expected life of 3.15 years, a dividend yield of 0.0%, and a risk -free interest rate of 2.37%. The fair value of warrants was determined using Black-Scholes pricing model with the following assumptions: a share price of $1.01, an exercise price of $2.00, a volatility of 110.50%, an expected life of 2.0 years, a dividend yield of 0.0%, and a risk -free interest rate of 2.36%.

The Company incurred cash issuance costs of $590,580. In addition, the Company issued 540 warrants to the brokers, which are exercisable at $1,000 per Debenture Unit for a term of 2 years. The fair value of the broker warrants in the amount of $310,807 was determined using Black-Scholes pricing model with the following assumptions: a unit price of $1,000, an exercise price of $1,000, a volatility of 110.50%, an expected life of 2.0 years, a dividend yield of 0.0%, and a risk -free interest rate of 2.36%. The total issuance costs of $901,387 was allocated proportionally to convertible debentures, conversion feature on convertible debentures and warrants in the amount of $808,646, $61,663 and $31,078, respectively.

The Company recorded deferred tax expense in the amount of $240,236, which is offset against the value of equity portion of the conversion feature on convertible debentures in the consolidated statements of changes in equity (deficiency). The convertible debentures are amortized at an effective interest rate of 16.94%. The Company recognized $117,616 in interest expense and $61,490 in accretion expense for the year ended December 31, 2018.

(Presented in Canadian Dollars)

10. Convertible debentures (continued)

The fair value and related movement during the year for each of the components of the convertible debentures, conversion feature on convertible debentures and warrants is as follows:

	Convertible debenture	Conversion feature on convertible debentures	Warrant reserve	Total
Initial recognition at fair value	$ 8,074,019	$ 615,679	$ 310,302	$ 9,000,000
Issuance costs	(808,646)	(61,663)	(31,078)	(901,387)
Broker warrants issued	-	-	310,807	310,807
Deferred tax expense	-	(240,236)	-	(240,236)
Interest and accretion expense	61,490	-	-	61,490
Balance as at December 31, 2018	**$ 7,326,863**	**$ 313,780**	**$ 590,031**	**$ 8,230,674**

11. Preferred share private placements

During 2016, Enthusiast Gaming Inc. completed a non-brokered private placement resulting in gross proceeds of $930,002. The non-brokered private placement involved the sale of 4,710,911 units at a price of $0.197 per unit (the "2016 Non-Brokered Preferred Units"). Each 2016 Non-Brokered Preferred Unit comprised of one preferred share and 1/5 of one preferred share purchase warrant (the "2016 Non-Brokered Warrants"). Each 2016 Non-Brokered Warrant entitles the holder thereof to acquire one additional preferred share for a period of 24 months from the date of issuance at an exercise price of $0.197.

Enthusiast Gaming Inc. also issued 443,115 liquidity warrants to certain preferred shareholders, which allows the holders of the warrants to exercise their warrants for one additional preferred share at a nominal amount for a period of 27 months if Enthusiast Gaming Inc. does not file a final prospectus in relation to an initial public offering of the common shares.

During 2017, Enthusiast Gaming Inc. completed a non-brokered private placement resulting in gross proceeds of $629,750. The non-brokered private placement involved the sale of 3,189,125 units at a price of $0.197 per unit (the "2017 Non-Brokered Preferred Units"). Each 2017 Non-Brokered Preferred Unit comprised of one Preferred Share and 1/5 of one preferred share purchase warrant (the "2017 Non-Brokered Warrants"). Each 2017 Non-Brokered Warrant entitles the holder thereof to acquire one additional Preferred Share for a period of 24 months from the date of issuance at an exercise price of $0.197. Enthusiast Gaming Inc. also issued 460,091 liquidity warrants to certain preferred shareholders, which allows the holders of the warrants to exercise their warrants for one additional preferred share at a nominal amount for a period of 27 months if Enthusiast Gaming Inc. does not file a final prospectus in relation to an initial public offering of the common shares. A total of $50,000 of the proceeds for the 2017 issuance was received in 2016, but not issued as at December 31, 2016.

On November 28, 2017, all 7,900,036 preferred shares and preferred share warrants were converted to common shares and common share warrants of Enthusiast Gaming Inc. Each preferred share was converted to one common share. Prior to the conversion to common shares, the preferred shares were revalued at their fair value as it was treated as a fair value through profit or loss financial instrument under IAS 39. The preferred share liability as at November 28, 2017 was estimated to be $2,607,012. This value was derived based on an estimate of the value of $0.33 per common share of Enthusiast Gaming Inc. based on concurrent share issuances. The preferred share warrants fair value in the amount of $292,612 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33, exercise price of $0.197, expected life of 1 - 2 years, annualized volatility of 105.0%, dividend yield of 0.0%, risk-free interest rate of 1.68%. A loss of $1,339,872 on the consolidated statements of loss and comprehensive loss based on the revaluation of preferred shares and warrants was recognized.

12. Joint venture and acquisition of Enthusiast Gaming Live Inc.

In September 2015, Metroland Media Group Ltd. ("Metroland") and Enthusiast Gaming Inc. each subscribed for 200 common shares in the capital of a newly formed Company, Enthusiast Gaming Live Inc. ("EGL"). The purpose of EGL is to host large-scale gaming conventions, representing three distinct pillars of gaming culture: festival, makers and tournaments.

Enthusiast Gaming Inc.'s investment in EGL was treated as a joint venture under IFRS and therefore, was accounted for using the equity method of accounting.

In fiscal year 2016, the first EGL event was launched from April 29, 2016 – May 1, 2016. Enthusiast Gaming Inc. recorded a loss of interest in an associate ownership of $169,076 relating to its portion of the event loss. As there was an obligation to fund the loss, Enthusiast Gaming Inc. recorded a corresponding liability of $169,076. The amount was fully repaid on August 9, 2017.

On October 25, 2017, Enthusiast Gaming Inc. purchased the remaining 50% interest of EGL from Metroland for $167,000. As the investment was recorded on Enthusiast Gaming Inc.'s consolidated financial statements for a nominal amount, the Company's investment in EGL was deemed to be worth $167,000 and a $167,000 write-up of the investment was recorded prior to the acquisition.

The acquisition of EGL was accounted for as a business combination under IFRS 3. The grossed-up purchase price of $334,000 was fully allocated to goodwill, as there were no material intangible assets identified at the date of purchase. As EGL has yet to generate positive cash flows, the goodwill was fully written off during the year ended December 31, 2017.

Below is a reconciliation of the loss on interest in an associate ownership recorded for year ended December 31, 2017 in the consolidated statements of loss and comprehensive loss.

		December 31, 2017
Revaluation gain prior to acquisition	$	167,000
Goodwill impairment		(334,000)
Loss on interest in an associate ownership	$	(167,000)

13. Share capital

The Company is authorized to issue an unlimited number of common shares. The Company issued common shares as described below during year ended December 31, 2018 and 2017:

(i) On November 28, 2017, all 7,900,036 preferred shares were converted to common shares of the Enthusiast Gaming Inc. Each preferred share was converted to one common share. See Note 11 for more details.

(ii) In November and December 2017, Enthusiast Gaming Inc. closed a non-brokered private placement of 1,679,786 units at a price of $0.47 per unit for total gross proceeds of $789,500. Each unit is comprised of one common share and one common share purchase warrant. The warrants are exercisable for $0.58 per common share from the date of issue until such date as is 18 months following the completion of a going-public transaction. As the units are issued in Canadian dollars, which is different than Enthusiast Gaming Inc.'s functional currency of US dollars, warrants were presented as liability as the fixed for fixed criteria for equity classification was not met. Enthusiast Gaming Inc. incurred $61,267 of share issuance costs relating to this issuance, of which $42,267 has been capitalized as share issue costs, while $19,000 has been expensed as they relate to the warrant liability. The warrants issued relating to this issuance were recorded as a warrant liability in the amount of $227,276. The fair value of the warrant liability in the amount of $227,276 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33, exercise price of $0.58, expected life of 1.92 years, annualized volatility of 105.4%, dividend yield of 0.0%, risk-free interest rate of 1.68%.

13. Share capital (continued)

(iii) In addition, in December 2017, Enthusiast Gaming Inc. received $834,260 in respect of 1,775,022 units with similar terms as those disclosed in Note 13(ii), which were not issued as of December 31, 2017 and as such, the value of the warrants in the amount of $240,093 in respect of these units has been recorded as a liability and the remaining amount of $594,167 as contributed surplus in the consolidated statements of changes in shareholders' equity (deficiency). The fair value of the warrant liability in the amount of $240,093 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33, exercise price of $0.58, expected life of 1.92 years, annualized volatility of 105.4%, dividend yield of 0.0%, risk-free interest rate of 1.68%. The shares were issued subsequent to December 31, 2017 year end and were reclassed from contributed surplus to share capital in the consolidated statements of changes in shareholders' equity (deficiency).

(iv) In November and December 2017, Enthusiast Gaming Inc. also received $1,369,444 of cash for 2,913,710 units with similar terms as those disclosed in Note 13 (ii) and (iii), which were not issued as of December 31, 2017. The fair value of the warrants in the amount of $407,920 in respect of these units has been recorded as a liability and the remaining amount of $961,524 as contributed surplus in the consolidated statements of changes in shareholders' equity (deficiency). The fair value of the warrant liability in the amount of $407,920 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33, exercise price of $0.58, expected life of 1.92 years, annualized volatility of 105.4%, dividend yield of 0.0%, risk-free interest rate of 1.68%. The shares were issued subsequent to December 31, 2017 year end and were reclassed from contributed surplus to share capital in the consolidated statements of changes in shareholders' equity (deficiency).

(v) During the year ended December 31, 2018, Enthusiast Gaming Inc. closed additional non-brokered private placement with several closings of 4,716,997 units at a price of $0.47 per unit for total gross proceeds of $2,216,989. Each unit is comprised of one common share and one common share purchase warrant. The warrants are exercisable for $0.58 per common share from the date of issue until such date as is 18 months following the completion of a going-public transaction. The fair value of the warrants in the amount of $647,097 in respect of these units has been recorded as a liability and the remaining amount of $1,569,892 as share capital in the consolidated statements of changes in shareholders' equity (deficiency). The fair value of the warrant liability in the amount of $647,097 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33, exercise price of $0.58, expected life of 2.20 - 1.86 years, annualized volatility of 105.4%, dividend yield of 0.0%, risk-free interest rate of 1.88% - 1.79%.

(vi) During the year ended December 31, 2018, the Company issued 300,000 shares in respect to the acquisition of the assets of Destructoid LLC (Note 4), which was completed in June 2017. The fair value of $53,575 was reclassified from contributed surplus to share capital in the consolidated statements of changes in equity (deficiency).

(vii) As disclosed in Note 5, the Company entered into seven asset acquisition transaction, which required consideration in cash and common shares. The Company issued 243,394 common shares valued at $196,310 during the year ended December 31, 2018, which has been recorded as share capital in the consolidated statements of changes in equity (deficiency).

(viii) In June 2018, in anticipation of the Transaction, Enthusiast Gaming Inc. closed securities offering of 6,799,300 units at a price of $1.25 per unit for total gross proceeds of $8,499,125. Each unit is comprised of one common share and one-half of one common share purchase warrant. The warrants are exercisable for $1.60 per common share from the date of issuance until such date as is 24 months following the completion of a going-public transaction. As the units are issued in Canadian dollars, which is different than Enthusiast Gaming Inc.'s functional currency of US dollars, warrants were presented as liability as the fixed for fixed criteria for equity classification was not met. The warrants issued relating to this issuance were recorded as a warrant liability in the amount of $1,682,456. The fair value of the warrant liability in the amount of $1,682,456 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.9975, exercise price of $1.60, expected life of 2.26 years, annualized volatility of 111.0%, dividend yield of 0.0%, risk-free interest rate of 1.77%.

13. Share capital (continued)

Enthusiast Gaming Inc. incurred $539,773 of cash share issuance costs and issued 339,465 broker warrants which are valued at $178,239 for total share issuance costs of $718,012. Share issuance costs in the amount of $575,877 has been capitalized as share issuance costs, while $142,135 has been expensed as they relate to the warrant liability. The fair value of broker warrants in the amount of $178,239 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.9975, exercise price of $1.25, expected life of 2.00 years, annualized volatility of 111.0%, dividend yield of 0.0%, risk-free interest rate of 2.18%.

(ix) Prior to the Transaction, warrant holders of 577,554 warrants with an exercise price of $0.197467 per share exercised their warrants for a total consideration of $113,778. As a result, fair value of the warrant liability in the amount of $350,204 was credited to share capital for the underlying warrants exercised. The fair value of the warrant liability in the amount of $350,204 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33 - $0.9975, exercise price of $0.197467, expected life of 0.04 – 0.37 years, annualized volatility of 138.90% - 170.84%, dividend yield of 0.0%, risk-free interest rate of 1.77% - 2.11%.

(x) In addition, warrant holders of 189,036 warrants with an exercise price of $0.58 per share exercised their warrants for a total consideration of $109,641. As a result, fair value of the warrant liability in the amount of $49,231 was credited to share capital for the underlying warrants exercised. The fair value of the warrant liability in the amount of $49,231 was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.33 - $0.9975, exercise price of $0.58, expected life of 1.73 – 2.03 years, annualized volatility of 105.40% - 111.00%, dividend yield of 0.0%, risk-free interest rate of 1.77% - 1.88%.

(xi) Prior to the Transaction, stock option holders of 1,130,769 stock options with an exercise price of $0.13 per share exercised their options for a total consideration of $147,000. As a result, contributed surplus in the amount of $133,533 was credited to share capital for the underlying options exercised.

(xii) As disclosed in Note 3, upon closing of the Transaction, 1,379,904 common shares in the amount of $1,376,454, 65,333 warrants in the amount of $43,471 and 136,190 stock options in the amount of $114,761 were deemed issued. The details of the fair value of the common shares, warrants and stock options are disclosed in Note 3.

(xiii) Upon closing of the Transaction, all outstanding common shares, warrants and options of Enthusiast Gaming Inc. were exchanged for common shares, warrants and options of the Company on a 1:1 basis. As a result, warrants outstanding as at Transaction date were fair valued at $9,578,951 and reclassed to warrant reserve in the consolidated statements of changes in shareholders' equity (deficiency) as warrants met the fixed for fixed criteria for equity classification. The fair value of the warrant liability was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.9975, exercise price of $0.197467 - $1.25, expected life of 0.27 – 1.75 years, annualized volatility of 111.00% - 147.40%, dividend yield of 0.0%, risk-free interest rate of 2.18%.

(xiv) Subsequent to the Transaction, warrant holders of 618,830 warrants with an exercise price of $0.197467 per share, 382,954 warrants with an exercise price of $0.58 per share and 65,333 warrants with an exercise price of $0.42 per share exercised their warrants for a total consideration of $371,463. As a result, fair value of the warrants in the amount of $794,307 was credited from warrant reserve to share capital for the underlying warrants exercised.

(Presented in Canadian Dollars)

13. Share capital (continued)

(xv) During the year, the Company issued 1,580,007 warrants to the Chief Executive Officer with an exercise price of $0.197467, vesting on meeting certain performance targets and expiring on December 31, 2020. As the performance targets were met during the year, share-based compensation expense in the amount of $1,331,800 was recognized in the consolidated statements of loss and comprehensive loss with corresponding increase in warrant reserve in the consolidated statements of changes in shareholders' equity (deficiency).

(xvi) Subsequent to the Transaction, stock option holders of 13,619 stock options with an exercise price of $0.42 per share exercised their stock options for a total consideration of $5,720. As a result, an amount of $11,476 was credited from contributed surplus to share capital for the underlying options exercised.

14. Warrants

(i) *Common share warrants*

As discussed in Notes 10, 11 and 13, each common share warrant entitles the holder to purchase one common share of the Company. The following table reflects the continuity of warrants for the year ended December 31, 2018 and 2017:

Common share warrant activity	**December 31, 2018**		**Weighted average exercise price**	December 31, 2017		Weighted average exercise price
Balance – beginning of year	**7,948,525**	**$**	**0.504**	1,580,007	$	0.197
Issued (Note 13(ii))	**-**		**-**	1,679,786		0.580
Warrants to be issued (Note 13(iii), (iv))	**-**		**-**	4,688,732		0.580
Issued (Note 13(v))	**4,716,997**		**0.580**	-		-
Issued (Note 13(viii))	**3,399,650**		**1.600**	-		-
Issued (Note 13(viii))	**339,465**		**1.250**	-		-
Exercised (Note 13(ix))	**(577,554)**		**(0.197)**	-		-
Exercised (Note 13(x))	**(189,036)**		**(0.580)**	-		-
Issued (Note 13(xii))	**65,333**		**0.420**	-		-
Exercised (Note 13(xiv))	**(618,830)**		**(0.197)**	-		-
Exercised (Note 13(xiv))	**(382,954)**		**(0.580)**	-		-
Exercised (Note 13(xiv))	**(65,333)**		**(0.420)**	-		-
Issued (Note 13(xv))	**1,580,007**		**0.197**	-		-
Issued (Note 10)	**2,835,000**		**2.000**	-		-
Issued (Note 10)	**540**		**1,000.000**	-		-
Expired	**(10,136)**		**(0.197)**	-		-
Balance – end of year	**19,041,674**	**$**	**0.975**	7,948,525	$	0.504

14. Warrants (continued)

(i) Common share warrants (continued)

The following table summarizes information about warrants outstanding as at December 31, 2018:

Date of issuance	Date of expiry		Exercise price	December 31, 2018
February 14, 2017	February 14, 2019	$	0.197	50,646
April 10, 2017	April 10, 2019		0.197	84,826
June 12, 2017	June 12, 2019		0.197	101,282
June 13, 2017	June 13, 2019		0.197	101,283
June 30, 2017	June 30, 2019		0.197	35,449
November 30, 2017 to May 22, 2018	April 4, 2020		0.580	10,513,526
June 20, 2018	October 4, 2020		1.600	3,399,650
June 20, 2018	October 4, 2020		1.250	339,465
November 8, 2018	November 8, 2020		2.000	2,835,000
November 8, 2018	November 8, 2020		1000.000	540
December 31, 2018	December 31, 2020		0.197	1,580,007
		$	**0.975**	**19,041,674**

The following table summarizes information about warrants outstanding as at December 31, 2017:

Date of issuance	Date of expiry		Exercise price	December 31, 2017
August 31, 2016	August 31, 2018	$	0.197	587,690
December 28, 2016	December 28, 2018		0.197	354,492
February 14, 2017	February 14, 2019		0.197	65,834
March 22, 2017	March 22, 2019		0.197	18,231
April 10, 2017	April 10, 2019		0.197	290,426
June 12, 2017	June 12, 2019		0.197	101,282
June 13, 2017	June 13, 2019		0.197	101,283
June 30, 2017	June 30, 2019		0.197	60,769
November 30 - December 6, 2017	April 4, 2020		0.580	1,679,786
January 1 - 31, 2018	April 4, 2020		0.580	4,688,732
		$	0.504	7,948,525

As at December 31, 2017, the warrants were classified as a liability, as the warrants were exercised in Canadian dollars, which was different than Enthusiast Gaming Inc.'s functional currency of US dollars. The warrant liability as at December 31, 2017 was valued at $1,167,900. The warrants fair value was determined using the Black-Scholes option pricing model with the following assumptions: share price of $0.33, exercise price of $0.197467 - $0.58, expected life of 0.20 years, annualized volatility of 105.4%; dividend yield of 0.0% and risk-free interest rate of 1.68%.

As at the Transaction date, Enthusiast Gaming Inc. measured the fair value of the warrant liability in the amount of $9,578,951 and reclassed it to warrant reserve in the consolidated statements of changes in shareholders' equity (deficiency) as warrants met the fixed for fixed criteria for equity classification. The fair value of the warrant liability was determined using the Black-Scholes option pricing model and the following assumptions: share price of $0.9975, exercise price of $0.197467 - $1.25, expected life of 0.27 – 1.75 years, annualized volatility of 111.00% - 147.40%, dividend yield of 0.0%, risk-free interest rate of 2.18%. As a result, the Company recorded loss on revaluation of warrant liability in the amount of $6,480,933, which is recorded in the consolidated statements of loss and comprehensive loss.

(Presented in Canadian Dollars)

14. Warrants (continued)

(ii) Liquidity warrants (continued)

Each liquidity warrant entitles the holder to purchase one common share of Enthusiast Gaming Inc. if Enthusiast Gaming Inc. does not file a final prospectus in relation to an initial public offering of the common shares of the within 27 months of the issuance of these warrants. As Enthusiast Gaming Inc. completed its Transaction as at September 21, 2018, these liquidity warrants expired. The following table reflects the continuity of the liquidity warrants for the years ended December 31, 2018 and 2017:

Liquidity warrant activity	**December 31, 2018**		**Weighted average exercise price**	December 31, 2017		Weighted average exercise price
Balance – beginning of year	903,206	**$**	0.0001	443,115	$	0.0001
Issued	-		-	460,091		0.0001
Expired	(903,206)		(0.0001)	-		-
Exercised	-		-	-		-
Balance – end of year	**-**	**$**	-	903,206	$	0.0001

15. Stock options

The Company has a stock option plan (the “plan”) for directors, officers, employees and consultants of the Company. The number of common shares that may be set aside for issuance under the plan (and under all other management stock option and employee stock option plans) is limited to ten percent (10.0%) of the outstanding common shares of the Company, less the aggregate number of shares reserved for issuance or issuable under any other security based compensation arrangement of the Company. The board of directors has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company and provided that the Company complies with the provisions of policies, rules and regulations of applicable securities legislation.

Any common shares subject to a stock option, which for any reason is cancelled or terminated prior to exercise, will be available for a subsequent grant under the plan, subject to applicable regulatory requirements.

Stock options granted under the plan may be exercised during a period not exceeding ten years from the date of grant, subject to earlier termination on the termination of the optionee’s employment, on the optionee’s ceasing to be an employee, officer or director of the Company or any of its subsidiaries, as applicable, or on the optionee’s retiring, becoming permanently disabled or dying, subject to certain grace periods to allow the optionee or his or her personal representative time to exercise such stock options. The stock options are non-transferable. The plan contains provisions for adjustment in the number of common shares issuable thereunder in the event of the subdivision, consolidation, reclassification or change of the common shares, a merger or other relevant changes in the Company’s capitalization. The board of directors may, from time to time, amend or revise the terms of the plan or may terminate the plan at any time.

(Presented in Canadian Dollars)

15. Stock options (continued)

The following table shows the movement in the stock option plan:

	December 31, 2018			December 31, 2017		
Measurement date	**Number of options**	**Weighted average exercise price**	**Weighted average grant date value**	Number of options	Weighted average exercise price	Weighted average grant date value
	#	**$**	**$**	#	$	$
Outstanding, beginning of year	4,668,472	0.16	0.19	2,577,692	0.13	0.12
Granted	186,190	0.64	0.84	2,090,780	0.20	0.27
Exercised	(1,144,388)	(0.13)	(0.13)	-	-	-
Outstanding, end of year	**3,710,274**	**0.19**	**0.24**	4,668,472	0.16	0.19
Options exercisable, end of year	**3,072,360**	**0.18**	**0.23**	3,389,182	0.16	0.16

On November 14, 2018, 50,000 stock options were granted to two directors at an exercise price of $1.25 per share expiring in five years from the date of the grant. The stock options granted vest one-half on the date of grant and remaining one-half on the first anniversary from the grant date. The fair value of the 50,000 stock options issued had a fair value of $40,766, of which share based compensation expense in the amount of $23,001 was recorded for the year ended December 31, 2018.

As disclosed in Note 3, upon closing of the Transaction, 136,190 stock options in the amount of $114,761 were deemed issued. These stock options vest immediately and were recorded in the contributed surplus in the consolidated statements of changes in shareholders' equity (deficiency). The details of the fair value of the stock options are disclosed in Note 3.

Prior to the Transaction, stock option holders of 1,130,769 stock options with an exercise price of $0.13 per share exercised their options for a total consideration of $147,000. As a result, contributed surplus in the amount of $133,533 was credited to share capital for the underlying options exercised.

Subsequent to the Transaction, stock option holders of 13,619 stock options with an exercise price of $0.42 per share exercised their stock options for a total consideration of $5,720. As a result, an amount of $11,476 was credited from contributed surplus to share capital for the underlying options exercised.

During the year ended December 31, 2017, the Company issued 2,090,780 stock options to officers, directors and consultants of the Company. These stock options are exercisable for a maximum period of five years from the date of the grant and stock options granted vest one-third on the date of grant, one-third on the first anniversary and the remaining one-third on the second anniversary of the date of grant. The fair value of the options granted was estimated at $567,069, of which share based compensation expense in the amount of $262,820 is recognized for the year ended December 31, 2018 (2017 - $240,635).

The Company uses the fair value method to account for all share-based awards granted to employees, officers and directors. The estimated fair value of stock options granted is determined using the Black-Scholes option pricing model and is recorded as a charge in consolidated statements of loss and comprehensive loss over the vesting period of the stock options, with a corresponding increase to contributed surplus. Stock options are granted at a price equal to or above the fair value of the common shares on the day immediately preceding the date of the grant. The consideration received on the exercise of stock options is added to stated capital at the time

(Presented in Canadian Dollars)

15. Stock options (continued)

of exercise. The fair value of the stock options granted during the year ended December 31, 2018 and 2017 was determined using the Black-Scholes option pricing model with the following assumptions:

	2018	2017
Share price	**$1.02 - $0.9975**	$0.33
Exercise price	**$0.42 - $1.25**	$0.19747
Expected volatility	**117.6% - 124.0%**	105.4%
Expected option life	**4.07 - 5.0 years**	5.0 years
Expected dividend yield	-	-
Expected forfeiture rate	-	-
Risk-free interest rate	**2.26% - 2.29%**	1.68%

The following table summarizes information about the stock options outstanding and exercisable for the year ended December 31, 2018:

	Options outstanding				Options exercisable		
Exercise price	Number of stock options outstanding	Weighted average exercise price per share	Weighted average remaining contractual life	Weighted average grant date fair value	Number of stock options exercisable	Weighted average exercise price per share	Weighted average grant date fair value
$	#	$	Years	$	#	$	$
0.13	1,446,923	0.13	1.91	0.12	1,446,923	0.13	0.12
0.20	2,090,780	0.20	3.88	0.27	1,477,866	0.20	0.27
0.42	122,571	0.42	3.80	0.84	122,571	0.42	0.84
1.25	50,000	1.25	4.87	0.82	25,000	1.25	0.82
Total	**3,710,274**	**0.19**	**3.12**	**0.24**	**3,072,360**	**0.18**	**0.23**

(Presented in Canadian Dollars)

16. Income tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.50% (2017 - 26.50%) to the effective tax rate is as follows:

	2018	2017
Statutory income tax rate	**26.50%**	26.50%
	$	$
Net loss before income tax recovery	**(18,410,548)**	(2,393,834)
Expected income tax recovery	**(4,878,795)**	(634,370)
Difference in foreign tax rates	**12,523**	-
Tax rate changes and other adjustments	**5,185**	5,940
Share based compensation and non-deductible expenses	**428,669**	63,768
Effect of fair value adjustments	**2,067,094**	399,322
Effect of convertible debentures	**178,325**	-
Unrealized foreign exchange	**(238,211)**	-
Financing and share issuance costs	**(322,757)**	(11,200)
Change in tax benefits not recognized	**2,704,523**	176,540
Income tax expense	**(43,444)**	-

The Company's income tax recovery is allocated as follows:	**$**	$
Current tax expense	**-**	-
Deferred income tax recovery	**(43,444)**	-
Income tax expense	**(43,444)**	-

The following table summarizes the components of deferred tax liability:

	December 31, 2018	December 31, 2017
	$	$
Deferred tax asset		
Financing and share issuance costs	**162,030**	-
Non-capital losses carried forward	**43,444**	-
	205,474	**-**
Deferred tax liability		
Convertible debentures	**402,266**	-
Net deferred tax liability	**(196,792)**	-

Deferred income tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

	December 31, 2018	December 31, 2017
Movement in net deferred tax liability:	**26.50%**	26.50%
Balance at the beginning of the year	**-**	-
Recognized in net income	**(43,444)**	-
Other	**240,236**	-
Deferred tax liability	**196,792**	-

(Presented in Canadian Dollars)

16. Income tax (continued)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2018	December 31, 2017
	$	$
Intangible assets	**1,765,110**	-
Contingent liability	**230,000**	-
Investments	**120,000**	
Financing and share issuance costs	**593,230**	124,720
Non-capital loss carried forward - Canada	**9,083,324**	1,493,780
Non-capital loss carried forward - USA	**121,095**	-
Other temporary differences	**48,420**	151,170
	11,961,179	1,769,670

Financing and share issuance costs will be fully amortized in 2022. The Company's non-capital losses expire between 2033 – 2038 and the remaining deductible temporary differences may be carried indefinitely. The Company has not recognized deferred tax asset in respect to these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

17. Loss per share

Both the basic and diluted earnings per share have been calculated using the net loss attributable to the shareholders of the Company as the numerator.

		2018		2017
Number of shares:				
Weighted average number of shares used in basic and diluted loss per share		**37,459,827**		15,078,593
Net loss for the year	**$**	**19,159,497**	**$**	2,433,105
Loss per share:				
Net loss and comprehensive loss per share, basic and diluted	**$**	**0.51**	$	0.16

18. Related party transactions and balances

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Information Officer. Compensation of key management personnel may include short-term and long-term benefits. Short-term benefits include salaries and bonuses. Share-based compensation include warrants and stock options vested during the year.

(Presented in Canadian Dollars)

18. Related party transactions and balances (continued)

Compensation provided to current and former key management are as follows:

	2018	2017
	$	$
Short-term benefits	**575,375**	287,400
Share-based compensation	**1,572,167**	209,030
	2,147,542	496,430

	2018	2017
	$	$
Total transactions during the year:		
Professional and consulting expense	**333,551**	8,647
Balances receivable (payable) as at December 31:		
Loans receivable	**191,283**	-
Accounts payable and accrued liabilities	**24,912**	45,961

During the year ended December 31, 2018, the Company paid consulting fees to the executive officers and their companies in the amount of $165,410 (2017 - $8,647). During the year ended December 31, 2018, the Company also paid consulting fees to two directors in the amount of $168,141 (2017 - $39,067).

The Company also have loans receivable due from the Chief Executive Officer, Chief Operating Officer and Chief Information Officer in the amount of $49,000 each, respectively. The loans receivable bears interest at bank's prime interest rate (December 31, 2018 – 3.95%) and matures on August 1, 2019. The Company also has an additional loan receivable from the Chief Executive Officer in the amount of $44,283, which bears interest at bank's prime interest rate (December 31, 2018 – 3.95%) and matures on August 31, 2020.

As at December 31, 2018, $24,912 (December 31, 2017 - $45,961) was due to related parties for unpaid expenses, unpaid salaries and consulting fees.

19. Capital Management

The Company considers its capital structure to consist of shareholders' equity, long-term debt and convertible debenture. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the acquisition, exploration and development of its business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is a development stage entity; as such the Company is dependent on external equity financing to fund its activities. In order to carry out the planned operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2018 and 2017. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company's ability to raise future capital is subject to uncertainty and the inability to raise such capital may have an adverse impact over the Company's ability to continue as a going concern (Note 1).

(Presented in Canadian Dollars)

20. Financial instruments

Fair values

The fair values of the cash, cash in trust, trade receivables, loans receivable from related parties, accounts payable and accrued liabilities, long-term debt, warrant liability and convertible debentures approximate their carrying values due to the relatively short-term nature of these financial instruments.

Cash and cash equivalents are comprised of:

	December 31, 2018	December 31, 2017
	$	$
Cash at bank and on hand	**11,642,304**	1,362,215
Cash in trust	**270,387**	834,260
	11,912,691	2,196,475

Cash includes demand deposits with financial institutions and cash equivalents consist of short-term, highly liquid investments purchased with original maturities of three months or less. As at December 31, 2018 and 2017, the Company had no cash equivalents.

Total interest income and interest expense for financial assets or financial liabilities that are not at fair value through profit or loss can be summarized as follows:

	2018	2017
	$	$
Interest income	**(1,259)**	-
Interest expense	**124,932**	-
Net interest expense	**123,673**	-

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, foreign currency risk, interest rate risk and market risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk for its trade receivables is summarized as follows:

	December 31, 2018	December 31, 2017
	$	$
Trade receivables aging:		
0-30 days	**1,071,883**	552,316
31-60 days	**41,640**	365,482
61-90 days	**797,105**	106,733
Greater than 90 days	**493,945**	156,241
	2,404,573	1,180,772
Expected credit loss provision	**(41,186)**	-
Net trade receivables	**2,363,387**	1,180,772

(Presented in Canadian Dollars)

20. Financial instruments (continued)

Credit risk (continued)

The movement in the expected credit loss provision can be reconciled as follows:

	December 31, 2018	December 31, 2017
	$	$
Expected credit loss provision:		
Expected credit loss provision, beginning balance	**-**	-
Net provision used (recorded) during the year	**(41,186)**	-
Expected credit loss provision, ending balance	**(41,186)**	-

The following default rates are used to calculate the expected credit loss provision ("ECLs") on trade receivables as at December 31, 2018:

	Total	**Not past due**	**Over 30 days past due**	**Over 60 days past due**	**Over 90 days past due**
Default rates		0.29%	2.83%	1.88%	4.4%
Trade receivables	**$ 2,404,573**	$ 1,071,883	$ 41,640	$ 797,105	$ 493,945
Expected credit loss provision	**$ 41,186**	$ 3,150	$ 1,177	$ 14,995	$ 21,864

All of the Company's cash and cash equivalents are held with a major Canadian financial institution and thus the exposure to credit risk is considered insignificant. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to trade receivables.

Concentration risk

As at December 31, 2018, the Company had four customers which accounted for approximately 61.30% of its trade receivables, with these four customers also accounting for 30.03%, 11.80%, 11.29% and 10.31% of revenues, respectively, for the year ended December 31, 2018.

As at December 31, 2017, the Company had three customers which accounted for approximately 60.99% of its trade receivables, with these three customers also accounting for 38.93%, 10.51%, and 10.11% of revenues, respectively, for the year ended December 31, 2017.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements. The Company coordinates this planning and budgeting process with its financing activities through its capital management process.

The Company holds sufficient cash and cash equivalents and working capital, maintained through stringent cash flow management, to ensure sufficient liquidity is maintained. Maturity analysis of liabilities which are due in next twelve months can be summarized as follows:

	December 31, 2018	December 31, 2017
	$	$
Accounts payable and accrued liabilities	**3,500,232**	1,469,291
Long-term debt	**9,960**	10,160
	3,510,192	1,479,451

20. Financial instruments (continued)

Foreign currency risk

A large portion of the Company's transactions occur in a foreign currency (mainly in US dollars) and, therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its U.S. denominated trade receivables, accounts payable and cash. As at December 31, 2018, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would have resulted in an approximate $458,000 (2017 - $229,000) decrease or increase, respectively, in total loss and comprehensive loss.

Interest rate risk

The Company has no significant exposure as at December 31, 2018 to interest rate risk through its financial instruments.

21. Commitments

The future minimum lease payments for office space as at December 31, 2018 are as follows:

	$
Not later than one year	**36,225**
Later than one year and not later than five years	**38,640**
	74,865

22. Segment disclosures

The Company operates in one industry segment of digital media and entertainment. The majority of the Company's assets are located in Canada and the United States ("US"). The Company sells into three major geographic centers: United States of America ("USA"), Canada and other foreign countries. The Company has determined that it has a single reportable segment as the Company's decision makers review information on a consolidated basis.

Revenues for various services is summarized below for the year ended December 31, 2018 and 2017:

	2018	2017
	$	$
Advertising revenue	**9,741,785**	3,394,524
Ticket sales	**1,189,117**	-
Sponsorship revenue	**39,953**	-
	10,970,855	3,394,524

The sales, in Canadian dollars, in each of these geographic locations for the year ended December 31, 2018 and 2017 are as below:

	2018	2017
	$	$
USA	**5,649,933**	2,070,660
Canada	**1,798,412**	169,726
All other countries	**3,522,510**	1,154,138
	10,970,855	3,394,524

22. Segment disclosures (continued)

The non-current assets, in Canadian dollars, in each of the geographic locations as at December 31, 2018 and 2017 are below:

	December 31, 2018	December 31, 2017
	$	$
Canada	**1,166,690**	1,009,388
USA	**539,139**	-
	1,705,829	1,009,388

23. Subsequent events

(i) In April 2019, the Company granted 955,000 stock options to purchase common shares of the Company to employees, management, officers and consultants of the Company. Each of the stock options issued will be exercisable at $1.25 and has a term of five years. All stock options granted are pursuant to the Company's Stock Option Plan (the "Plan") and shall vest and become fully exercisable as one-third on the date of grant, one-third on the first anniversary and the remaining one-third on the second anniversary of the date of grant (subject to a longer vesting period for certain new employees in the discretion of the Chief Executive Officer of the Corporation).

(ii) In April 2019, the Company has through a wholly-owned subsidiary, signed a definitive agreement to purchase 20% of the issued and outstanding shares ("Purchased Shares") in Waveform Entertainment Inc. ("Waveform") for an aggregate consideration of $1,680,000 (the "Subscription Price"). Waveform is a leading esports broadcast and production company specializing in the organization of premium esports tournaments world-wide. Enthusiast has also secured an irrevocable option, at its sole discretion, to acquire a 100% interest in Waveform. (the "Buy-Out Option").

The Purchased Shares will be purchased pursuant to the terms of a share subscription agreement (the "Agreement"), among Waveform and a wholly owned subsidiary of Enthusiast created for the purpose of the transaction. Pursuant to the Agreement, Enthusiast agreed to purchase the Purchased Shares in three tranches: (i) on April 4, 2019, Enthusiast purchased 40.5% of the Purchased Shares for a portion of the Subscription Price, being $680,000.00; (ii) Enthusiast agreed to purchase, on or before (as decided by Enthusiast) October 4, 2019, 29.75% of the Purchased Shares for a portion of the Subscription Price, being $500,000.00; and (iii) Enthusiast agreed to purchase, on or before (as decided by Enthusiast) June 3, 2020, 29.75% of the Purchased Shares for a portion of the Subscription Price, being $500,000.00.

Waveform and Enthusiast also entered into a Shareholders' Agreement for Waveform (the "Shareholders' Agreement"). The aggregate purchase price for all Waveform's shares, if the Buy-Out Option is exercised by Enthusiast shall be equal to the greater of: (i) four (4) times Waveform's gross revenue (as defined in the Shareholders' Agreement), multiplied by eighty percent (80%); or (ii) $7,680,000 (the "Option Purchase Price"). The Option Purchase Price will be subject to agreed adjustments. The purchase of the Purchased Shares on the two remaining tranches, as well as the exercise of the Buy-Out Option (if exercised by Enthusiast) are subject to obtainment of all applicable regulatory approvals (including by the TSX Venture Exchange).

(iii) In April 2019, the Company entered into a Senior Convertible Debenture Purchase Agreement (the "Agreement") to invest in Addicting Games Inc. ("Addicting Games"), one of the largest online game networks in the United States. Under the Agreement, Enthusiast will invest US$1.5 million by way of a 3-year secured convertible debenture (the "Debenture") with interest accruing at 2% per annum which is convertible into equity at the value of Addicting Games' next equity raise. Enthusiast invested in Addicting Games to capitalize on the rapidly growing .io games sector and a new niche of lifestyle gamer that the network currently doesn't reach.

23. Subsequent events (continued)

In January 2019, the Company through a wholly-owned subsidiary, signed a definitive agreement (the "Agreement") to acquire 100% of the assets of The Sims Resource ("TSR") from Generatorhallen AB and IBIBI HB (the "Vendors") on an arm's length basis for US$18 million in cash and US$2 million in common shares for an aggregate purchase price of US$20 million (the "Purchase Price"). Thirty percent (30%) of the Purchase Price is payable on closing and the balance payable by the first anniversary date of closing, subject to certain customary adjustments. Completion of this acquisition is subject to satisfaction of a number of customary conditions, including the approval of the TSX Venture Exchange. The acquisition closed on April 12, 2019. The Company is still in the process of gathering information to perform a preliminary purchase price allocation.