UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______to _______

Commission file number: 001-39389

GAMESQUARE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**99-1946435** **(IRS Employer Identification No.)**

6775 Cowboys Way, Ste. 1335
Frisco, Texas, USA 75034
(Address of principal executive offices) (Zip Code)

(216) 464-6400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.0001 par value	GAME	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding on November 14, 2024**
Common Stock - $0.0001 par value	32,635,995

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Quarterly Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that involve substantial risks and uncertainties. These forward-looking statements depend upon events, risks and uncertainties that may be outside of our control. All statements other than statements of historical fact are forward-looking statements. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements include, without limitation, our expectations concerning the outlook for our business, productivity, plans and goals for future operational improvements and capital investments, operational performance, future market conditions or economic performance and developments in the capital and credit markets and expected future financial performance, as well as any information concerning possible or assumed future results of operations.

Forward-looking statements involve a number of risks, uncertainties and assumptions, and actual results or events may differ materially from those projected or implied in those statements. Important factors that could cause such differences include, but are not limited to:

- the sufficiency of our cash and investments to meet our liquidity needs;
- our limited operating history and uncertain future prospects and rate of growth due to our limited operating history, including our ability to implement business plans and other expectations;
- our ability to grow market share in our existing markets or any new markets we may enter;
- our ability to maintain and grow the strength of our brand reputation;
- the Company’s ability to achieve its objectives;
- our ability to manage our growth effectively;
- our ability to retain existing and attract new Esports professionals, content creators and influencers;
- our success in retaining or recruiting, or changes required in, our officers, directors and other key employees or independent contractors;
- our ability to maintain and strengthen our community of brand partners, engaged consumers, content creators, influencers and Esports professionals, and the success of our strategic relationships with these and other third parties;
- our ability to effectively compete within the industry;
- our presence on the internet and various third-party mass media platforms;
- risks related to data security and privacy, including the risk of cyber-attacks or other security incidents;
- risks resulting from our global operations;
- our ability to maintain the listing of our Common Stock on Nasdaq;
- our securities’ potential liquidity and trading, including that the price of our securities may be volatile;
- future issuances, sales or resales of our securities;
- the grant and future exercise of registration rights;

- our ability to secure future financing, if needed, and our ability to repay any future indebtedness when due;
- the ability of the Company to complete offerings on acceptable terms;
- the impact of the regulatory environment in our industry and complexities with compliance related to such environment, including our ability to comply with complex regulatory requirements;
- our ability to maintain an effective system of internal controls over financial reporting;
- our ability to respond to general economic conditions, including market interest rates;
- our ability to execute on future acquisitions, mergers or dispositions; and
- changes to accounting principles and guidelines.

We caution you not to rely on forward-looking statements, which reflect current beliefs and are based on information currently available as of the date a forward-looking statement is made. Forward-looking statements set forth herein speak only as of the date of this Quarterly Report on Form 10-Q. Forward-looking statements are not guarantees of performance. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Other sections of this report describe additional factors that could adversely affect our business, financial condition or results of operations. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements.

We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. In the event that any forward-looking statement is updated, no inference should be made that we will make additional updates with respect to that statement, related matters, or any other forward-looking statements except to the extent required by law. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. Any corrections or revisions and other important assumptions and factors that could cause actual results to differ materially from forward-looking statements may appear in our public filings with the U.S. Securities and Exchange Commission ("SEC"), which are or will be (as appropriate) accessible at www.sec.gov, and which you are advised to consult.

GAMESQUARE HOLDINGS, INC.
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GAMESQUARE HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2024	December 31, 2023
Assets		
Cash	$ 11,199,013	$ 2,945,373
Restricted cash	-	47,465
Accounts receivable, net	25,559,861	16,459,684
Government remittances	1,311,968	1,665,597
Contingent consideration, current	293,445	207,673
Promissory note receivable, current	341,378	-
Prepaid expenses and other current assets	3,046,798	916,740
Total current assets	41,752,463	22,242,532
Investment	2,673,472	2,673,472
Contingent consideration, non-current	-	293,445
Promissory note receivable	8,987,416	-
Property and equipment, net	455,690	2,464,633
Goodwill	22,783,315	16,303,989
Intangible assets, net	21,706,994	18,574,144
Right-of-use assets	2,743,255	2,159,693
Total assets	$ 101,102,605	$ 64,711,908
Liabilities and Shareholders' Equity		
Accounts payable	$ 28,968,243	$ 23,493,472
Accrued expenses and other current liabilities	13,232,256	5,289,149
Players liability account	-	47,465
Deferred revenue	2,082,235	1,930,028
Current portion of operating lease liability	741,462	367,487
Line of credit	4,321,038	4,518,571
Convertible debt carried at fair value	8,850,282	-
Warrant liability	20,605	102,284
Arbitration reserve	176,416	428,624
Total current liabilities	58,392,537	36,177,080
Convertible debt carried at fair value	-	8,176,928
Operating lease liability	2,234,377	1,994,961
Total liabilities	60,626,914	46,348,969
Commitments and contingencies (Note 14)		
Preferred stock (no par value, unlimited shares authorized, zero shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively)	-	-
Common stock (no par value, unlimited shares authorized, 31,586,409 and 12,989,128 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively)	-	-
Additional paid-in capital	117,883,238	91,915,169
Accumulated other comprehensive loss	241,106	(132,081)
Non-controlling interest	18,130,467	-
Accumulated deficit	(95,779,120)	(73,420,149)
Total shareholders' equity	40,475,691	18,362,939
Total liabilities and shareholders' equity	$ 101,102,605	$ 64,711,908

See accompanying notes to Condensed Consolidated Financial Statements.

GAMESQUARE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Revenue	$ 26,413,226	$ 11,501,446	$ 72,728,415	$ 25,653,411
Cost of revenue	21,171,114	8,989,706	59,858,943	19,074,708
Gross profit	5,242,112	2,511,740	12,869,472	6,578,703
Operating expenses:				
General and administrative	6,180,523	4,734,909	18,233,771	11,605,255
Selling and marketing	2,202,182	1,465,378	6,856,774	3,947,100
Research and development	804,258	439,822	2,370,927	1,100,791
Depreciation and amortization	803,687	571,972	2,513,882	1,295,669
Restructuring charges	382,983	92,334	506,829	386,620
Other operating expenses	1,287,223	688,935	3,375,360	2,186,916
Total operating expenses	11,660,856	7,993,350	33,857,543	20,522,351
Loss from continuing operations	(6,418,744)	(5,481,610)	(20,988,071)	(13,943,648)
Other income (expense), net:				
Interest expense	(54,106)	(209,237)	(681,491)	(354,561)
Loss on debt extinguishment	(1,032,070)	-	(1,032,070)	-
Change in fair value of convertible debt carried at fair value	(98,937)	86,127	357,822	541,136
Change in fair value of warrant liability	26,482	133,216	79,382	1,844,094
Arbitration settlement reserve	113,583	212,234	252,208	951,878
Other income (expense), net	(478)	(227,201)	(4,066,022)	(189,307)
Total other income (expense), net	(1,045,526)	(4,861)	(5,090,171)	2,793,240
Loss from continuing operations before income taxes	(7,464,270)	(5,486,471)	(26,078,242)	(11,150,408)
Income tax benefit	-	11,469	-	16,496
Net loss from continuing operations	(7,464,270)	(5,475,002)	(26,078,242)	(11,133,912)
Net income (loss) from discontinued operations	(145)	423,303	1,349,738	(2,347,244)
Net loss	(7,464,415)	(5,051,699)	(24,728,504)	(13,481,156)
Net loss attributable to non-controlling interest	1,979,943	-	2,369,533	-
Net loss attributable to attributable to GameSquare Holdings, Inc.	$ (5,484,472)	$ (5,051,699)	$ (22,358,971)	$ (13,481,156)
Comprehensive loss, net of tax:				
Net loss	$ (7,464,415)	$ (5,051,699)	$ (24,728,504)	$ (13,481,156)
Change in foreign currency translation adjustment	360,004	212,040	373,187	100,687
Comprehensive loss	(7,104,411)	(4,839,659)	(24,355,317)	(13,380,469)
Comprehensive income attributable to non-controlling interest	1,979,943	-	2,369,533	-
Comprehensive loss	$ (5,124,468)	$ (4,839,659)	$ (21,985,784)	$ (13,380,469)
Income (loss) per common share attributable to GameSquare Holdings, Inc. - basic and assuming dilution:				
From continuing operations	$ (0.18)	$ (0.45)	$ (0.90)	$ (1.06)
From discontinued operations	(0.00)	0.03	0.05	(0.22)
Loss per common share attributable to GameSquare Holdings, Inc. - basic and assuming dilution	$ (0.18)	$ (0.42)	$ (0.85)	$ (1.28)
Weighted average common shares outstanding - basic and diluted	31,270,253	12,131,409	26,378,453	10,510,845

See accompanying notes to Condensed Consolidated Financial Statements.

GAMESQUARE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

	Common stock		Additional paid-in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Non-controlling interest	Shareholders' equity
	Shares	Par value					
Balance, January 1, 2024	12,989,128	$ -	$ 91,915,169	$ (132,081)	$ (73,420,149)	$ -	$ 18,362,939
Acquisition of Faze Clan	10,132,884	-	14,587,000	-	-	-	14,587,000
Private placements, net of issuance costs	7,194,244	-	9,865,058	-	-	-	9,865,058
Conversion of convertible debt	103,594	-	107,527	-	-	-	107,527
Shares issued to settle outstanding amounts payable	80,000	-	100,000	-	-	-	100,000
Restricted share units exercised	1,086,559	-	20,000	-	-	-	20,000
Non-controlling interest in Faze Media, Inc.	-	-	-	-	-	20,500,000	20,500,000
Share-based compensation - options and RSUs	-	-	1,288,484	-	-	-	1,288,484
Other comprehensive income	-	-	-	373,187	-	-	373,187
Net loss	-	-	-	-	(22,358,971)	(2,369,533)	(24,728,504)
Balance, September 30, 2024	31,586,409	$ -	$117,883,238	$ 241,106	$ (95,779,120)	$18,130,467	$ 40,475,691
Balance, January 1, 2023	6,352,270	$ -	$ 49,672,443	$ (269,053)	$ (42,137,722)	$ -	$ 7,265,668
Impact of rounding down after exchange for GSQ Esports	(70)	-	-	-	-	-	-
Issuance of common shares to settle contingent consideration	29,359	-	-	-	-	-	-
Acquisition of Engine	6,380,083	-	41,044,000	-	-	-	41,044,000
Reclassification of GSQ Esports Inc. warrants to warrant liability	-	-	(900,818)	-	-	-	(900,818)
Common shares issued upon vesting of RSUs	125,148	-	-	-	-	-	-
Shares issued to settle outstanding amounts payable	9,109	-	66,154	-	-	-	66,154
Shares issued for legal settlements	29,929	-	183,187	-	-	-	183,187
Share-based compensation - options and RSUs	-	-	1,288,292	-	-	-	1,288,292
Other comprehensive loss	-	-	-	100,687	-	-	100,687
Net loss	-	-	-	-	(13,481,156)	-	(13,481,156)

Balance, September 30, 2023	12,925,828	$ -	$ 91,353,258	$ (168,366)	$ (55,618,878)	$ -	$ 35,566,014

See accompanying notes to Condensed Consolidated Financial Statements.

GAMESQUARE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (24,728,504)	$ (13,481,156)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization and depreciation	2,740,431	2,367,539
Amortization of operating lease right-of-use assets	348,224	282,474
Shares issued for legal settlements	-	187,105
Gain on disposition of Complexity	(3,009,891)	-
Loss on disposition of assets	3,764,474	-
Loss on extinguishment of debt	1,032,070	-
Gain on settlement of patent litigation	-	(635,480)
Accretion of promissory note receivable	(533,869)	-
Change in fair value of contingent consideration	(42,327)	-
Change in fair value of warrant liability	(79,382)	(1,844,094)
Change in fair value of arbitration reserve	(252,208)	(951,878)
Change in fair value of convertible debt carried at fair value	(357,822)	(541,136)
Income tax recovery	-	(16,496)
Change in deferred tax balances	-	-
Share-based compensation	1,288,484	1,288,292
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,438,866)	903,822
Government remittances	1,972	(151,118)
Prepaid expenses and other current assets	(971,504)	176,019
Accounts payable, accrued expenses and other current liabilities	671,717	2,460,308
Deferred revenue	(1,475,136)	3,757
Operating lease liability	(318,395)	(253,403)
Net cash used in operating activities	(25,360,532)	(10,205,445)
Cash flows from investing activities:		
Purchase of property and equipment	(5,117)	-
Purchase of intangible assets	(60,000)	-
Cash acquired in Engine acquisition	-	11,278,691
Cash acquired in Faze Clan acquisition	2,406,812	-
Disposal of Frankly Media assets	35,500	-
Disposal of Complexity, net of cash disposed	328,284	-
Net cash provided by investing activities	2,705,479	11,278,691
Cash flows from financings activities:		
Proceeds from private placements	10,000,000	-
Payment of equity issuance costs	(134,942)	-
Non-controlling interest in Faze Media, Inc.	20,500,000	-
Proceeds (repayments) on promissory notes, net	-	185,397
Repayment of borrowings on credit facility	-	(825,510)
Proceeds from issuance of convertible debt	6,045,000	-
Repayment of principal on convertible debt	(5,800,000)	-
Proceeds (repayments) on line of credit, net	(197,533)	1,036,516
Net cash provided by financing activities	30,412,525	396,403
Effect of exchange rate changes on cash and restricted cash	448,703	3
Net increase (decrease) in cash and restricted cash	8,206,175	1,469,652
Cash and restricted cash, beginning of period	2,992,838	977,413
Cash and restricted cash, end of period	$ 11,199,013	$ 2,447,065

See accompanying notes to Condensed Consolidated Financial Statements.

GAMESQUARE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(unaudited)

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Supplemental disclosure with respect to cash flows:		
Cash paid for interest expense	$ 1,074,609	$ 325,150
Cash paid for income taxes	-	-
Operating lease payments in operating cash flows	471,222	407,224
Supplemental disclosure of non-cash investing and financing activities:		
Disposition of Complexity in exchange for promissory note receivable	$ 7,125,628	$ -
Shares, options, and warrants issued for acquisition of FaZe	14,587,000	-
Reclassification of GSQ Esports Inc. warrants to warrant liability	-	900,818
Shares issued to settle legal and other amounts payable	-	249,341

Reconciliation of cash and restricted cash:

	September 30, 2024	December 31, 2023
Cash	$ 11,199,013	$ 2,945,373
Restricted cash	-	47,465
Cash and restricted cash shown in the consolidated statements of cash flows	$ 11,199,013	$ 2,992,838

GAMESQUARE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Corporate information and going concern

(a) Corporate information

GameSquare Holdings, Inc. (“GameSquare” or the “Company”) is a corporation existing under the laws of the State of Delawre as of March 7, 2024 (and was a corporation existing under the Business Corporations Act (Province of British Columbia) prior to March 7, 2023). The registered head office of the Company is 6775 Cowboys Way, Ste. 1335, Frisco, Texas, USA, 75034.

GameSquare, completed its Plan of Merger (the “Merger”) with FaZe Holdings, Inc. (“FaZe”) on March 7, 2024, resulting in the Company acquiring all the issued and outstanding securities of FaZe (see Note 4).

GameSquare is a vertically integrated, digital media, entertainment and technology company that connects global brands with gaming and youth culture audiences. GameSquare’s end-to-end platform includes Gaming Community Network (“GCN”), a digital media company focused on gaming and esports audiences, Swingman LLC dba as Zoned, a gaming and lifestyle marketing agency, Code Red Esports Ltd. (“Code Red”), a UK based esports talent agency, FaZe Holdings Inc. (“FaZe”), a lifestyle and media platform rooted in gaming and youth culture whose premium brand, talent network, and large audience can be monetized across a variety of products and services, GSQ dba as Fourth Frame Studios, a creative production studio, Mission Supply, a merchandise and consumer products business, Frankly Media, programmatic advertising, Stream Hatchet, live streaming analytics, and Sideqik a social influencer marketing platform.

(b) Going concern

These accompanying 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 unaudited condensed 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 ultimately attain profit levels of operations.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in an accumulated deficit of $95.8 million as of September 30, 2024 ($73.4 million as of December 31, 2023). The recoverability of the carrying value of the assets and the Company’s continued existence is dependent upon the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute its business strategy or be successful in future financing activities. As of September 30, 2024, the Company had a working capital deficiency of $16.6 million (as of December 31, 2023, a working capital deficiency of $13.9 million) which is comprised of current assets less current liabilities.

These conditions indicate the existence of a material uncertainty that cast significant doubt about the Company’s ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

2. Significant accounting policies

(a) Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared following generally accepted accounting principles in the United States of America ("GAAP") for interim financial reporting and the rules and regulations of the SEC for interim reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for audited financial statements. The balance sheet as of December 31, 2023 was derived from the Company's audited consolidated financial statements but does not include all disclosures required by GAAP for annual financial statements. In management's opinion, the interim information contains all adjustments, which include normal recurring adjustments necessary for a fair statement of the results for the interim periods. The footnote disclosures related to the interim financial information contained herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto for the year ended December 31, 2023, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on April 16, 2024, and amended on April 30, 2024 (the "2023 Form 10-K").

(b) Principles of consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company, all wholly owned and majority-owned subsidiaries in which the Company has a controlling voting interest and, when applicable, variable interest entities in which the Company has a controlling financial interest or is the primary beneficiary. Investments in affiliates where the Company does not exert a controlling financial interest are not consolidated.

All significant intercompany transactions and balances have been eliminated upon consolidation.

The Company's material subsidiaries as of September 30, 2024, are as follows:

Name of Subsidiary	Country of Incorporation	Ownership Percentage	Functional Currency
Frankly Media LLC	USA	100.00%	US Dollar
Stream Hatchet S.L.	Spain	100.00%	Euro
Code Red Esports Ltd.	United Kingdom	100.00%	UK Pound
GameSquare Esports (USA) Inc. (dba as Fourth Frame Studios)	USA	100.00%	US Dollar
GCN Inc.	USA	100.00%	US Dollar
Faze Clan Inc.	USA	100.00%	US Dollar
Faze Media Inc.	USA	25.50%	US Dollar
Swingman LLC (dba as Zoned)	USA	100.00%	US Dollar
Mission Supply LLC	USA	100.00%	US Dollar
SideQik, Inc.	USA	100.00%	US Dollar

(c) Use of estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management evaluates these estimates and judgments on an ongoing basis and bases its estimates on historical experience, current and expected future conditions, third-party evaluations and various other assumptions that management believes are reasonable under the circumstances. Significant estimates have been used by management in conjunction with the following: (i) valuation of warrant liabilities; (ii) valuation of convertible debt; (iii) contingent liabilities; (iv) share-based compensation; (v) assumptions used in business combinations; and (vi) testing for impairment of long-lived assets and goodwill. Actual results may differ from the estimates and assumptions used in the consolidated financial statements.

(d) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control of its services to a customer.

There were no significant changes in the satisfaction of performance obligations in contracts with customer and related revenue recognition policies for the nine months ended September 30, 2024. The following describes the revenue recognition policies for the revenue streams the Company acquired as a result of the Merger (see Note 4):

Brand Sponsorships

The Company offers advertisers a full range of promotional vehicles, including but not limited to online advertising, livestream announcements, event content generation, social media posts, logo placement on the Company's official merchandise, and special appearances of members of the Company's talent roster. The Company's brand sponsorship agreements may include multiple services that are capable of being individually distinct; however the intended benefit is an association with the Company's brand, and the services are not distinct within the context of the contracts. Revenues from brand sponsorship agreements are recognized ratably over the contract term. Payment terms and conditions vary, but payments are generally due periodically throughout the term of the contract. In instances where the timing of revenue recognition differs from the timing of billing, management has determined the brand sponsorship agreements generally do not include a significant financing component.

Content

The Company and its talent roster generate and produce original content which the Company monetizes through Google's AdSense service. Revenue is variable and is earned when the visitor views or "clicks through" on the advertisement. The amount of revenue earned is reported to the Company monthly and is recognized upon receipt of the report of viewership activity. Payment terms and conditions vary, but payments are generally due within 30 to 45 days after the end of each month.

The Company grants exclusive licenses to customers for certain content produced by the Company's talent. The Company grants the customer a license to the intellectual property, which is the content and its use in generating advertising revenues, for a pre-determined period, for an amount paid by the customer, in most instances, upon execution of the contract. The Company's only performance obligation is to license the content for use in generating advertising revenues, and the Company recognizes the full contract amount at the point at which the Company provides the customer access to the content, which is at the execution of the contract. The Company has no further performance obligations under these types of contracts and does not anticipate generating any additional revenue from these arrangements apart from the contract amount.

Consumer Products

The Company earns consumer products revenue from sales of the Company's consumer products on the Company's website or at live or virtual events. Revenues are recognized at a point in time, as control is transferred to the customer upon shipment. The Company offers customer returns and discounts through a third-party distributor and accounts for this as a reduction to revenue. The Company does not offer loyalty programs or other sales incentive programs that are material to revenue recognition. Payment is due at the time of sale. The Company has outsourced the design, manufacturing, fulfillment, distribution, and sale of the Company's consumer products to a third party in exchange for royalties based on the amount of revenue generated. Management evaluated the terms of the agreement to determine whether the Company's consumer products revenues should be reported gross or net of royalties paid. Key indicators that management evaluated in determining whether the Company is the principal in the sale (gross reporting) or an agent (net reporting) include, but are not limited to:

- the Company is the party that is primarily responsible for fulfilling the promise to provide the specified good or service,
- the Company has inventory risk before the good is transferred to the customer, and
- the Company is the party that has discretion in establishing pricing for the specified good or service.

Based on management's evaluation of the above indicators, the Company reports consumer products revenues on a gross basis.

Esports

League Participation: Generally, The Company has one performance obligation—to participate in the overall Esport event—because the underlying activities do not have standalone value absent the Company's participation in the tournament or event. Revenue from prize winnings and profit-share agreements is variable and is highly uncertain. The Company recognizes revenue at the point in time when the uncertainty is resolved.

Player Transfer Fees: Player transfer agreements include a fixed fee and may include a variable fee component. The Company recognizes the fixed portion of revenue from transfer fees upon satisfaction of the Company's performance obligation, which coincides with the execution of the related agreement. The variable portion of revenue is considered highly uncertain and is recognized at the point in time when the uncertainty is resolved.

Licensing of Intellectual Property: The Company's licenses of intellectual property generate royalties that are recognized in accordance with the royalty recognition constraint. That is, royalty revenue is recognized at the time when the sale occurs.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

Deferred revenue consists of customer advances for Company services to be rendered that will be recognized as income in future periods.

(e) Cash and restricted cash

The Company maintains cash deposits with major banks, financial institutions, and other custodians. Deposits at each financial institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC"). At times cash balances held at financial institutions are more than FDIC insured limits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash for the purpose of the statement of cash flows. Restricted cash is related to the players liability account within current liabilities and is presented as a separate category on the consolidated balance sheets and cash restricted for purposes of securing a standby letter of credit covering lease deposits.

(f) Promissory note receivable and allowance for credit losses

The Company received a secured subordinated promissory note as part of the purchase consideration received for the sale of Complexity and sale of Frankly Media assets (see Note 4). The promissory note receivable is classified as not held-for-sale and measured at amortized cost, net of any allowance for credit losses, in accordance with ASC 310, *Receivables*. The Company maintains an allowance for expected credit losses to reflect the expected collectability of the promissory note receivable based on historical collection data and specific risks identified, as well as management's expectation of future economic conditions. At each reporting date the Company assesses whether the credit risk on its promissory note receivable has increased significantly since initial recognition.

The promissory note receivable was initially recorded at its transaction closing date fair value on March 1, 2024 (Sale of Complexity) and on May 31, 2024 (Sale of Frankly Media assets) (see Note 4) and no allowance for credit losses had been recognized as of September 30, 2024.

(g) Concentration of credit risk

The Company places its cash, which may at times be in excess of United States' Federal Deposit Insurance Corporation insurance limits, with high credit quality financial institutions and attempts to limit the amount of credit exposure with any one institution.

The Company had one customer whose revenue accounted for approximately 47% and 47% of total revenue for the nine months ended September 30, 2024 and 2023, respectively.

One customer individually accounted for more than 10% of the Company's accounts receivable as of September 30, 2024, and no customer as of December 31, 2023.

(h) Segment reporting

In accordance with the ASC 280, *Segment Reporting*, the Company's Chief Operating Decision Maker ("CODM") has been identified as the Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company.

The CODM uses gross profit, as reviewed at periodic business review meetings, as the key measure of the Company's results as it reflects the Company's underlying performance for the period under evaluation to determine resource allocation. As of September 30, 2024, the Company is organized into the three operating segments, which also represent its three reportable segments: Teams, Agency and Software-as-service (SaaS) + Advertising.

ASC 280 establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products and services, major customers, and the countries in which the entity holds material assets and reports revenue.

3. Recent accounting pronouncements

(a) Pending adoption

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 requires that public business entities must annually (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). This ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The ASU is to be applied prospectively. Retroactive application is permitted. The Company has not early adopted and continues to evaluate the impact of the provisions of ASU 2023-09 on its consolidated financial statements.

(b) Adopted

In November 2023, the FASB issued ASU No 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 is intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The provisions of ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance will be applied retrospectively to all periods presented in the financial statements. ASU 2023-07 will be applicable for the Company's financial statements for the year ended December 31, 2024. Management is currently evaluating and understanding the requirements under this new standard.

4. Acquisitions and divestitures

(a) FaZe Merger

On March 7, 2024, the Company completed its acquisition of FaZe (the Merger). Prior to the Merger, the Company created GameSquare Merger Sub I, Inc. ("Merger Sub") to effect the Merger. As a result of the Merger, Merger Sub merged with FaZe, with FaZe continuing as the surviving corporation and as a wholly-owned subsidiary of the Company.

The Company acquired all issued and outstanding FaZe common shares in exchange for 0.13091 of a GameSquare common share for each FaZe common share (the "Exchange Ratio"). All outstanding FaZe equity awards and warrants to purchase shares of FaZe common stock were acquired and exchanged for GameSquare equity awards and warrants to purchase GameSquare common stock on substantially the same terms, with exercise prices, where applicable, and shares issuable adjusted for the Exchange Ratio.

The Company incurred transaction costs of $1.4 million associated with the Merger. All such costs were expensed as incurred. The net loss attributed to FaZe's operations from the acquisition date to September 30, 2024, was $4.7 million, with revenue of $25.3 million.

The Merger was accounted for using the acquisition method of accounting under ASC 805, *Business Combinations*, which requires that the Company recognize the identifiable assets acquired and the liabilities assumed at their fair values on the date of acquisition. The estimated fair values are preliminary and based on the information that was available as of that date.

The following preliminary table summarizes the consideration for the acquisition:

Purchase consideration	**Number of shares**		**Amount**
Common shares	10,132,884	$	12,763,000
Warrants - Equity	775,415		26,000
Options - Vested	1,169,619		1,256,000
RSUs / RSAs - Vested	413,988		542,000
Total purchase price	12,491,906	$	14,587,000

The preliminary purchase price allocation is as follows:

Purchase price allocation		**Amount**
Cash	$	1,806,747
Restricted cash		600,065
Accounts receivable, net		7,933,515
Prepaid expenses and other current assets		1,158,554
Property and equipment		773,893
Goodwill		7,147,428
Intangible assets		12,000,000
Total assets acquired		31,420,202
Accounts payable		8,067,850
Accrued liabilities		6,844,817
Deferred revenue		1,920,535
Total liabilities assumed		16,833,202
Net assets acquired	$	14,587,000

Measurement period adjustments

Where provisional values are used in accounting for a business combination, they may be adjusted in subsequent periods, not to exceed twelve months. The primary areas that are subject to change relate to the fair value of the purchase consideration transferred and purchase price allocations related to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired during the measurement periods.

Goodwill

The difference between the estimated acquisition date fair value of the consideration transferred and the estimated values assigned to the assets acquired and liabilities assumed represents goodwill of $7.1 million.

The goodwill recorded represents the following:

- Cost savings and operating synergies expected to result from combining the operations of FaZe with those of the Company.
- Intangible assets that do not qualify for separate recognition such as the assembled workforce.

Goodwill arising from the Merger is expected to be deductible for tax purposes.

(b) Sale of Complexity

On March 1, 2024, the Company, through its wholly owned subsidiary GameSquare Esports (USA), Inc., entered into a Membership Interest Purchase Agreement (the “MIPA”) to sell all of the issued and outstanding equity interest of NextGen Tech, LLC (“Complexity”) to Global Esports Properties, LLC (the “Buyer”) (the “Transaction”).

Pursuant to the MIPA, Buyer paid the Company aggregate purchase consideration with a Transaction closing date fair value of $7.9 million in exchange for the equity interests of Complexity, including $0.8 million paid in cash upon closing of the transaction and issuance of a secured subordinated promissory note (the “Note”) with a Transaction closing date fair value of $7.1 million. The Note was valued using a discount rate of 15% (Level 3).

As a result of the Transaction, during the nine months ended September 30, 2024, Complexity met the requirements to be reported as discontinued operations (see Note 17). The Company recognized a gain of $3.0 million in net income (loss) from discontinued operations in the consolidated statements of operations and comprehensive loss after offsetting the consideration received with the carrying value of the disposed assets and liabilities. Complexity assets and liabilities disposed had a net carrying value of $4.9 million and consist primarily of $2.6 million of accounts receivable, $2.2 million of property and equipment, and $1.8 million of intangible assets, partially offset by $0.8 million of accounts payable $1.4 million of accrued liabilities.

The Note has a principal amount of $9.5 million and bears interest at 3.0% per annum. The principal amount of the Note, together with all accrued interest, is due on February 28, 2027. The Note is secured by assets of the Buyer pursuant to a Security Agreement executed in conjunction with the MIPA between the Company and the Buyer.

(c) Frankly Media asset disposal

On May 31, 2024, the Company, through its wholly owned subsidiary Frankly Media LLC (“Frankly”), entered into an Asset Purchase Agreement (the “UNIV APA”) to sell the producer content management software platform and associated software technology (“CMS Assets”) of Frankly to UNIV, Ltd (“UNIV”) (the “UNIV Asset Sale”).

Pursuant to the UNIV APA, UNIV paid the Company aggregate purchase consideration with a transaction closing date fair value of $1.2 million in exchange for the CMS Assets, including $25 thousand paid in cash upon closing of the transaction and issuance of a secured subordinated promissory note (the “UNIV Note”) with a transaction closing date fair value of $1.2 million. The UNIV Note was valued using a discount rate of 13.7% (Level 3).

Additionally on May 31, 2024, the Company, through its wholly owned subsidiary Frankly, entered into an Asset Purchase Agreement (the “XPR APA”) to sell the press release and content distribution service assets (the “PR Assets”) of Frankly to XPR Media LLC (“XPR”) (the “XPR Asset Sale” and, collectively with the UNIV Asset Sale, the “Frankly Asset Sales”).

Pursuant to the XPR APA, XPR paid the Company aggregate purchase consideration with a transaction closing date fair value of $0.6 million in exchange for the PR Assets, including $10.5 thousand paid in cash upon closing of the transaction and issuance of a secured subordinated promissory note (the “XPR Note”) with a transaction closing date fair value of $0.5 million. The XPR Note was valued using a discount rate of 13.7% (Level 3).

As a result of the Frankly Asset Sales during the nine months ended September 30, 2024, the Company recognized a loss of $3.8 million in Other income (expense), net in the consolidated statements of operations and comprehensive loss after offsetting the consideration received with the carrying value of the disposed assets.

The UNIV Note has a principal amount of $1.5 million, inclusive of the $25 thousand paid in cash upon closing. The principal amount of the UNIV Note will be repaid in monthly installments, beginning August 2024. Monthly principal payments will be $25 thousand from August 2024 to June 2025, $45 thousand from July 2025 to June 2026, and $55 thousand from July 2026 to final maturity on June 30, 2027. The UNIV Note is secured by assets of the UNIV pursuant to a Security Agreement executed in conjunction with the UNIV APA between the Company and UNIV.

The XPR Note has a principal amount of $0.7 million, inclusive of the $10.5 thousand paid in cash upon closing. The principal amount of the XPR Note will be repaid in monthly installments, beginning August 2024. Monthly principal payments will be $12.5 thousand from August 2024 to June 2025, $20 thousand from July 2025 to June 2026, and $26 thousand from July 2026 to final maturity on June 30, 2027. The XPR Note is secured by all rights of XPR to customer agreements and publisher agreements pursuant to a Security Agreement executed in conjunction with the XPR APA between the Company and XPR.

(d) Faze Media, Inc. asset contribution

On May 2, 2024, the Company created FaZe Media, Inc. (“Faze Media”). On May 15, 2024, the Company entered into a business venture with Gigamoon Media, LLC (“Gigamoon”). As part of this venture, the Company contributed certain media assets of Faze Clan, Inc. to Faze Media and Gigamoon invested $11.0 million in Faze Media in exchange for 11,000,000 shares of Series A-2 Preferred Stock of Faze Media, 49% of Faze Media’s voting equity interests, pursuant to a Securities Purchase Agreement (the “SPA”). The Company was issued 11.45 million shares of Series A-1 Preferred Stock of Faze Media, 51% of Faze Media’s voting equity interests.

On June 17, 2024, the Company entered into an agreement to sell 5,725,000 of its 11,450,000 shares of Series A-1 Preferred Stock of Faze Media to M40A3 LLC (“M4”) in exchange for $9.5 million (the “Secondary SPA”). The first 2,862,500 share tranche was issued on June 17, 2024 for consideration of $4.75 million and the remaining 2,862,500 was issued on August 15, 2024 for consideration of $4.75 million.

Contemporaneous with the execution of the Secondary SPA, the Company and M4 entered into a Limited Proxy and Power of Attorney with respect to all of the shares of Series A-1 Preferred Stock of Faze Media held by M4 (the “Faze Media Voting Proxy”).

Faze Media is not a variable interest entity. Due to the Faze Media Voting Proxy, the Company maintains a controlling financial interest in Faze Media and Faze Media is a consolidated subsidiary of the Company as of September 30, 2024. The Preferred Stock of Faze Media held by M4 and Gigamoon represent a non-controlling interest of the Company. Upon termination of the Faze Media Voting Proxy, the Company will reassess whether it continues to have a controlling financial interest in Faze Media.

As a result of the above transactions, the Company recorded a non-controlling interest in Faze Media, Inc. of $20.5 million, the sum of cash consideration received, within the consolidated statements of stockholders’ equity.

5. Goodwill and intangible assets

(a) Goodwill

The following table presents the changes in the carrying amount of goodwill:

Balance, December 31, 2023	$	16,303,989
Acquisition of FaZe		7,147,428
Disposal of Frankly Media assets		(668,102)
Balance, September 30, 2024	$	22,783,315

Goodwill resulting from the acquisition of FaZe was allocated to the Teams operating and reportable segment.

There were no impairment charges related to goodwill incurred during the nine months ended September 30, 2024 and 2023, respectively.

(b) Intangible assets

Intangible assets consist of the following:

	As of September 30, 2024			
	Original cost	Accumulated amortization	Accumulated impairment losses	Carrying value
Customer relationships	$ 14,161,503	$ (2,102,472)	$ (472,018)	$ 11,587,013
Talent network	$ 1,100,000	$ (320,833)	-	779,167
Brand name	9,647,323	(1,387,015)	(229,405)	8,030,903
Software	1,830,000	(520,089)	-	1,309,911
Total intangible assets	$ 26,738,826	$ (4,330,409)	$ (701,423)	$ 21,706,994

	As of December 31, 2023			
	Original cost	Accumulated amortization	Accumulated impairment losses	Carrying value
Customer relationships	$ 11,006,154	$ (1,483,331)	$ (472,018)	$ 9,050,805
Brand name	8,963,557	(3,115,265)	(229,405)	5,618,887
Software	4,560,400	(655,948)	-	3,904,452
Total intangible assets	$ 24,530,111	$ (5,254,544)	$ (701,423)	$ 18,574,144

The Company recognized amortization expense for intangible assets of $2.2 million and $1.8 million for the nine months ended September 30, 2024 and 2023, respectively.

Amortization expense for the intangible assets is expected to be as follows over the next five years, and thereafter:

Remainder of 2024	$ 638,030
2025	2,525,611
2026	1,801,360
2027	1,448,750
2028	1,254,161
Thereafter	14,039,082
Total estimated amortization expense	$ 21,706,994

There were no impairment charges related to other intangible assets incurred during the nine months ended September 30, 2024 and 2023, respectively.

6. Leases

On June 30, 2021, the Company acquired Complexity. Complexity leased a building in Frisco, Texas. Upon the sale of Complexity (see Note 4), the lease was assigned to GameSquare Esports (USA), Inc. and the Company entered into an agreement to sublease the building to Complexity for a 12-month period. The lease has an original lease period expiring in April 2029. The lease agreement does not contain any material residual value guarantees or material restrictive covenants.

On April 1, 2024, GameSquare Holdings, Inc. leased a building in Culver City, CA, which it later assigned to Faze Media Inc. on May 15, 2024. The lease has an original lease period expiring in March 2027. The lease agreement does not contain any material residual value guarantees or material restrictive covenants.

The components of operating lease expense are as follows:

	Three months ended September 30,		Nine months ended September 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Operating lease expense	229,509	135,772	501,052	407,315	271,543	271,543
Variable lease expense	105,513	64,449	230,023	196,498	124,510	132,049
Total operating lease costs	335,022	200,221	731,075	603,813	396,053	403,592

As of September 30, 2024, the remaining lease-term and discount rate on the Frisco, TX lease was 4.6 years and 8.3%, respectively. As of September 30, 2024, the remaining lease-term and discount rate on the Culver City, CA lease was 2.5 years and 7.0%, respectively.

Maturities of the lease liability are as follows:

Remainder of 2024	$	229,251
2025		932,475
2026		937,632
2027		643,764
2028		545,808
Thereafter		181,936
Total lease payments		3,470,866
Less: Interest		(495,027)
Total lease liability	$	2,975,839

7. Line of credit

On September 14, 2023, the Company entered into an accounts receivable financing and security agreement with a maximum availability of $10.0 million for a three-year term with SLR Digital Finance, LLC (the "LOC"). The LOC matures on September 14, 2026. Interest accrues on the outstanding principal amount of the LOC at a rate equal to the greater of Prime plus 4.00% or 9.50%, per annum. The terms of the LOC provide for the lender to fund 85% of the purchased accounts receivable and it includes various service fees.

As of September 30, 2024, the outstanding principal, and unpaid accrued interest, on the LOC was $4.3 million. During the nine months ended September 30, 2024 and 2023, the Company recognized interest expense of $0.7 million and $0.1 million, respectively, on the outstanding LOC principal balance.

8. Convertible debt

Yorkville CD and SEPA

On July 8, 2024, the Company entered into a Standby Equity Purchase Agreement ("SEPA") with YA II PN, LTD, a Cayman Islands exempt limited partnership ("Yorkville"), pursuant to which the Company has the right to sell to Yorkville up to $20.0 million of its shares of common stock, par value $0.0001 per share, subject to certain limitations and conditions set forth in the SEPA.

Each advance the Company requests in writing to Yorkville under the SEPA may be for a number of shares of common stock up to the greater of (i) 500,000 shares or (ii) such amount as is equal to 100% of the average daily volume traded of the common stock during the five trading days immediately prior to the date the Company requests each advance. The shares of common stock purchased pursuant to an advance delivered by the Company will be purchased at a price equal to 97% of the lowest daily VWAP of the shares of common stock during the three consecutive trading days commencing on the date of the delivery of the advance notice.

The SEPA will automatically terminate on the earliest to occur of (i) the 36-month anniversary of the date of the SEPA or (ii) the date on which the Company shall have made full payment of advances pursuant to the SEPA.

In connection with the execution of the SEPA, the Company paid a diligence fee in cash to Yorkville in the amount of $25,000. Additionally, the Company agreed to pay a commitment fee of $200,000 to Yorkville, payable as follows: (i) $100,000 payable within three days of the date of the SEPA, in the form of the issuance of 80,000 shares of common stock, and (ii) $100,000 payable on the three-month anniversary of the date of the SEPA, payable in either cash or in the form of an advance.

Additionally, Yorkville agreed to advance to the Company, in exchange for a convertible promissory note (the "Yorkville CD"), an aggregate principal amount of up to $6.5 million, which was funded on July 8, 2024. The purchase price for the Yorkville CD was 93.0% of the principal amount or $6.045 million. Interest shall accrue on the outstanding balance of the Yorkville CD at an annual rate equal to 0%, subject to an increase to 18% upon an event of default. The maturity date of the Yorkville CD will be 12 months after the issuance date. Yorkville may convert the convertible debenture into shares of common stock at any time at a conversion price equal to the lower of (i) $1.375 (the "Fixed Price") or (ii) a price per share equal to 93% of the lowest daily VWAP during the seven consecutive trading days immediately prior to the conversion date (the "Variable Price"), but which Variable Price shall not be lower than the floor price of $0.25 per share. Additionally, the Company, at its option, shall have the right, but not the obligation, to redeem early a portion or all amounts outstanding under the Yorkville CD at a redemption amount equal to the outstanding principal balance being repaid or redeemed, plus a 7% prepayment premium.

At any time during the term that there is a balance outstanding under the Yorkville CD, Yorkville may convert an amount that shall not exceed during any calendar month period, the greater of (i) an amount equal to 15% of the product of (A) the average of the daily traded amount on each trading day during such period and (B) the VWAP for such trading day, and (ii) $750,000.

King Street CD

On June 21, 2024, the Company received a notice from King Street Partners LLC ("King Street"), the holder of a 12.75% convertible debenture with a principal amount of $5.8 million dated December 29, 2023. The notice objected to the Company's ability to maintain its 51% economic interest in FaZe Media, Inc. and other related matters.

As a result, King Street requested the immediate repayment of the full principal amount, along with any premiums and accrued interest.

On October 1, 2024, the Company entered into a Settlement and Release Agreement with King Street pertaining to the King Street convertible debenture.

The outstanding balances due under King Street convertible debenture were paid in full on July 10, 2024, including $5.7 million principal and unpaid accrued interest. On October 1, 2024, the Company entered into a settlement and release agreement with King Street, whereby an additional $200,000 was negotiated to be paid to King Street, $150,000 in cash and $50,000 in the Company's common stock.

Outstanding at September 30, 2024

As of September 30, 2024, the Company has two convertible debt instruments: a $1.3 million convertible debenture issued to Three Curve Capital LP ("Three Curve CD") and a $6.4 million convertible debenture issued to Yorkville. The $5.7 million convertible debenture issued to King Street Partners LLC ("King Street CD") was extinguished on July 10, 2024. The Company elected the FVO for recognition of the Three Curve CD, Yorkville CD and King Street CD as permitted under ASC 825.

(a) King Street CD

The King Street CD was paid in full on July 10, 2024, including $5.7 million principal and unpaid accrued interest. Key terms of the King Street CD prior to the repayment include (a) a maturity date of December 29, 2025, (b) an interest rate of 12.75% per annum, and (c) is convertible at the holder's option into common shares of Company at a price of $3.04 per share (subject to standard anti-dilution provisions). The Company recognized a gain on extinguishment of debt of $0.3 million on July 10, 2024 in connection with the paydown and write-off of the King Street CD, and is included in loss on extinguishment of debt on the consolidated statements of operations and comprehensive loss. The gain is presented net of the day one loss on issuance of the Yorkville CD (see Note 8(c)).

The fair value of the King Street CD was estimated using the binomial lattice model with the below assumptions:

	July 8, 2024	December 31, 2023
Share price	$ 1.20	$ 1.78
Conversion price	$ 3.04	$ 5.00
Term, in years	1.50	2.00
Interest rate	12.75%	12.75%
Expected volatility	105.00%	110.00%
Risk-free interest rate	4.90%	4.23%
Expected dividend yield	0%	0%

(b) Three Curve CD

Key terms of the Three Curve CD include (a) a maturity date of August 31, 2025, (b) an interest rate of 7% per annum (interest to be paid in full at maturity) and (c) a conversion price of $4.40 per share.

The fair value of the Three Curve CD was estimated using the binomial lattice model with the below assumptions:

	September 30, 2024	December 31, 2023
Share price	$ 0.73	$ 1.78
Conversion price	$ 4.40	$ 4.40
Term, in years	0.92	1.67
Interest rate	7%	7%
Expected volatility	105.00%	115.00%
Risk-free interest rate	4.05%	4.42%
Expected dividend yield	0%	0%

(c) Yorkville CD

Key terms of the Yorkville CD include (a) a maturity date of July 8, 2025, (b) an interest rate of 0% per annum and (c) a conversion price equal to the lower of (i) $1.375 per common share or (ii) a price per common share equal to 93% of the lowest daily VWAP during the seven consecutive trading days immediately prior to the conversion date, but which shall not be lower than the $0.25 per share. The Company recognized a day one loss on issuance of debt of $1.4 million on July 8, 2024 in connection with the issuance of the Yorkville CD, and is included in loss on extinguishment of debt on the consolidated statements of operations and comprehensive loss. The loss is presented net of the $0.3 million gain on extinguishment of the King Street CD (see Note 8(a)). In addition, on August 26, 2024, $100 thousand principal Yorkville CD, with a fair value of $108 thousand, was converted into 103,594 common shares. The outstanding principal balance as of September 30, 2024 on the Yorkville CD was $6.4 million.

The fair value of the Yorkville CD was estimated using the binomial lattice model with the below assumptions:

	September 30, 2024	July 8, 2024
Share price	$ 0.73	$ 1.26
Conversion price	7% discount to market	7% discount to market
Term, in years	0.77	1.00
Interest rate	0.00%	0.00%
Expected volatility	105.00%	105.00%
Risk-free interest rate	4.16%	4.99%
Expected dividend yield	0%	0%

The change in fair values of the Company's convertible debentures subject to recurring remeasurement at fair value were as follows:

	Three Curve CD	Yorkville CD	King Street CD	Total
Balance, December 31, 2023	$ 1,507,236	$ -	$ 6,669,692	$ 8,176,928
Interest expense	65,685	-	387,429	453,114
Interest payments	-	-	(391,481)	(391,481)
Principal payments	-	-	(5,800,000)	(5,800,000)
Early redemption premium	-	-	(200,000)	(200,000)
Issuance of convertible debt	-	6,045,000	-	6,045,000
Gain on extinguishment of debt	-	-	(329,703)	(329,703)
Day one loss on issuance of debt	-	1,361,773	-	1,361,773
Conversion of debt	-	(107,527)	-	(107,527)
Change in fair value[1]	(21,885)	-	(335,937)	(357,822)
Balance, September 30, 2024	$ 1,551,036	$ 7,299,246	$ -	$ 8,850,282
Contractual principal balances outstanding:				
As of December 31, 2023	$ 1,250,000	$ -	$ 5,800,000	$ 7,050,000
As of September 30, 2024	$ 1,250,000	$ 6,400,000	$ -	$ 7,650,000

(1) None of the changes in fair value during the period were due to instrument-specific changes in credit risk.

9. Shareholders' Equity

(a) Description of the Company's securities

The Company is authorized to issue an unlimited number of common shares, with no par value. Holders of common shares are entitled to one vote in respect of each common share held at shareholder meetings of the Company.

(b) Activity for the periods presented

On March 7, 2024, 10,132,884 common shares of the Company were issued for the completion of the Merger (see Note 4).

In conjunction with the Merger, on March 7, 2024, the Company completed a private placement in public equity financing (the “PIPE Financing”) with certain investors in which the Company offered 7,194,244 units at a purchase price of $1.39 per unit for aggregate gross proceeds of $10.0 million. Each unit consisted of one share of the Company’s common stock and a warrant to purchase 0.15 shares of the Company’s common stock. As a result, the Company issued an aggregate of 7,194,224 common shares of the Company and warrants to purchase up to 1,079,136 shares of the Company pursuant to the PIPE Financing. Each warrant has an exercise price of $1.55 per share and expire on March 7, 2029 (see Note 12).

During the nine months ended September 30, 2024, the Company issued 1,086,559 common shares from the exercise of Restricted Share Units (“RSUs”) under its equity incentive plan (see Note 11(b)).

On August 26, 2024, 103,594 common shares were issued in connection with conversion of $100 thousand in principal under the Yorkville CD with a fair value of $108 thousand.

On September 4, 2024, 80,000 common shares were issued in settlement of outstanding amounts payable of $0.1 million to Yorkville (first half of the SEPA commitment fee).

On March 24, 2023, 9,109 common shares were issued in settlement of outstanding amounts payable of $0.1 million.

On March 10, 2023, 29,359 common shares of the Company were issued to settle contingent consideration on a prior acquisition.

On April 11, 2023, 6,380,083 common shares were issued in connection with the acquisition of Engine Gaming and Media, Inc. (“Engine”).

On April 3 and 10, 2023, an aggregate of 29,929 shares of the Company were issued to settle legal matters.

During the nine months ended September 30, 2023, the Company issued 125,148 common shares from the exercise of RSUs under its equity incentive plan (see Note 11(b)).

10. Net loss per share

As the Company incurred a net loss for the three and nine months ended September 30, 2024 and 2023, the inclusion of certain Options, unvested stock units, warrants, and contingent shares in the calculation of diluted earnings per share would be anti-dilutive and, accordingly, were excluded from the diluted loss per share calculation.

The following table summarizes potential common shares that were excluded as their effect is anti-dilutive:

	Three and nine months ended September 30,	
	2024	2023
Options and RSUs outstanding	2,448,725	1,339,802
Warrants outstanding	1,978,481	1,635,802
Shares issuable upon conversion of convertible debt	9,711,104	406,042
Total	14,138,310	3,381,646

11. Share-based compensation

The Company grants share purchase options ("Options") for the purchase of common shares to its directors, officers, employees and consultants.

Options may be exercisable over periods of up to 10 years as determined by the Board of Directors of the Company. The Option price for shares that are the subject of any Option shall be fixed by the Board when such Option is granted but shall not be less than the market value of such shares at the time of grant.

The Omnibus Plan allows the Company to award restricted share units to directors, officers, employees and consultants of the Company and its subsidiaries upon such conditions as the Board may establish, including the attainment of performance goals recommended by the Company's compensation committee. The purchase price for common shares of the Company issuable under each RSU award, if any, shall be established by the Board at its discretion. Common shares issued pursuant to any RSU award may be made subject to vesting conditions based upon the satisfaction of service requirements, conditions, restrictions, time periods or performance goals established by the board.

The TSXV required, at the time of approval of the Omnibus Plan, the Company to fix the number of common shares to be issued in settlement of awards that are not options. The maximum number of Shares available for issuance pursuant to the settlement of RSU shall be an aggregate of 2,861,658 Shares.

(a) Options

The following is a summary of Options outstanding as of September 30, 2024 and December 31, 2023, and changes during the nine months then ended, by Option exercise currency:

	Number of shares	Weighted-average exercise price (CAD)	Weighted-average remaining contractual term	Aggregate intrinsic value
Outstanding at December 31, 2023	416,621	$ 19.34	2.96	$ -
Outstanding at September 30, 2024	416,621	$ 19.34	2.21	$ -
Exercisable at September 30, 2024	411,457	$ 19.50	2.13	$ -

	Number of shares	Weighted-average exercise price (USD)	Weighted-average remaining contractual term	Aggregate intrinsic value
Outstanding at December 31, 2023	249,819	$ 5.26	4.36	$ -
Acquisition of FaZe	1,196,759	2.92		
Outstanding at September 30, 2024	1,446,578	$ 3.32	8.58	$ -
Exercisable at September 30, 2024	1,413,607	$ 3.34	8.64	$ -

See Note 4 for a summary of the significant valuation inputs used to value options issued in relation to the acquisition of FaZe.

Share-based compensation expense related to the vesting of Options was $34 thousand and $341 thousand for the nine months ended September 30, 2024 and 2023, respectively, and is included in general and administrative expense on the consolidated statements of operations and comprehensive loss.

(b) RSUs

The following is a summary of RSUs outstanding on September 30, 2024, and December 31, 2023, and changes during the nine months then ended:

	Number of shares	Weighted-average grant date fair value
Outstanding at December 31, 2023	664,597	$ 3.71
Acquisition of FaZe	595,175	1.39
Granted	412,313	1.34
Exercised	(1,086,559)	2.06
Outstanding at September 30, 2024	585,526	$ 2.74

The grant-date fair values of RSUs are based on the Company's stock price as of the grant date (see Note 4).

Shared-based compensation expense related to the vesting of RSU's was $1.3 million and $0.9 million for the nine months ended September 30, 2024 and 2023, respectively, and is included in general and administrative expense on the consolidated statements of operations and comprehensive loss.

12. Warrants

(a) Liability-classified warrants having CAD exercise price

The functional currency of the Company is USD and certain of the Company's warrants have an exercise price in CAD, resulting liability classification of the warrants.

The following is a summary of changes in the value of the warrant liability for the nine months ended September 30, 2024:

	Amount
Balance, December 31, 2023	$ 102,284
Change in fair value	(79,382)
Foreign exchange	(2,297)
Balance, September 30, 2024	$ 20,605

The following assumptions were used to determine the fair value of the warrant liability using the Black-Scholes option pricing model:

	September 30, 2024	December 31, 2023
Share price	CAD$0.99	CAD$2.91
Term, in years	3.00	0.39 - 4.00
Exercise price	CAD$9.68	CAD$6.29 - $30.00
Expected volatility	105.00%	90.00%
Risk-free interest rate	2.69%	4.25% - 5.45%
Expected dividend yield	0%	0%

Volatility was estimated by using the average historical volatility of the Company. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate is based on government treasury bond rates issued with a remaining term approximately equal to the expected life of the warrants.

The following is a summary of liability-classified warrants outstanding as of September 30, 2024, and December 31, 2023, and changes during the nine months then ended:

	Number of warrants	Weighted-average exercise price (CAD)
Outstanding, December 31, 2023	757,911	$ 22.61
Warrants expired	(633,981)	25.14
Outstanding, September 30, 2024	123,930	$ 9.68

(b) Equity-classified warrants

As discussed in Note 4 above in conjunction with the acquisition of FaZe, the Company issued 775,415 warrants with an acquisition fair value of $26 thousand, included in the FaZe acquisition purchase price consideration.

As discussed in Note 9, in conjunction with the PIPE Financing on March 7, 2024, 1,079,136 warrants were issued with an exercise price of $1.55 and a contractual term of 5 years. The relative fair value of the warrants of $1.1 million was estimated using the Black-Scholes option pricing model with the following assumptions: share price of $1.56, expected dividend yield of 0%, expected volatility rate of 120.00%, based on the historical volatility of comparable companies, a risk free rate of 3.36% and an expected life of 5 years. The warrants have an exercise price in USD and are equity-classified.

The following is a summary of equity-classified warrants outstanding as of September 30, 2024, and December 31, 2023, and the changes during the nine months then ended:

	Number of warrants	Weighted-average exercise price (USD)
Outstanding, December 31, 2023	877,891	$ 60.00
Warrants expired	(877,891)	60.00
PIPE Financing	1,079,136	1.55
Acquisition of FaZe	775,415	87.85
Outstanding, September 30, 2024	1,854,551	$ 37.63

13. Related party transactions

(a) Convertible debenture with a director of the Company as counterparty

On September 1, 2022, Engine extended convertible debentures that were due to expire in October and November 2022 with an aggregate principal amount of $1.3 million. Key terms include (a) maturity date of August 31, 2025, (b) interest rate of 7% (interest to be paid in full at maturity) and (c) conversion price of $4.40. The convertible debenture is beneficially held by a director of the Company (see Note 8).

14. Commitments and contingencies

In April 2020, Engine announced its renegotiation of the acquisition of Allinsports. The revised purchase agreement provided for the acquisition of 100% of Allinsports in exchange for the issuance of 241,666 common shares of the Engine and other considerations, including payments of $1,200,000 as a portion of the purchase consideration. In September 2020, Engine advised the shareholders of Allinsports that closing conditions of the transaction, including the requirement to provide audited financial statements, had not been satisfied.

In response, in November 2020, the shareholders of Allinsports commenced arbitration in Alberta, Canada seeking, among other things, to compel Engine to complete the acquisition of Allinsports without the audited financial statements, and to issue 241,666 common shares of Engine to those shareholders. As alternative relief, the shareholders of Allinsports sought up to $20.0 million in damages. A hearing in this matter was held in May of 2021, and by a decision dated September 30, 2021, the Arbitrator determined that the closing of the transaction had previously occurred and directed Engine to issue 241,666 common shares. In conjunction with completion of the Arrangement (see Note 4), the Company assumed this obligation to issue 241,666 common shares. The Company is pursuing regulatory approval to issue the shares and is also pursuing relief against Allinsports shareholders for various alleged breaches of the share purchase agreement. The Company recognized a liability for the arbitration ruling of $1.5 million, which represented the fair value of the common shares directed to be delivered as of April 11, 2023, the closing date of the Arrangement. The liability is recorded as arbitration reserve on the Company's consolidated balance sheets. This liability will be adjusted to fair value at the end of each reporting period.

By Order to Continue dated May 5, 2022, Engine was substituted in as the plaintiff in a matter pending in the Ontario Superior Court of Justice, seeking recovery of $2.1 million (€1.9 million) of principal and additional amounts of accrued interest under promissory notes acquired by Engine. The matter is in the discovery stage.

On June 21, 2024, the Company received a notice from King Street Partners LLC ("King Street"), the holder of a 12.75% Convertible Senior Secured Note with a principal amount of $5,800,000 dated December 29, 2023. The notice objected to the Company's ability to maintain its 51% economic interest in FaZe Media, Inc. and other related matters.

As a result, King Street requested the immediate repayment of the full principal amount, along with any premiums and accrued interest.

On October 1, 2024, the Company entered into a Settlement and Release Agreement with King Street pertaining to the King Street Note.

The outcomes of pending litigations in which the Company is involved are necessarily uncertain as are the Company's expenses in prosecuting and defending these actions. From time to time the Company may modify litigation strategy and/or the terms on which it retains counsel and other professionals in connection with such actions, which may affect the outcomes of and/or the expenses incurred in connection with such actions.

The Company is subject to various other claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations, or liquidity.

15. Revenue and segmented information

The CODM uses gross profit, as reviewed at periodic business review meetings, as the key measure of the Company's results as it reflects the Company's underlying performance for the period under evaluation to determine resource allocation. As of September 30, 2024, the Company was organized into the three operating segments, which also represent its three reportable segments: Teams, Agency and Software-as-service (SaaS) + Advertising.

Revenue, cost of sales and gross profit for the Company's operating and reportable segments, disaggregated into geographic locations, are as follows:

Segment	Nine months ended September 30, 2024 United Kingdom	USA	Spain	Total
Revenue				
Teams	$ -	$ 25,254,085	$ -	$ 25,254,085
Agency	1,127,737	7,163,052	-	8,290,789
SaaS + Advertising	-	36,862,933	2,320,608	39,183,541
Total Revenue	1,127,737	69,280,070	2,320,608	72,728,415
Cost of sales				
Teams	-	19,963,971	-	19,963,971
Agency	866,543	4,875,642	-	5,742,185
SaaS + Advertising	-	33,885,469	267,318	34,152,787
Total Cost of sales	866,543	58,725,082	267,318	59,858,943
Gross profit				
Teams	-	5,290,114	-	5,290,114
Agency	261,194	2,287,410	-	2,548,604
SaaS + Advertising	-	2,977,464	2,053,290	5,030,754
Total Gross profit	$ 261,194	$ 10,554,988	$ 2,053,290	$ 12,869,472

Segment	Nine months ended September 30, 2023 United Kingdom	USA	Spain	Total
Revenue				
Agency	$ 2,373,925	$ 6,174,789	$ -	$ 8,548,714
SaaS + Advertising	-	15,687,429	1,417,268	17,104,697
Total Revenue	2,373,925	21,862,218	1,417,268	25,653,411
Cost of sales				
Agency	1,981,432	4,278,967	-	6,260,399
SaaS + Advertising	-	12,657,862	156,447	12,814,309
Total Cost of sales	1,981,432	16,936,829	156,447	19,074,708
Gross profit				
Agency	392,493	1,895,822	-	2,288,315
SaaS + Advertising	-	3,029,567	1,260,821	4,290,388
Total Gross profit	$ 392,493	$ 4,925,389	$ 1,260,821	$ 6,578,703

Segment	Three months ended September 30, 2024 United Kingdom	USA	Spain	Total
Revenue				
Teams	$ -	$ 9,412,494	$ -	$ 9,412,494
Agency	398,153	2,912,310	-	3,310,463
SaaS + Advertising	-	12,950,503	739,766	13,690,269
Total Revenue	398,153	25,275,307	739,766	26,413,226
Cost of sales				
Teams	-	7,431,458	-	7,431,458
Agency	332,445	1,176,887	-	1,509,332
SaaS + Advertising	-	12,130,954	99,370	12,230,324
Total Cost of sales	332,445	20,739,299	99,370	21,171,114
Gross profit				
Teams	-	1,981,036	-	1,981,036
Agency	65,708	1,735,423	-	1,801,131
SaaS + Advertising	-	819,549	640,396	1,459,945

Total Gross profit	$ 65,708	$ 4,536,008	$ 640,396	$ 5,242,112

	Three months ended September 30, 2023			
Segment	**United Kingdom**	**USA**	**Spain**	**Total**
Revenue				
Agency	$ 965,377	$ 1,864,942	$ -	$ 2,830,319
SaaS + Advertising	-	7,916,038	755,089	8,671,127
Total Revenue	965,377	9,780,980	755,089	11,501,446
Cost of sales				
Agency	812,018	1,611,598	-	2,423,616
SaaS + Advertising	-	6,480,115	85,975	6,566,090
Total Cost of sales	812,018	8,091,713	85,975	8,989,706
Gross profit				
Agency	153,359	253,344	-	406,703
SaaS + Advertising	-	1,435,923	669,114	2,105,037
Total Gross profit	$ 153,359	$ 1,689,267	$ 669,114	$ 2,511,740

Management does not evaluate operating segments using discrete asset information. The Company's consolidated assets are generally shared across, and are not specifically ascribed to, operating and reportable segments.

Property and equipment, net, by geographic region, are summarized as follows:

	September 30, 2024	December 31, 2023
USA	$ 448,404	$ 2,456,563
United Kingdom	1,429	1,814
Spain	5,857	6,256
Total	$ 455,690	$ 2,464,633

16. Fair value measurements

The carrying value of cash approximates fair value. The carrying amount of other current assets and liabilities, such as accounts and other receivables and accounts payable, approximates fair value due to the short-term maturity of the amounts, and such current assets and liabilities are considered Level 2 in the fair value hierarchy.

The following tables summarize financial assets and liabilities measured at fair value on a recurring basis:

	As of September 30, 2024			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Contingent consideration	$ -	$ -	$ 293,445	$ 293,445
Liabilities:				
Warrant liability	-	-	20,605	20,605
Arbitration reserve	176,416	-	-	176,416
Convertible debt	-	-	8,850,282	8,850,282

	As of December 31, 2023			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Contingent consideration	$ -	$ -	$ 501,118	$ 501,118
Liabilities:				
Warrant liability	-	-	102,284	102,284
Arbitration reserve	428,624	-	-	428,624
Convertible debt	-	-	8,176,928	8,176,928

(a) Fair values measured on a non-recurring basis

The Company's non-financial assets, such as property and equipment, goodwill and intangible assets, are recorded at fair value upon a business combination and are remeasured at fair value only if an impairment charge is recognized. The Company's investment, accounted for under the measurement alternative of ASC 321, is remeasured at fair value only upon an observable price change or if an impairment charge is recognized. The Company uses unobservable inputs to the valuation methodologies that are significant to the fair value measurements, and the valuations require management's judgment due to the absence of quoted market prices. The Company determines the fair value of its held and used assets, goodwill and intangible assets using an income, cost or market approach as determined reasonable.

17. Discontinued operations

As discussed in Note 4, on March 1, 2024, the Company sold Complexity and recognized a gain on disposition of $3.0 million, resulting in Complexity meeting the requirements for presentation as discontinued operations. Prior to disposition, Complexity was part of the Teams operating and reportable segment.

The Company recognized a pretax net loss of $1.4 million and $2.7 million for the nine months ended September 30, 2024 and 2023, respectively, and $0 and $0.1 million for the three months ended September 30, 2024 and 2023, respectively, in net income (loss) from discontinued operations in the consolidated statements of operations and comprehensive loss in relation to Complexity. The pretax net loss of $1.4 million during the nine months ended September 30, 2024, includes revenue of $1.0 million, cost of revenue of $0.9 million, and operating expenses of $1.5 million. The pretax net loss of $2.7 million for the nine months ended September 30, 2023, includes revenue of $9.6 million, cost of revenue of $5.8 million, and operating expenses of 6.5 million.

Complexity had amortization and depreciation of $0.2 million and $1.1 million for the nine months ended September 30, 2024 and 2023, respectively. Complexity did not have significant capital expenditures or significant noncash activity during the periods presented.

18. Subsequent events

Convertible Note Issuance

On November 13, 2024, GameSquare, FaZe Media Holdings, LLC, a Delaware corporation an indirectly wholly owned subsidiary of GameSquare ("GameSquare SPV" and together with GameSquare, the "GameSquare Parties"), Faze Media, Inc., a Delaware corporation ("Faze Media"), and Gigamoon Media LLC, a Delaware limited liability company ("Gigamoon", and together with Faze Media, the "Faze Parties"), entered into a Note Purchase Agreement (the "Purchase Agreement"), pursuant to which the GameSquare Parties agreed to issue, jointly and severally, in two separate closings: (i) a senior secured promissory note in the principal amount of $3,250,000 to Faze Media (the "Promissory Note") and (ii) a senior secured convertible promissory note in the principal amount of $10,000,000 to Gigamoon (the "Convertible Note" and together with the Promissory Note, the "Notes").

The Promissory Note was issued as of November 13, 2024 (the "Initial Closing") and bears an interest rate of 7.5% per annum, which automatically shall be increased to 10.0% in the event of an event of default. The Promissory Note matures and all principal and accrued interest thereon becomes due and payable as of the earliest of: (i) November 13, 2029, (ii) the acceleration of the Promissory Note in an event of default, and (iii) the date of the holder of the Promissory Note's demand, solely to the extent made after December 15, 2024, at a time when the Second Closing (as defined below) (such date, the "Promissory Maturity Date"). The GameSquare Parties may prepay in whole or in part, at any time, the unpaid principal amount of the Promissory Note without any penalty. Upon the occurrence of the Second Closing (as defined below), the Promissory Note provides for the mandatory repayment of the entire principal balance of the Promissory Note, together with all accrued and unpaid interest thereon, with such repayment to be made with the proceeds received by the GameSquare Parties at the Second Closing.

Pursuant to the terms of the Purchase Agreement and the Notes, on or about December 15, 2024, and contingent on certain closing conditions set forth in therein, the GameSquare Parties agreed to issue the Convertible Note to Gigamoon in exchange for gross proceeds of $10,000,000. As discussed above, upon the completion of the Second Closing and the issuance of the Convertible Note, the Promissory Note shall become automatically and immediately due, and the GameSquare Parties have agreed to use a portion of the proceeds of the Second Closing to repay all amounts outstanding and due under the Promissory Note.

The Convertible Note will bear an interest rate of 7.5% per annum, which automatically shall be increased to 10.0% in the event of an event of default. The Convertible Note shall have a maturity date of five years from the issuance of the Convertible Note, unless earlier accelerated upon the occurrence of an event of default upon the election of the holder of the Convertible Note (the "Convertible Maturity Date"). Interest shall accrue as of the issuance date of Convertible Note and shall be payable by the GameSquare Parties on (i) each anniversary of such issuance date, and (ii) the earlier of (x) the Convertible Maturity Date and (y) the conversion or exchange of the Convertible Note pursuant to the terms thereof. The GameSquare Parties shall pay all interest payments payable under the Convertible Note by issuing to the holder shares of Common Stock of GameSquare ("Common Stock") equal to the quotient of (A) the aggregate amount of any accrued and unpaid interest as of such payment date, and (B) the applicable Conversion Price.

At the option of the holder, at any time on or after December 31, 2025, or upon an event of default or certain change of control events, the Convertible Note either (i) be converted into such number of shares of Common Stock (the "Conversion Shares") equal to the outstanding principal amount plus all accrued and unpaid interest at a conversion price equal to $2.50 per share, subject to adjustments as set forth therein (the "Conversion Price"), or (ii) be exchanged for the 5,725,000 shares of Series A-1 Preferred Stock of FaZe Media held by GameSquare SPV (the "FaZe Media Shares"). The Conversion Price is subject to antidilution protection and certain exceptions upon any subsequent transaction at a price lower than the Conversion Price then in effect and standard adjustments in the event of stock dividends, stock splits, combinations or similar events. The Convertible Note may not be repaid by any GameSquare Party without the prior written consent of the holder.

In the event the Convertible Note is exchanged for the FaZe Media Shares, the GameSquare Parties and the FaZe Parties agree that, in addition to the transfer to the holder all of the GameSquare Parties' right, title and interest in and to the FaZe Media Shares, GameSquare and FaZe Media will enter into an amendment to that certain trademark and license agreement, dated as of May 15, 2024, to, among other things, grant GameSquare a perpetual license to certain licensed marks set forth therein.

The Convertible Note may not be converted and shares of Common Stock may not be issued under the Convertible Note if, after giving effect to the conversion or issuance, the holder together with its affiliates would beneficially own in excess of 9.99% of the outstanding Common Stock. In addition to the beneficial ownership limitations in the Convertible Note, the sum of the number of shares of Common Stock that may be issued under the Convertible Note is limited to 19.99% of the outstanding Common Stock (the "Exchange Cap"), unless stockholder approval ("Stockholder Approval") is obtained by the Company to issue more than the Exchange Cap.

The Purchase Agreement contains certain representations and warranties, covenants and indemnities customary for similar transactions.

The gross proceeds to the Company from the Initial Closing before expenses were $3,250,000.00. The Company intends to use the net proceeds from the Initial Closing to repay certain existing obligations and for working capital and general corporate purposes.

The offer and sale of the Convertible Note pursuant to the Purchase Agreement will be made pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506(b) of Regulation D promulgated thereunder. Such offer and sale will be made only to "accredited investors" under Rule 501 of Regulation D promulgated under the Securities Act, and without any form of general solicitation and with full access to any information requested by such investors regarding the Company or the securities offered and issued in the issuance.

Standstill Agreement with Yorkville

On November 5, 2024, GameSquare Holdings, Inc. (the "Company") entered into a Standstill and Repayment Agreement (the "Standstill Agreement") with YA II PN, Ltd. (the "Holder").

Under the Standstill Agreement, the Holder agrees that until November 30, 2024 (the "Standstill Period"), Holder shall not sell the 640,000 shares (the "Issued Shares") of the Company's common stock the Holder currently holds which were acquired by the Holder pursuant to its rights under the Standby Equity Purchase Agreement between Holder and the Company dated July 8, 2024 (the "SEPA") and the Convertible Promissory Note between Holder and the Company dated July 8, 2024 (the "Note") issued thereunder.

During the Standstill Period, the Company may purchase or arrange for third parties to purchase directly from Holder all or a portion of the Issued Shares held by Holder, at the then current market price of the Company's shares, provided that such market price is at least

$0.70 per share. If the Company or a suitable third party do not purchase all of the Issued Shares from the Holder, then the Company shall make a payment to the Holder in an amount equal to the number of unsold Issued Shares held by the Holder as of the last day of the Standstill Period multiplied by the difference between the closing price of the Company's shares as of the last day of the Standstill Period and $0.70 per share.

In exchange for the Holder's performance under the Standstill Agreement, the Company will make cash payments to Holder in the amount of $1,900,000 (the "Redemption Amount"), payable in installments as set forth in the Standstill Agreement, 93% of which will be applied to reduction of the principal balance under the Note, and the remaining 7% to the applicable redemption premium.

Notwithstanding the forgoing, the Holder may sell the Issued Shares during the Standstill Period, (i) at any time after the occurrence of an event of default (as defined in the Note and SEPA), (ii) if at any time the Company has failed to pay any installment payment of the required Redemption Amount to the Holder, or (iii) at any time provided such sales are at a price per share of at least $1.00 per share.

Also under the Standstill Agreement, the Holder agrees that until December 31, 2024 (the "Conversion Standstill Period"), (a) the Holder may not convert any portion of the outstanding amount of principal under the Note into common shares of the Company and will not deliver any conversion notices under the Note to the Company, (b) the Holder may not issue any investor notices under the SEPA to Company, and (c) the Company will not submit any advance notices under the SEPA to the Holder. The limitations set forth in (a) and (b) of this paragraph shall not apply (i) any time after the occurrence of an event of default (as defined in the Note and SEPA), (ii) if at any time the Company has failed to pay any installment payment of the required Redemption Amount to the Holder, or (iii) if waived in writing by the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires, all references in this section to the "Company," "GameSquare," "we," "us," or "our" refer to GameSquare Holdings, Inc. and its subsidiaries and/or the management and employees of the Company.

The following discussion and analysis provide information which our management believes is relevant to an assessment and understanding of our results of operations and financial condition. This discussion and analysis should be read together with our audited consolidated financial statements and related notes included in Part I of this Form 10-Q. This discussion and analysis should also be read together with our financial information for the year ended and as of December 31, 2023. In addition to historical financial information, this discussion and analysis contains forward-looking statements that reflect our plans, estimates, and beliefs that involve risks, uncertainties and assumptions. As a result of many factors, such as those set forth under the "Cautionary Statement Regarding Forward-Looking Statements" elsewhere in this Form 10-Q, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

GameSquare is a vertically integrated, digital media, entertainment and technology company that connects global brands with gaming and youth culture audiences. GameSquare's end-to-end platform includes Gaming Community Network ("GCN"), a digital media company focused on gaming and esports audiences, Zoned, a gaming and lifestyle marketing agency, Code Red, a UK based esports talent agency, FaZe, a lifestyle and media platform rooted in gaming and youth culture whose premium brand, talent network, and large audience can be monetized across a variety of products and services, Fourth Frame Studios, a creative production studio, Mission Supply, a merchandise and consumer products business, Frankly Media, programmatic advertising, Stream Hatchet, live streaming analytics, and Sideqik a social influencer marketing platform.

GameSquare Holdings, Inc. (formerly Engine Gaming and Media, Inc.), (NASDAQ: GAME; TSXV: GAME) completed its plan of arrangement (the "Arrangement") with GameSquare Esports Inc. ("GSQ") on April 11, 2023, resulting in the Company acquiring all the issued and outstanding securities of GSQ. At completion of the Arrangement Engine Gaming and Media, Inc. changed its name to GameSquare Holdings Inc.

Brands

FaZe

FaZe a digitally native lifestyle and media brand founded and rooted in gaming and youth culture. FaZe is at the forefront of the global creator economy, which is an industry centered around innovative digital content development fueled by social media influencers, creators and businesses who monetize their content online. With a leading digital content platform created for and by Generation Z and Millennials, FaZe has established a highly engaged and growing global fanbase. FaZe produces engaging content, merchandise, consumer products and experiences, and create advertising and sponsorship programs for leading national brands. FaZe has several revenue streams including brand sponsorships, content, consumer products, and Esports.

Zoned

Zoned Gaming is a marketing agency dedicated to bridging the gap between gaming and pop-culture. They work with endemic and non-endemic brands alike, helping them identify their lane and build equity in the constantly changing world of gaming and esports.

Code Red

Code Red is an authentic esports media agency that is passionate about esports and video games. Since 2003, Code Red has produced major esports events, sourced, and hired esports and gaming talent, developed esports related content (that has gone out to over 1 million viewers), managed major esports teams, conducted a wide range of ongoing and ad-hoc strategic consultancy projects, and managed countless marketing campaigns.

GCN

GCN is a media group dedicated to gaming and esports. GCN builds bespoke strategy solutions for reaching young gaming & esports audiences from content creation to full-scale tournaments for any endpoint be it social, broadcast TV or live stream.

Fourth Frame Studios

Rooted in gaming, youth, and popular culture, Fourth Frame Studios is a multidisciplinary creative and production studio that specializes in telling stories for a multi-dimensional audience. Fourth Frame Studios builds meaningful and diverse content systems fueled by best-in-class creatives and production resources, that truly get what gamers and youth audiences want.

Mission Supply

Mission Supply operates at the intersection of gaming, esports, and fashion design filling a need for fans seeking high quality merchandise that represents their favorite teams, organizations, and brands within the gaming ecosystem by providing merchandise and consumer product design, marketing, and sales consultation to brands and esports organizations seeking to reach large and growing gaming and youth demographics.

Sideqik

Sideqik, Inc. ("Sideqik"), is an influencer marketing platform that offers brands, direct marketers, and agencies tools to discover, connect and execute marketing campaigns with content creators. Sideqik's end-to-end solutions offer marketers advanced capabilities to discover influencers with demographic and content filtering; connect and message influencers; share marketing collateral such as campaign briefs, photos, logos, videos; measure reach, sentiment, and engagement across all major social media platforms; and evaluate earned media value and return on investment across the entire campaign.

Stream Hatchet

Stream Hatchet is the leading provider of data analytics for the live streaming industry. With a suite of services, encompassing a user-friendly SaaS platform, custom reports, and strategic consulting, Stream Hatcher is a trusted guide for those navigating the dynamic landscape of live streaming. With up to seven years of historical data with minute-level granularity from 20 platforms, Stream Hatchet provides stakeholders in the live-streaming industry with powerful insights to drive innovation and growth. Stream Hatchet partners with a diverse clientele - from video game publishers and marketing agencies to esports organizers and teams - who rely on the company's cutting-edge data analytics to optimize their marketing strategies, secure lucrative sponsorships, enhance esports performance, and build successful tournaments.

Frankly Media

Frankly Media provides comprehensive advertising products and services, including direct sales and programmatic ad support.

Recent Developments

Standby Equity Purchase Agreement

On July 8, 2024, the Company entered into the Standby Equity Purchase Agreement ("SEPA") with YA II PN, LTD, a Cayman Islands exempt limited partnership ("Yorkville"), pursuant to which the Company has the right to sell to Yorkville up to $20.0 million of its shares of common stock, par value $0.0001 per share ("Common Stock"), subject to certain limitations and conditions set forth in the SEPA, from time to time during the term of the SEPA. Sales of the shares of Common Stock to Yorkville under the SEPA, and the timing of any such sales, are at the Company's option, and the Company is under no obligation to sell any shares of Common Stock to Yorkville under the SEPA except in connection with notices that may be submitted by Yorkville, in certain circumstances as described below.

Each advance (each, an "Advance") the Company requests in writing to Yorkville under the SEPA (notice of such request, an "Advance Notice") may be for a number of shares of Common Stock up to the greater of (i) 500,000 shares or (ii) such amount as is equal to 100% of the average daily volume traded of the Common Stock during the five trading days immediately prior to the date the Company requests each Advance; The shares of Common Stock purchased pursuant to an Advance delivered by the Company will be purchased at a price equal to 97% of the lowest daily VWAP of the shares of Common Stock during the three consecutive trading days commencing on the date of the delivery of the Advance Notice, other than the daily VWAP on a day in which the daily VWAP is less than a minimum acceptable price as stated by the Company in the Advance Notice or there is no VWAP on the subject trading day. The Company may establish a minimum acceptable price in each Advance Notice below which the Company will not be obligated to make any sales to Yorkville. "VWAP" is defined as the daily volume weighted average price of the shares of Common Stock for such trading day on the Nasdaq Stock Market ("Nasdaq") during regular trading hours as reported by Bloomberg L.P.

The SEPA will automatically terminate on the earliest to occur of (i) the 36-month anniversary of the date of the SEPA or (ii) the date on which the Company shall have made full payment of Advances pursuant to the SEPA. We have the right to terminate the SEPA at no cost or penalty upon five trading days' prior written notice to Yorkville, provided that there are no outstanding Advance Notices for which shares of common stock need to be issued and the Company has paid all amounts owed to Yorkville pursuant to the Promissory Note. The Company and Yorkville may also agree to terminate the SEPA by mutual written consent.

Any purchase under an Advance would be subject to certain limitations, including that Yorkville shall not purchase or acquire any shares that would result in it and its affiliates beneficially owning more than 4.99% of the then outstanding voting power or number of shares of Common Stock or any shares that, aggregated with shares issued under all other earlier Advances, would exceed 19.99% of all shares of Common Stock outstanding on the date of the SEPA (the "Exchange Cap"), unless the Company obtains stockholder approval to issue shares of Common Stock in excess of the Exchange Cap in accordance with applicable Nasdaq rules.

In connection with the execution of the SEPA, the Company paid a diligence fee (in cash) to Yorkville in the amount of $25,000. Additionally, the Company agreed to pay a commitment fee of $200,000 to Yorkville, payable as follows: (i) $100,000 payable within three days of the date of the SEPA, in the form of the issuance of 80,000 shares of Common Stock, representing $100,000 divided by the closing price as of the trading day immediately prior to the date of the SEPA, and (ii) $100,000 payable on the three-month anniversary of the date of the SEPA, payable in either cash or in the form of an Advance.

Additionally, Yorkville agreed to advance to the Company, in exchange for a convertible promissory note (the "Promissory Note"), an aggregate principal amount of up to $6.5 million (the "Pre-Paid Advance"), which was funded on July 8, 2024. The purchase price for the Pre-Paid Advance is 93.0% of the principal amount of the Pre-Paid Advance. Interest shall accrue on the outstanding balance of the Pre-Paid Advance at an annual rate equal to 0%, subject to an increase to 18% upon an event of default as described in the Promissory Note. The maturity date of the Promissory Note issued in connection with the Pre-Paid Advance will be 12 months after the issuance date of such Promissory Note. Yorkville may convert the Promissory Note into shares of Common Stock at any time at a conversion price equal to the lower of (i) $1.375 (the "Fixed Price") or (ii) a price per share equal to 93% of the lowest daily VWAP during the seven consecutive trading days immediately prior to the conversion date of the Promissory Note (the "Variable Price"), but which Variable Price shall not be lower than the Floor Price then in effect. The "Floor Price" will be the lower of (i) $0.25 per share or (ii) 20% of the average VWAP of the Common Stock for the five trading days immediately prior to the date of effectiveness of the Resale Registration Statement. Additionally, the Company, at its option, shall have the right, but not the obligation, to redeem early a portion or all amounts outstanding under the Promissory Notes at a redemption amount equal to the outstanding principal balance being repaid or redeemed, plus a 7% prepayment premium, plus all accrued and unpaid interest; provided that (i) the Company provides Yorkville with no less than ten trading days' prior written notice thereof and (ii) on the date such notice is issued, the VWAP of the Common Stock is less than the Fixed Price.

At any time during the Commitment Period that there is a balance outstanding under the Promissory Note, Yorkville may deliver notice (an “Investor Notice”) to the Company to cause an Advance Notice to be deemed delivered to Yorkville and the issuance and sale of shares of Common Stock to Yorkville pursuant to an Advance (an “Investor Advance”) in an amount not to exceed the balance owed under the Promissory Note outstanding on the date of delivery of such Investor Notice, and shall not exceed during any calendar month period, the greater of (i) an amount equal to 15% of the product of (A) the average of the daily traded amount on each trading day during such period and (B) the VWAP for such trading day, and (ii) $750,000. The foregoing limitation on the amount of any such Investor Advances shall not apply at any time (x) upon the occurrence and during the continuance of an Event of Default and (y) where the purchase price is greater than or equal to the Fixed Price. As a result of an Investor Advance, the amounts payable under the Promissory Note will be offset by such amount subject to each Investor Advance.

An “Amortization Event” will occur under the terms of the Promissory Note if (i) the daily VWAP is less than the Floor Price for five trading days during a period of seven consecutive trading days, or (ii) the Company has issued in excess of 99% of the shares of Common Stock available under the Exchange Cap. Within seven trading days of an Amortization Event, the Company will be obligated to make monthly cash payments in an amount equal to the sum of (i) $1.0 million of principal of the Promissory Note (or the outstanding principal if less than such amount) (the “Amortization Principal Amount”), plus (ii) a payment premium of 7% in respect of such Amortization Principal Amount, plus (iii) accrued and unpaid interest thereunder. The obligation of the Company to make monthly prepayments shall cease (with respect to any payment that has not yet come due) if any time after an Amortization Event (a) the Company reduces the Floor Price to an amount no more than 50% of the closing price of the Common Stock on the trading day immediately prior to such reset notice (and no greater than the initial Floor Price), or (b) the daily VWAP is greater than the Floor Price for a period of ten consecutive trading days, unless a subsequent Amortization Event occurs.

The Company will control the timing and amount of any sales of shares of Common Stock to Yorkville, except with respect to Investor Advances. Actual sales of shares of Common Stock to Yorkville as an Advance under the SEPA will depend on a variety of factors to be determined by the Company from time to time, which may include, among other things, market conditions, the trading price of the Company's Common Stock and determinations by the Company as to the appropriate sources of funding for our business and operations.

The SEPA contains customary representations, warranties, conditions and indemnification obligations of the parties. The representations, warranties and covenants contained in such agreements were made only for purposes of such agreements and as of specific dates, were solely for the benefit of the parties to such agreements and may be subject to limitations agreed upon by the contracting parties.

King Street CD

On June 21, 2024, the Company received a notice from King Street Partners LLC ("King Street"), the holder of a 12.75% Convertible Senior Secured Note with a principal amount of $5,800,000 dated December 29, 2023. The notice objected to the Company's ability to maintain its 51% economic interest in FaZe Media, Inc. and other related matters.

As a result, King Street requested the immediate repayment of the full principal amount, along with any premiums and accrued interest.

On October 1, 2024, the Company entered into a Settlement and Release Agreement with King Street pertaining to the King Street Note.

On July 10, 2024, the Company paid down the outstanding principal and accrued interest on the King Street CD of $5.7 million.

Frankly Media asset disposal

On May 31, 2024, the Company, through its wholly owned subsidiary Frankly Media LLC ("Frankly"), entered into an Asset Purchase Agreement (the "UNIV APA") to sell the producer content management software platform and associated software technology ("CMS Assets") of Frankly to UNIV, Ltd ("UNIV") (the "UNIV Asset Sale").

Pursuant to the UNIV APA, UNIV paid the Company aggregate purchase consideration with a transaction closing date fair value of $1.2 million in exchange for the CMS Assets, including $25 thousand paid in cash upon closing of the transaction and issuance of a secured subordinated promissory note (the "UNIV Note") with a transaction closing date fair value of $1.2 million. The UNIV Note was valued using a discount rate of 13.7% (Level 3).

Additionally on May 31, 2024, the Company, through its wholly owned subsidiary Frankly, entered into an Asset Purchase Agreement (the "XPR APA") to sell the press release and content distribution service assets (the "PR Assets") of Frankly to XPR Media LLC ("XPR") (the "XPR Asset Sale" and, collectively with the UNIV Asset Sale, the "Frankly Asset Sales").

Pursuant to the XPR APA, XPR paid the Company aggregate purchase consideration with a transaction closing date fair value of $0.6 million in exchange for the PR Assets, including $10.5 thousand paid in cash upon closing of the transaction and issuance of a secured subordinated promissory note (the "XPR Note") with a transaction closing date fair value of $0.5 million. The XPR Note was valued using a discount rate of 13.7% (Level 3).

As a result of the Frankly Asset Sales during the three and six months ended June 30, 2024, the Company recognized a loss of $3.8 million in Other income (expense), net in the consolidated statements of operations and comprehensive loss after offsetting the consideration received with the carrying value of the disposed assets.

The UNIV Note has a principal amount of $1.5 million, inclusive of the $25 thousand paid in cash upon closing. The principal amount of the UNIV Note will be repaid in monthly installments, beginning August 2024. Monthly principal payments will be $25 thousand from August 2024 to June 2025, $45 thousand from July 2025 to June 2026, and $55 thousand from July 2026 to final maturity on June 30, 2027. The UNIV Note is secured by assets of the UNIV pursuant to a Security Agreement executed in conjunction with the UNIV APA between the Company and UNIV.

The XPR Note has a principal amount of $0.7 million, inclusive of the $10.5 thousand paid in cash upon closing. The principal amount of the XPR Note will be repaid in monthly installments, beginning August 2024. Monthly principal payments will be $12.5 thousand from August 2024 to June 2025, $20 thousand from July 2025 to June 2026, and $26 thousand from July 2026 to final maturity on June

30, 2027. The XPR Note is secured by all rights of XPR to customer agreements and publisher agreements pursuant to a Security Agreement executed in conjunction with the XPR APA between the Company and XPR.

Faze Media, Inc. asset contribution

On May 2, 2024, the Company created FaZe Media, Inc. (“Faze Media”). On May 15, 2024, the Company entered into a business venture with Gigamoon Media, LLC (“Gigamoon”). As part of this venture, the Company contributed certain media assets of Faze Clan, Inc. to Faze Media and Gigamoon invested $11.0 million in Faze Media in exchange for 11,000,000 shares of Series A-2 Preferred Stock of Faze Media, 49% of Faze Media’s voting equity interests, pursuant to a Securities Purchase Agreement (the “SPA”). The Company was issued 11,450,0000 shares of Series A-1 Preferred Stock of Faze Media, 51% of Faze Media’s voting equity interests.

On June 17, 2024, the Company entered into an agreement to sell 5,725,000 of its 11,450,000 shares of Series A-1 Preferred Stock of Faze Media to M40A3 LLC ("M4") in exchange for $9.5 million (the "Secondary SPA"). The first 2,862,500 share tranche was issued on June 17, 2024 for consideration of $4.75 million and the remaining 2,862,500 was issued on August 15, 2024 for consideration of $4.75 million.

Contemporaneous with the execution of the Secondary SPA, the Company and M4 entered into a Limited Proxy and Power of Attorney with respect to all of the shares of Series A-1 Preferred Stock of Faze Media held by M4 (the "Faze Media Voting Proxy").

Faze Media is not a variable interest entity. Due to the Faze Media Voting Proxy, the Company maintains a controlling financial interest in Faze Media and Faze Media is a consolidated subsidiary of the Company as of June 30, 2024. The Preferred Stock of Faze Media held by M4 and Gigamoon represent a non-controlling interest of the Company. Upon termination of the Faze Media Voting Proxy, the Company will reassess whether it continues to have a controlling financial interest in Faze Media.

As a result of the above transactions, the Company recorded a non-controlling interest in Faze Media, Inc. of $20,500,000, the sum of cash consideration received, within the consolidated statements of stockholders' equity.

Merger Agreement

On March 7, 2024 (the "Closing Date"), GameSquare Holdings, Inc., a Delaware corporation (and prior to the Domestication (as defined below), a British Columbia corporation) (the "Company" or "GameSquare"), consummated the previously announced merger (the "Closing") of FaZe Holdings Inc., a Delaware corporation ("FaZe"), pursuant to that certain Agreement and Plan of Merger, dated October 19, 2023 (as amended, the "Merger Agreement"), by and among the Company, FaZe and GameSquare Merger Sub I, Inc., a Delaware corporation and wholly owned subsidiary of GameSquare ("Merger Sub"), as amended by that certain First Amendment to Agreement and Plan of Merger, dated December 19, 2023, by and among the Company, FaZe and Merger Sub (the "Amendment to Merger Agreement"). The consummation of the Merger involved (i) prior to the Closing, the continuance of GameSquare from the laws of the Province of British Columbia to the laws of the State of Delaware so as to become a Delaware corporation (the "Domestication") and (ii) the merger of Merger Sub with and into FaZe, with FaZe continuing as the surviving corporation and wholly-owned subsidiary of GameSquare (the "Merger"), as well as the other transactions contemplated in the Merger Agreement.

Merger Consideration

At the effective time of the Merger (the "Effective Time"): (i) each outstanding share of FaZe common stock, par value $0.0001 per share (the "FaZe Common Stock") issued and outstanding immediately prior to the Effective Time (other than shares held in treasury by FaZe or held directly by GameSquare or Merger Sub (which such shares were cancelled)) was converted into the right to receive 0.13091 (the "Exchange Ratio") of a fully paid non-assessable share of common stock, par value $0.0001 per share, of GameSquare (the "GameSquare Common Stock") and, if applicable, cash in lieu of fraction shares of FaZe Common Stock, subject to applicable withholding, (ii) each share of common stock, par value $0.001 per share, of Merger Sub that was issued and outstanding immediately prior to the Effective Time was converted into one validly issued, fully paid and non-assessable share of common stock, par value $0.001 per share, of FaZe Common Stock.

Treatment of Equity Awards

In addition, effective as of immediately prior to the Effective Time, all of the outstanding FaZe equity awards, including options to purchase shares of FaZe Common Stock, each share of FaZe Common Stock subject to vesting, repurchase or other lapse of restrictions, and each FaZe restricted stock unit convertible into shares of FaZe Common Stock, was assumed by GameSquare and converted into GameSquare equity awards on substantially the same terms, except that the assumed equity awards will cover a number of shares of GameSquare Common Stock and, if applicable, have an exercise price determined using the Exchange Ratio.

Also at the Effective Time, all outstanding warrants to purchase shares of FaZe Common Stock were assumed by GameSquare and converted into warrants to purchase shares of GameSquare Common Stock on substantially the same terms, except that the assumed warrants cover a number of shares of GameSquare Common Stock, and have an exercise price, determined using the Exchange Ratio.

Post-Closing Governance

In connection with the Merger and in accordance with the Merger Agreement, effective as of the Closing, the board of directors of the Company (the "Board") increased the size of the Board from six to nine members and appointed Paul Hamilton and Nick Lewin (each, a "New Director" and collectively, the "New Directors"), who were previously members of FaZe's board of directors, to serve on the Board, in each case, to hold office until their successors are duly elected and qualified or their earlier death, resignation or removal.

Following the appointment of the New Directors, there remains one vacancy on the Board. Pursuant to the Merger Agreement, such vacancy is to be filled at such time that the Board duly elects an individual to serve in such capacity in accordance with the Bylaws and the terms of the Merger Agreement. It has not yet been determined on which committees of the Board Mr. Hamilton and Mr. Lewin will serve.

PIPE Financing

Substantially concurrently with the consummation of the Merger, the Company completed its previously announced private placement in public equity financing (the "PIPE Financing"). In connection with the PIPE Financing, the Company entered subscription agreements (the "Subscription Agreements") with certain investors (the "PIPE Investors"), pursuant to which the Company issued to the PIPE Investors an aggregate of 7,194,244 units at a purchase price per unit of $1.39, for aggregate gross proceeds of $10.0 million. Each unit consists of one share of GameSquare Common Stock and a warrant to purchase 0.15 shares of GameSquare Common Stock. As a result, the Company issued an aggregate of 7,194,224 shares of GameSquare Common Stock (the "PIPE Shares") and warrants to purchase up to 1,079,136 shares of GameSquare Common Stock (the "PIPE Warrants) pursuant to the PIPE Financing. Each whole PIPE Warrant is exercisable for one share of GameSquare Common Stock at an exercise price of $1.55 per share for a period of five years after the Closing Date.

The PIPE Shares and PIPE Warrants are subject to a four month hold period under Canadian securities laws expiring four months following the Closing Date. The PIPE Shares will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws, and were issued pursuant to and in accordance with the exemption from registration under the Securities Act, under Section 4(a)(2) and/or Regulation D promulgated under the Securities Act. The securities may not be offered or sold in the United States absent registration or pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws.

The Company also entered into Registration Rights Agreements with the PIPE Investors (the "Registration Rights Agreements"). The Registration Rights Agreements provide, among other things, that the Company will as promptly as reasonably practicable, and in any event no later than 150 days after the Closing Date (the "Filing Deadline"), file with the SEC (at the Company's sole cost and expense) a registration statement registering the resale of the PIPE Shares and the shares of GameSquare Common Stock underlying the PIPE Warrants issued to the PIPE Investors, and will use its commercially reasonable efforts to have such registration statement declared effective as soon as practicable after the filing thereof, but no later than the earlier of (i) the 90th calendar day following the Filing Deadline if the SEC notifies the Company that it will "review" such registration statement and (ii) the fifth business day after the date the Company is notified (orally or in writing) by the SEC that such registration statement will not be "reviewed" or will not be subject to further review.

The Company had previously entered into a backstop agreement (the "Backstop Agreement") with Goff Jones Strategic Partners, LLC (formerly known as Goff & Jones Lending Co, LLC) ("Goff Jones"), to purchase common stock to ensure the PIPE was fully subscribed. The Backstop Agreement was originally announced on October 20, 2023. A total of $6.0 million of securities were issued to Goff Jones in connection with the Backstop Agreement.

Complexity Membership Interest Purchase Agreement

On March 1, 2024, Global Esports Properties, LLC, a Delaware limited liability company ("Buyer"), GameSquare Esports (USA), Inc., a Nevada corporation ("Seller") and sole member of NextGen Tech, LLC, a Texas limited liability company doing business as Complexity Gaming, and GameSquare Holdings, Inc., a corporation formed under the laws of the province of Ontario ("Beneficial Owner") (together, the "Parties") entered into a Membership Interest Purchase Agreement (the "MIPA") for the purchase of all issued and outstanding interests (the "Interests") of NextGen Tech, LLC, a Texas limited liability company doing business as Complexity Gaming (the "Transaction").

The purchase price for the acquired Interests was $10.4 million, subject to final determination and adjustment pursuant to the purchase price adjustment mechanism set forth in the MIPA (the "Purchase Price"). $0.8 million of the Purchase Price was paid in cash at closing and the remainder was paid at closing by delivery of a secured subordinated promissory note (the "Note") in favor of the Seller in the principal amount of $9.6 million (the "Principal Amount"). Under the Note, the Company is required pay the Principal Amount of the Note, together with all accrued interest (accrued at a rate equal to 3% per annum), fees, premium, charges, costs, and expenses no later than thirty-six (36) months from the date of the Note.

The Note is secured pursuant to a Security Agreement (the "Security Agreement"), which provides for a security interest in Buyer's collateral (as defined in the Security Agreement) to secure any and all indebtedness, obligations, liabilities, and undertakings under or in respect of the Note.

The Parties' obligation to complete the Transaction contemplated by the MIPA is subject to certain conditions, including approval by TSXV, which is still outstanding. Accordingly, the Transaction described herein is subject to risk of completion.

The MIPA contains customary representations, warranties, indemnification obligations and agreements of the Parties.

Current Market Conditions

GameSquare is pursuing organic growth opportunities, as well as M&A growth opportunities. From August 2020 to March 2024, the Company has completed five acquisitions and divested two non-core assets. GameSquare's organic growth strategy focuses on growing audience and reach within its digital agencies, media network, and teams segments. GameSquare's digital agencies, teams, and services segments serve the gaming and esports market, and more broadly sports and entertainment through content creation, audience development and growing brand relationships. The digital agency industry is highly fragmented, and these businesses are generally characterized by high revenue growth with healthy earnings before income, taxes, depreciation and amortization margins, which management believes positions the Company well for sustainable growth through organic efforts and presents significant opportunities to grow through accretive acquisitions.

The combination of Engine Gaming's best-in-class technology assets with GameSquare's award-winning agency and creative capabilities, allows the Company to offer unparalleled insight into consumer behaviors. It also allows GameSquare to develop data-driven creative strategies, and measure and optimize campaigns towards customer acquisition goals in real-time - creating impactful marketing solutions that drive ROI for its customers.

The Company has invested in its sales organization and continues to see significant growth in the number, and the size, of requests for proposals within its agency businesses. The Company's financial profile compares very favorably against its esports peers, as well as other companies seeking to engage with youth audiences.

The Company believes enterprise growth may come as a result of synergistic approaches to combining the strengths of its multiple SaaS companies that it can present as a unified offering to the market.

The following is a summary of the Company's financial performance highlights for the three and nine months ended September 30, 2024 and 2023. This summary should be considered in the context of the additional disclosures in this MD&A which further highlight Company results by segment.

Results of Operations

The following table summarizes our results of operations for the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023:

	Nine months ended September 30,		
	2024	2023	Variance
Revenue	$ 72,728,415	$ 25,653,411	$ 47,075,004
Cost of revenue	59,858,943	19,074,708	40,784,235
Gross profit	12,869,472	6,578,703	6,290,769
Operating expenses:			
General and administrative	18,233,771	11,605,255	6,628,516
Selling and marketing	6,856,774	3,947,100	2,909,674
Research and development	2,370,927	1,100,791	1,270,136
Depreciation and amortization	2,513,882	1,295,669	1,218,213
Restructuring charges	506,829	386,620	120,209
Other operating expenses	3,375,360	2,186,916	1,188,444
Total operating expenses	33,857,543	20,522,351	13,335,192
Loss from continuing operations	(20,988,071)	(13,943,648)	(7,044,423)
Other income (expense), net:			
Interest expense	(681,491)	(354,561)	(326,930)
Change in fair value of convertible debt carried at fair value	357,822	541,136	(183,314)
Change in fair value of warrant liability	79,382	1,844,094	(1,764,712)
Arbitration settlement reserve	252,208	951,878	(699,670)
Other income (expense), net	(4,066,022)	(189,307)	(3,876,715)
Total other income (expense), net	(5,090,171)	2,793,240	(7,883,411)
Loss from continuing operations before income taxes	(26,078,242)	(11,150,408)	(14,927,834)
Income tax benefit	-	16,496	(16,496)
Net loss from continuing operations	(26,078,242)	(11,133,912)	(14,944,330)
Net income (loss) from discontinued operations	1,349,738	(2,347,244)	3,696,982
Net loss	(24,728,504)	(13,481,156)	(11,247,348)
Net income attributable to non- controlling interest	2,369,533	-	2,369,533
Net loss attributable to attributable to GameSquare Holdings, Inc.	$ (22,358,971)	$ (13,481,156)	$ (8,877,815)

	Three months ended September 30,		
	2024	2023	Variance
Revenue	$ 26,413,226	$ 11,501,446	$ 14,911,780
Cost of revenue	21,171,114	8,989,706	12,181,408
Gross profit	5,242,112	2,511,740	2,730,372
Operating expenses:			
General and administrative	6,180,523	4,734,909	1,445,614
Selling and marketing	2,202,182	1,465,378	736,804
Research and development	804,258	439,822	364,436
Depreciation and amortization	803,687	571,972	231,715
Restructuring charges	382,983	92,334	290,649
Other operating expenses	1,287,223	688,935	598,288
Total operating expenses	11,660,856	7,993,350	3,667,506
Loss from continuing operations	(6,418,744)	(5,481,610)	(937,134)
Other income (expense), net:			
Interest expense	(54,106)	(209,237)	155,131
Change in fair value of convertible debt carried at fair value	(98,937)	86,127	(185,064)
Change in fair value of warrant liability	26,482	133,216	(106,734)

Arbitration settlement reserve	113,583	212,234	(98,651)
Other income (expense), net	(478)	(227,201)	226,723
Total other income (expense), net	(1,045,526)	(4,861)	(1,040,665)
Loss from continuing operations before income taxes	(7,464,270)	(5,486,471)	(1,977,799)
Income tax benefit	-	11,469	(11,469)
Net loss from continuing operations	(7,464,270)	(5,475,002)	(1,989,268)
Net income (loss) from discontinued operations	(145)	423,303	(423,448)
Net loss	(7,464,415)	(5,051,699)	(2,412,716)
Net income attributable to non- controlling interest	1,979,943	-	1,979,943
Net loss attributable to attributable to GameSquare Holdings, Inc.	$ (5,484,472)	$ (5,051,699)	$ (432,773)

Revenue

The following tables disaggregate revenue by revenue stream and geographic region for the three and nine months ended September 30, 2024, and 2023.

	Nine months ended September 30, 2024			
Segment	**United Kingdom**	**USA**	**Spain**	**Total**
Revenue				
Teams	$ -	$ 25,254,085	$ -	$ 25,254,085
Agency	1,127,737	7,163,052	-	8,290,789
SaaS + Advertising	-	36,862,933	2,320,608	39,183,541
Total Revenue	1,127,737	69,280,070	2,320,608	72,728,415
Cost of sales				
Teams	-	19,963,971	-	19,963,971
Agency	866,543	4,875,642	-	5,742,185
SaaS + Advertising	-	33,885,469	267,318	34,152,787
Total Cost of sales	866,543	58,725,082	267,318	59,858,943
Gross profit				
Teams	-	5,290,114	-	5,290,114
Agency	261,194	2,287,410	-	2,548,604
SaaS + Advertising	-	2,977,464	2,053,290	5,030,754
Total Gross profit	$ 261,194	$ 10,554,988	$ 2,053,290	$ 12,869,472

	Nine months ended September 30, 2023			
Segment	**United Kingdom**	**USA**	**Spain**	**Total**
Revenue				
Agency	$ 2,373,925	$ 6,174,789	$ -	$ 8,548,714
SaaS + Advertising	-	15,687,429	1,417,268	17,104,697
Total Revenue	2,373,925	21,862,218	1,417,268	25,653,411
Cost of sales				
Agency	1,981,432	4,278,967	-	6,260,399
SaaS + Advertising	-	12,657,862	156,447	12,814,309
Total Cost of sales	1,981,432	16,936,829	156,447	19,074,708
Gross profit				
Agency	392,493	1,895,822	-	2,288,315
SaaS + Advertising	-	3,029,567	1,260,821	4,290,388
Total Gross profit	$ 392,493	$ 4,925,389	$ 1,260,821	$ 6,578,703

	Three months ended September 30, 2024			
Segment	**United Kingdom**	**USA**	**Spain**	**Total**
Revenue				
Teams	$ -	$ 9,412,494	$ -	$ 9,412,494
Agency	398,153	2,912,310	-	3,310,463
SaaS + Advertising	-	12,950,503	739,766	13,690,269
Total Revenue	398,153	25,275,307	739,766	26,413,226
Cost of sales				
Teams	-	7,431,458	-	7,431,458
Agency	332,445	1,176,887	-	1,509,332
SaaS + Advertising	-	12,130,954	99,370	12,230,324
Total Cost of sales	332,445	20,739,299	99,370	21,171,114
Gross profit				
Teams	-	1,981,036	-	1,981,036
Agency	65,708	1,735,423	-	1,801,131
SaaS + Advertising	-	819,549	640,396	1,459,945

Total Gross profit	$ 65,708	$ 4,536,008	$ 640,396	$ 5,242,112

	Three months ended September 30, 2023			
Segment	**United Kingdom**	**USA**	**Spain**	**Total**
Revenue				
Agency	$ 965,377	$ 1,864,942	$ -	$ 2,830,319
SaaS + Advertising	-	7,916,038	755,089	8,671,127
Total Revenue	965,377	9,780,980	755,089	11,501,446
Cost of sales				
Agency	812,018	1,611,598	-	2,423,616
SaaS + Advertising	-	6,480,115	85,975	6,566,090
Total Cost of sales	812,018	8,091,713	85,975	8,989,706
Gross profit				
Agency	153,359	253,344	-	406,703
SaaS + Advertising	-	1,435,923	669,114	2,105,037
Total Gross profit	$ 153,359	$ 1,689,267	$ 669,114	$ 2,511,740

Key Components and Comparison of Results of Operations

Nine months ended September 30, 2024 and 2023

Revenue

Revenues for the nine months ended September 30, 2024, were $72.7 million, in comparison to $25.7 million for the same period in 2023. The increase was primarily related to the acquisition of Engine on April 11, 2023 and the acquisition of FaZe on March 7, 2024.

Team Revenue

Teams revenue for the nine months ended September 30, 2024, was $25.3 million, in comparison to $0 for the same period in 2023. The increase was related to our acquisition of FaZe on March 7, 2024. As such, there is no revenue is this operating segment in the prior year period.

Agency Revenue

Agency revenue for the nine months ended September 30, 2024, was $8.3 million, in comparison to $8.5 million for the same period in 2023. The variance was not significant.

Software-as-a-service ("SaaS") + Advertising revenue

SaaS + Advertising revenue for the nine months ended September 30, 2024, was $39.2 million, in comparison to $17.1 million for the same period in 2023. The increase was related to our acquisition of Engine on April 11, 2023. As such, there is only two quarters of SaaS + Advertising revenue for this operating segment in the prior year period. The large increase in revenue is also due to significant growth derived primarily from programmatic advertising year over year.

Cost of Sales

Cost of sales for the nine months ended September 30, 2024, was $59.9 million, in comparison to $19.1 million for the same period in 2023. The increase was primarily related to an increase in revenue associated with the acquisitions of FaZe and Engine discussed above, and varying margins of the Company product mix.

Operating expenses

General and administrative

General and administrative expenses for the nine months ended September 30, 2024, was $18.2 million, in comparison to $11.6 million for the same period in 2023. The increase was primarily related to our acquisitions of Faze and Engine as discussed above. Faze was not part of the prior year comparable results and Engine was included from April 11, 2023 forward.

Selling and marketing

Selling and marketing expenses for the nine months ended September 30, 2024, was $6.9 million, in comparison to $3.9 million for the same period in 2023. The increase was primarily related to our acquisitions of Faze and Engine as discussed above. Faze was not part of the prior year comparable results and Engine was included from April 11, 2023 forward.

Research and development

Research and development expenses for the nine months ended September 30, 2024, was $2.4 million, in comparison to $1.1 million for the same period in 2023. The increase was the result of an increase in expenses from the operations of Engine that were included in the 2023 period from April 11, 2023 forward.

Depreciation and amortization

Depreciation and amortization for the nine months ended September 30, 2024, was $2.5 million, in comparison to $1.3 million for the same period in 2023. The increase was primarily related to our acquisitions of Faze and Engine as discussed above and the related long-lived assets and intangible assets acquired in connection with these acquisitions.

Restructuring charges

Restructuring charges for the nine months ended September 30, 2024, were \$0.5 million, in comparison to \$0.4 million for the same period in 2023. The variance was not significant.

Other operating expenses

Other operating expenses for the nine months ended September 30, 2024, was \$3.4 million, in comparison to \$2.2 million for the same period in 2023. Other operating expenses between the quarters consisted primarily of transaction related expenses. The increase was primarily related to additional transaction activities in the 2024 period. The 2024 period included transaction costs associated with the acquisition of FaZe, the disposal of Complexity, the Faze Media Inc. asset contribution and the Franky Media asset disposal, while the 2023 period only included transaction costs associated with the acquisition of Engine.

Other income and expenses

Interest expense

Interest expense for the nine months ended September 30, 2024, was $0.7 million, in comparison to $0.4 million for the same period in 2023. The increase was primarily related interest expense on convertible debt acquired in connection with the acquisition of Engine and line of credit that was closed in September 2023. We did not have comparable debt instruments outstanding for all of the comparative period.

Loss on extinguishment of debt

Loss on extinguishment of debt for the nine months ended September 30, 2024, was $1.0 million, in comparison to $0 for the same period in 2023. The Company recognized a day one loss on issuance of debt of $1.4 million on July 8, 2024 in connection with the issuance of the Yorkville CD. The loss is presented net of the $0.3 million gain on extinguishment of the King Street CD which was paid down in full on July 10, 2024.

Change in fair value of convertible debt carried at fair value

Change in fair value of convertible debt income (expense) for the nine months ended September 30, 2024, was $0.4 million, in comparison to 0.5 million for the same period in 2023. Prior to the Engine acquisition, we did not have any convertible debt. The change represents adjusting the convertible debt to fair value at the end of the reporting period, primarily driven by changes in our share price.

Change in fair value of warrant liability

Change in fair value of warrant liability income (expense) for the nine months ended September 30, 2024, was $0.1 million, in comparison to $1.8 million for the same period in 2023. Prior to the Engine acquisition, we did not have any liability measured warrants. The gain represents adjusting the liability measured warrants to fair value at the end of the reporting period, primarily driven by changes in our share price. The large reduction in gain is primarily driven by the expiration of the majority of the liability measured warrants, and therefore the change in fair value over the current period is not significant.

Arbitration settlement reserve

Arbitration settlement reserve income (expense) for the nine months ended September 30, 2024, was $0.3 million, in comparison to $1.0 million for the same period in 2023. Prior to the Engine acquisition, we did not have an arbitration settlement reserve. The change represents adjusting the arbitration settlement reserve to fair value at the end of the reporting period, primarily driven by changes in our share price.

Other income (expense), net

Other income (expense) for the nine months ended September 30, 2024, was $(4.1) million, in comparison to $(0.2) million for the same period in 2023. Other expense in the current period is primarily related to loss incurred of $3.8 million on the disposal of Frankly Media remaining SaaS assets which closed on May 31, 2024. No such loss was incurred in the prior period.

Income tax benefit

There was no income tax benefit for the nine months ended September 30, 2024, in comparison to $16 thousand for the same period in 2023. The change was trivial between the two periods and relates to change in deferred tax liabilities.

Net income (loss) from discontinued operations

Net income from discontinued operations for the nine months ended September 30, 2024, was $1.3 million, in comparison to a net loss of $2.3 million for the same period in 2023. The increase was primarily related to gain on disposal of Complexity of $3.0 million in the 2024 period partially offset by net loss from operations of Complexity of $1.4 million as compared to a net loss from operations of Complexity of $2.7 million in the 2023 period.

Three months ended September 30, 2024 and 2023

Revenue

Revenues for the three months ended September 30, 2024, were $26.4 million, in comparison to $11.5 million for the same period in 2023. The increase was primarily related to the acquisition of FaZe on March 7, 2024 along with the large increase in programmatic advertising revenue at Frankly.

Team Revenue

Teams revenue for the three months ended September 30, 2024, was $9.4 million, in comparison to $0 for the same period in 2023. The increase was related to our acquisition of FaZe on March 7, 2024. As such, there is no revenue for this operating segment in the prior year period.

Agency Revenue

Agency revenue for the three months ended September 30, 2024, was $3.3 million, in comparison to $2.8 million for the same period in 2023.

Software-as-a-service ("SaaS") + Advertising revenue

SaaS + Advertising revenue for the three months ended September 30, 2024, was $13.7 million, in comparison to $8.7 million for the same period in 2023. The increase was related to our acquisition of Engine on April 11, 2023. The large increase in revenue is due to significant growth derived primarily from programmatic advertising year over year.

Cost of Sales

Cost of sales for the three months ended September 30, 2024, was $21.2 million, in comparison to $9.0 million for the same period in 2023. The increase was primarily related to an increase in revenue associated with the acquisition of FaZe and Frankly discussed above, and varying margins of the Company product mix.

Operating expenses

General and administrative

General and administrative expenses for the three months ended September 30, 2024, was $6.2 million, in comparison to $4.7 million for the same period in 2023. The increase was primarily related to our acquisition of Faze as discussed above. Faze was not part of the prior year comparable results.

Selling and marketing

Selling and marketing expenses for the three months ended September 30, 2024, was $2.2 million, in comparison to $1.5 million for the same period in 2023. The increase was primarily related to our acquisition of Faze as discussed above. Faze was not part of the prior year comparable results.

Research and development

Research and development expenses for the three months ended September 30, 2024, was $0.8 million, in comparison to $0.4 million for the same period in 2023. The variance between the periods was not significant.

Depreciation and amortization

Depreciation and amortization for the three months ended September 30, 2024, was $0.8 million, in comparison to $0.6 million for the same period in 2023. The increase was primarily related to our acquisition of Faze as discussed above and the related long-lived assets and intangible assets acquired in connection with the acquisition.

Other operating expenses

Other operating expenses for the three months ended September 30, 2024, was $1.3 million, in comparison to $0.7 million for the same period in 2023. Other operating expenses between the quarters consisted solely of transaction related expenses. The variance between the periods was not significant.

Other income and expenses

Interest expense, net

Interest expense, net for the three months ended September 30, 2024, was $0.1 million, in comparison to $0.2 million for the same period in 2023. The variance between the periods was not significant.

Loss on extinguishment of debt

Loss on extinguishment of debt for the three months ended September 30, 2024, was $1.0 million, in comparison to $0 for the same period in 2023. The Company recognized a day one loss on issuance of debt of $1.4 million on July 8, 2024 in connection with the issuance of the Yorkville CD. The loss is presented net of the $0.3 million gain on extinguishment of the King Street CD which was paid down in full on July 10, 2024.

Change in fair value of convertible debt carried at fair value

Change in fair value of convertible debt income (expense) for the three months ended September 30, 2024, was $(0.1) million, in comparison to $0.1 million for the same period in 2023. The variance between the periods was not significant.

Change in fair value of warrant liability

Change in fair value of warrant liability income (expense) for the three months ended September 30, 2024, was $26 thousand, in comparison to $0.1 million for the same period in 2023. Prior to the Engine acquisition, we did not have any liability measured warrants. The variance between the periods was not significant.

Arbitration settlement reserve

Arbitration settlement reserve income (expense) for the three months ended September 30, 2024, was $0.1 million, in comparison to $0.2 million for the same period in 2023. Prior to the Engine acquisition, we did not have an arbitration settlement reserve. The change represents adjusting the arbitration settlement reserve to fair value at the end of the reporting period, primarily driven by changes in our share price. The variance between the periods was not significant.

Other income (expense), net

Other income (expense) for the three months ended September 30, 2024, was $0, in comparison to $(0.2) million for the same period in 2023. The variance between the periods was not significant.

Net income (loss) from discontinued operations

Net income (loss) from discontinued operations for the three months ended September 30, 2024, was $0, in comparison to a net income of $0.4 million for the same period in 2023. The decrease in net income was due to net loss from operations of Complexity of $0 in the current period (disposed of on March 1, 2024) as compared to a net loss from operations of Complexity of $0.1 million in the 2023 period. The 2023 period also included net income of $0.5 million from the operations of Winview, which was driven by income recognized in connection with a patent legal settlement wherein Winview legal fees were forgiven.

Management's use of Non-GAAP Measures

This MD&A contains certain financial performance measures, including "EBITDA" and "Adjusted EBITDA," that are not recognized under accounting principles generally accepted in the United States of America ("GAAP") and do not have a standardized meaning prescribed by GAAP. As a result, these measures may not be comparable to similar measures presented by other companies. For a reconciliation of these measures to the most directly comparable financial information presented in the Financial Statements in accordance with GAAP, see the section entitled "Reconciliation of Non-GAAP Measures" below.

We believe EBITDA is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performance and other one-time or non-recurring expenses. We define "EBITDA" as net income (loss) before (i) depreciation and amortization; (ii) income taxes; and (iii) interest expense.

Adjusted EBITDA

We believe Adjusted EBITDA is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performance and other one-time or non-recurring expenses. We define "Adjusted EBITDA" as EBITDA adjusted to exclude extraordinary items, non-recurring items and other non-cash items, including, but not limited to (i) share based compensation expense, (ii) transaction costs related to merger and acquisition activities, (iii) arbitration settlement reserves and other non-recurring legal settlement expenses, (iv) restructuring costs, primarily comprised of employee severance resulting from integration of acquired businesses, (v) impairment of goodwill and intangible assets, (vi) gains and losses on extinguishment of debt, (vii) change in fair value of assets and liabilities adjusted to fair value on a quarterly basis, (viii) gains and losses from discontinued operations, and (ix) Net income (loss) attributable to non-controlling interest.

Reconciliation of Non-GAAP Measures

A reconciliation of Adjusted EBITDA to the most directly comparable measure determined under US GAAP is set out below.

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Net loss	$ (7,464,415)	$ (5,051,699)	$ (24,728,504)	$ (13,481,156)
Interest expense	54,106	209,237	681,491	354,561
Income tax benefit	-	(11,469)	-	(16,496)
Amortization and depreciation	803,687	571,972	2,513,882	1,295,669
Share-based payments	267,117	405,907	1,288,484	1,288,292
Transaction costs	1,287,223	688,935	3,417,687	2,186,916
Arbitration settlement reserve	(113,583)	(212,234)	(252,208)	(951,878)
Restructuring costs	382,983	92,334	506,829	386,620
Legal settlement	-	3,381	-	187,105
Loss on extinguishment of debt	1,032,070	-	1,032,070	-
Change in fair value of contingent consideration	-	-	(42,327)	-
Change in fair value of warrant liability	(26,482)	(133,216)	(79,382)	(1,844,094)
Change in fair value of convertible debt carried at fair value	98,937	(86,127)	(357,822)	(541,136)
Gain on disposition of subsidiary	-	-	(3,009,891)	-
Loss on disposition of assets	-	-	3,764,474	-
Loss from discontinued operations	145	(423,303)	1,660,153	2,347,244
Net loss attributable to non-controlling interest	1,979,943	-	2,369,533	-
Net loss attributable to non-controlling interest (adjustment for NCI share of add backs to Adjusted EBITDA)	(467,632)	-	(467,632)	-
Adjusted EBITDA	$ (2,165,901)	$ (3,946,282)	$ (11,703,163)	$ (8,788,353)

Liquidity and Capital Resources

Overview

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets. We may revise programs depending on our working capital position.

Our approach to managing liquidity risk is to ensure that we will have sufficient liquidity to meet liabilities when due. Our liquidity and operating results may be adversely affected if our access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company.

We regularly evaluate our cash position to ensure preservation and security of capital as well as maintenance of liquidity. As we do not presently generate sufficient revenue to cover costs, managing liquidity risk is dependent upon the ability to reduce monthly operating cash outflow and secure additional financing. The recoverability of the carrying value of the assets and our continued existence is dependent upon our ability to raise financing in the near term, and ultimately the achievement of profitable operations.

As of September 30, 2024, cash and restricted cash totaled $11.2 million, compared to $3.0 million as of December 31, 2023.

While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute its business strategy or be successful in future financing activities.

Our ability to maintain sufficient liquidity could be affected by various risks and uncertainties including, but not limited to, our ability to raise additional funds through financing, those related to consumer demand and acceptance of our products and services, our ability to collect payments as they become due, achieving our internal forecasts and objectives, the economic conditions of the United States and abroad.

Sources and Uses of Cash

Since inception, we have financed our operations primarily by issuing equity and debt. As of September 30, 2024, our principal sources of liquidity were our cash in the amount of $11.2 million, available borrowings under our line of credit as well as new debt and/or equity issuances.

As discussed in recent developments above, we obtained gross proceeds of $10.0 million from the PIPE Financing on March 7, 2024.

Operating Activities

Net cash used in operating activities was $25.4 million during the nine months ended September 30, 2024, compared with $10.2 million used in operating activities in the comparative period. The use of funds in operating activities is described in the Results of Operations section above.

Investing Activities

Net cash provided by investing activities was $2.7 million for the nine months ended September 30, 2024.

Net cash provided by investing activities was $11.3 million for the nine months ended September 30, 2023.

Financing Activities

Net cash provided by financing activities was $30.4 million for the nine months ended September 30, 2024, which was primarily due to PIPE Financing on March 7, 2024 of $10 million and cash investments by non-controlling interests of Faze Media, Inc. of $20.5 million. Net cash provided by financing activities was $0.4 million for the nine months ended September 30, 2023.

Commitments and Contingencies

Management commitments

The Company is party to certain management contracts. These contracts require payments of approximately $0.6 million to be made upon the occurrence of a change in control and termination without cause to certain officers of the Company. The Company is also committed to payments upon termination without cause of approximately $1.1 million pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

Former activities

The Company was previously involved in oil and gas exploration activities in Canada, the United States and Colombia. The Company ceased all direct oil and gas exploration activities in 2014. While management estimated that the exposure to additional liabilities from its former oil and gas activities over and above the reclamation deposits held in trust for the Alberta Energy Regulator of $0.3 million to be remote, the outcome of any such contingent matters is inherently uncertain.

Litigation and arbitration

We are subject to various claims, lawsuits and other complaints arising in the ordinary course of business. We record provisions for losses when claims become probable, and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on our financial condition, operations, or liquidity.

Critical Accounting Policies

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control of its services to a customer.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies:

Talent representation service revenues

Talent representation service revenue is recorded on completion of the event in which the talent management service has been provided.

Influencer promotional fees

Influencer marketing and promotional fees are recognized over the period during which the services are performed. Revenue and income from custom service contracts are determined on the percentage of completion method, based on the ratio of contract timepassed in the reporting period over estimated total length of the contract.

Consulting fees and other revenues

Consulting fees and other revenues are recognized when the services have been performed.

Software-as-a-service

The Company enters into license agreements with customers for its e-sports and gaming data platform (Stream Hatchet) and influencer marketing platform (SideQik). These license agreements, generally non-cancellable, without paying a termination penalty, and multiyear, provide the customer with the right to use the Company's application solely on a Company-hosted platform. The license agreements also entitle the customer to technical support.

Revenue from these license agreements is recognized ratably over the license term. Early termination fees are recognized when a customer ceases use of agreed upon services prior to the expiration of their contract. These fees are recognized in full on the date the customer has completed their migration of the Company's solutions and there is no continuing service obligation to the customer.

The Company also charges its customers for the use of its ad serving platform to serve ads under local advertising campaigns. The Company reports revenue as earned based on the actual usage.

Advertising

Under national advertising agreements with advertisers, the Company sources, creates, and places advertising campaigns that run across the Company's network of publisher sites. National advertising revenue, net of third-party costs, is shared with publishers based on their respective contractual agreements. The Company invoices national advertising amounts due from advertisers and remits payments to publishers for their share. Depending on the agreement with the publisher, the obligation to remit payment to the publisher is based on either billing to the advertiser or the collection of cash from the advertiser.

National advertising revenue is recognized in the period during which the ad impressions are delivered. The Company reports revenue earned through national advertising agreements either on a net or gross basis. The Company applies judgement in recognizing revenue earned through national advertising agreements on a net or gross basis based on the criteria as disclosed below.

Under national advertising agreements wherein the Company does not bear inventory risk and only has credit risk on its portion of the revenue, national advertising revenues are accounted for on a net basis and the publisher is identified as the customer. In select national advertising agreements with its publishers, the Company takes on inventory risk and additional credit risk. Under these agreements, the Company either a) provides the publisher with a guaranteed minimum gross selling price per advertising unit delivered, wherein the greater of the actual selling price or guaranteed minimum selling price is used in determining the publisher's share or b) provides the publisher with a fixed rate per advertising unit delivered, wherein the publisher is paid the fixed rate per advertising unit delivered irrespective of the actual selling price. Under these national advertising agreements, national advertising revenues are accounted for on a gross basis with the advertiser identified as the customer and the publisher identified as a supplier, with amounts billed to the advertiser reported as revenue and amounts due to the publisher reported as a revenue sharing expense, within expenses.

Also included in advertising revenue is advertising revenue generated by the Company's various owned and operated properties.

Brand Sponsorships

The Company offers advertisers a full range of promotional vehicles, including but not limited to online advertising, livestream announcements, event content generation, social media posts, logo placement on the Company's official merchandise, and special appearances of members of the Company's talent roster. The Company's brand sponsorship agreements may include multiple services that are capable of being individually distinct; however the intended benefit is an association with the Company's brand, and the services are not distinct within the context of the contracts. Revenues from brand sponsorship agreements are recognized ratably over the contract term. Payment terms and conditions vary, but payments are generally due periodically throughout the term of the contract. In instances where the timing of revenue recognition differs from the timing of billing, management has determined the brand sponsorship agreements generally do not include a significant financing component.

Content

The Company and its talent roster generate and produce original content which the Company monetizes through Google's AdSense service. Revenue is variable and is earned when the visitor views or "clicks through" on the advertisement. The amount of revenue earned is reported to the Company monthly and is recognized upon receipt of the report of viewership activity. Payment terms and conditions vary, but payments are generally due within 30 to 45 days after the end of each month.

The Company grants exclusive licenses to customers for certain content produced by the Company's talent. The Company grants the customer a license to the intellectual property, which is the content and its use in generating advertising revenues, for a pre-determined period, for an amount paid by the customer, in most instances, upon execution of the contract. The Company's only performance obligation is to license the content for use in generating advertising revenues, and the Company recognizes the full contract amount at the point at which the Company provides the customer access to the content, which is at the execution of the contract. The Company has no further performance obligations under these types of contracts and does not anticipate generating any additional revenue from these arrangements apart from the contract amount.

Consumer Products

The Company earns consumer products revenue from sales of the Company's consumer products on the Company's website or at live or virtual events. Revenues are recognized at a point in time, as control is transferred to the customer upon shipment. The Company offers customer returns and discounts through a third-party distributor and accounts for this as a reduction to revenue. The Company does not offer loyalty programs or other sales incentive programs that are material to revenue recognition. Payment is due at the time of sale. The Company has outsourced the design, manufacturing, fulfillment, distribution, and sale of the Company's consumer products to a third party in exchange for royalties based on the amount of revenue generated. Management evaluated the terms of the agreement to determine whether the Company's consumer products revenues should be reported gross or net of royalties paid. Key indicators that management evaluated in determining whether the Company is the principal in the sale (gross reporting) or an agent (net reporting) include, but are not limited to:

- the Company is the party that is primarily responsible for fulfilling the promise to provide the specified good or service,
- the Company has inventory risk before the good is transferred to the customer, and
- the Company is the party that has discretion in establishing pricing for the specified good or service.

Based on management's evaluation of the above indicators, the Company reports consumer products revenues on a gross basis.

Esports

League Participation: Generally, The Company has one performance obligation—to participate in the overall Esport event—because the underlying activities do not have standalone value absent the Company's participation in the tournament or event. Revenue from prize winnings and profit-share agreements is variable and is highly uncertain. The Company recognizes revenue at the point in time when the uncertainty is resolved.

Player Transfer Fees: Player transfer agreements include a fixed fee and may include a variable fee component. The Company recognizes the fixed portion of revenue from transfer fees upon satisfaction of the Company's performance obligation, which coincides with the execution of the related agreement. The variable portion of revenue is considered highly uncertain and is recognized at the point in time when the uncertainty is resolved.

Licensing of Intellectual Property: The Company's licenses of intellectual property generate royalties that are recognized in accordance with the royalty recognition constraint. That is, royalty revenue is recognized at the time when the sale occurs.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

Deferred revenue consists of customer advances for Company services to be rendered that will be recognized as income in future periods.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Investments

Investments in and advances to entities or joint ventures in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method. Significant influence is generally presumed to exist when the Company owns an interest between 20% and 50% and exercises significant influence.

In accordance with ASC 321 "*Investments—Equity Securities*" ("ASC 321"), equity securities which the Company has no significant influence (generally less than a 20% ownership interest) with readily determinable fair values are accounted for at fair value based on quoted market prices. Equity securities without readily determinable fair values are accounted for either at fair value or using the measurement alternative which is at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. All gains and losses on investments in equity securities are recognized in the consolidated statements of operations and comprehensive loss.

Equity securities accounted for under the measurement alternative, the Company assesses the securities for impairment indicators, at least annually, or more frequently if there are any indicators of impairment. If the assessment indicates that the fair value of the investment is less than its carrying value, the investment is impaired and an impairment charge equal to the excess of the carrying value over the related fair value of the investment will be recorded.

Business combinations

The results of businesses acquired in a business combination are included in the Company's consolidated financial statements from the date of the acquisition. The Company uses the acquisition method of accounting and allocates the purchase price to the identifiable assets and liabilities of the relevant acquired business at their acquisition date fair values. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill. The allocation of the purchase price in a business combination requires the Company to perform valuations with significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue, costs and cash flows, discount rates and selection of comparable companies. The Company engages the assistance of valuation specialists in concluding on fair value measurements in connection with determining fair values of assets acquired and liabilities assumed in a business combination. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations. Transaction costs associated with business combinations are expensed as incurred and are included in selling, general and administrative expense in the consolidated statements of operations.

Impairment of long-lived assets and goodwill

Long-lived assets consist of property and equipment, right-of-use assets and intangible assets. The Company assesses for impairment of asset groups, including intangible assets, at least annually, or more frequently if there are any indicators for impairment.

Goodwill and indefinite life intangible assets are tested for impairment annually or when there is an indication that the asset may be impaired.

When a triggering event that occurred during the reporting period is identified, or when the annual impairment test is required, the Company may first assess qualitative factors to determine whether it is more likely than not that goodwill is impaired. If the Company determines it is more likely than not that goodwill is not impaired, an impairment test is not necessary. If an impairment test is necessary, management estimates the fair value of the Company. If the carrying value of the Company exceeds its fair value, goodwill is determined to be impaired, and an impairment charge equal to the excess of the carrying value over the related fair value of the Company will be recorded. If the qualitative assessment indicates that it is more likely than not that goodwill is not impaired, further testing is unnecessary.

Fair value option for convertible debt

The Company elected the Fair Value Option ("FVO") for recognition of its convertible debt as permitted under ASC 825, *Financial Instruments*. Under the FVO, the Company recognizes the convertible debt at fair value with changes in fair value recognized in earnings. The FVO may be applied instrument by instrument, but it is irrevocable. As a result of applying the FVO, any direct costs and fees related to the convertible debt is recognized in operating expense in the consolidated statements of operations and comprehensive loss as incurred and not deferred. Changes in fair value of the convertible debt is recognized as a separate line in the consolidated statements of operations and comprehensive loss.

Contingencies

The Company estimates loss contingencies in accordance with ASC 450-20, *Loss Contingencies*, which states that a loss contingency shall be accrued by a charge to income if both of the following conditions are met: (i) information available before the consolidated financial statements are issued or are available to be issued indicates that it is probable that a liability had been incurred at the date of the consolidated financial statements and (ii) the amount of loss can be reasonably estimated. Management regularly evaluates current information available to determine whether such accruals should be adjusted and whether new accruals are required.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates, assumptions, and judgments as of the balance sheet date that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. Our actual results may differ from these estimates under different assumptions and conditions.

Recent Accounting Pronouncements

See Note 3 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted, the timing of their adoptions and our assessment, to the extent we have made one, of their potential impact on our financial condition and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this Item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision of our Chief Executive Officer and our Chief Financial Officer and concluded that our disclosure controls and procedures were not effective as of September 30, 2024. Material weaknesses relating to the Design and Implementation of Control Activities and Monitoring Activities were identified. The Company did not have sufficient resources with the relevant expertise to perform an effective risk assessment process, design and implement controls supported by documentation and provide evidence that such controls designed was based on the COSO Framework.

The material weaknesses in risk assessment, control activities and monitoring activities contributed to the following material weaknesses: (i) the Company did not complete a documented risk assessment, and (ii) the Company did not identify all risks and design relevant controls related to system of internal controls. As a consequence of the aggregation of the foregoing deficiencies in the Company's DC&P and ICFR design, the Company did not have effective control activities related to the design of process-level and management review control activities. Aside from these deficiencies, management believes that the Company's condensed consolidated financial statements for three and nine months ended September 30, 2024, present fairly in all material respects, the Company's financial position, results of operations, changes in shareholders' equity and cash flows in accordance with U.S GAAP. The Company does not believe and is not aware of any circumstance in which the potential weaknesses have impacted the Company's financial reporting and as a result, there were no material adjustments to the Company's condensed consolidated financial statements for the three and nine months ended September 30, 2024. In addition, there were no changes to previously released financial results. However, if the collective deficiencies were deemed to create a material weakness, a material misstatement to our consolidated financial statements might not be prevented or detected on a timely basis.

Management's Remediation Measures

To address the deficiencies identified, management, with oversight of the Audit Committee, has implemented, or will implement, remediation measures to further address the deficiencies in the design of its DC&P and ICFR. The Company intends to complete such remedial measures by December 31, 2025. Management has also performed an initial risk assessment using a top-down, risk-based approach with respect to the risks of material misstatement of the consolidated financial statements. In addition, compensating controls have been applied to a number of areas where the risks of material misstatement are considered moderate to high. The Company is engaging outside resources to strengthen the business process documentation and help with management's self-assessment and testing of internal controls. Although the Company can give no assurance that these actions will remediate these deficiencies or that additional deficiencies or a material weaknesses will not be identified in the future, management believes the foregoing efforts will, when implemented, strengthen our DC&P and ICFR. Management will take additional remedial actions as necessary as they continue to evaluate and work to improve the Company's control environment.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the nine months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject, from time to time, to various legal proceedings that are incidental to the conduct of its business.

In April 2020, Engine announced its renegotiation of the acquisition of Allinsports. The revised purchase agreement provided for the acquisition of 100% of Allinsports in exchange for the issuance of 241,666 common shares of the Engine and other considerations, including payments of $1,200,000 as a portion of the purchase consideration. In September 2020, Engine advised the shareholders of Allinsports that closing conditions of the transaction, including the requirement to provide audited financial statements, had not been satisfied.

In response, in November 2020, the shareholders of Allinsports commenced arbitration in Alberta, Canada seeking, among other things, to compel Engine to complete the acquisition of Allinsports without the audited financial statements, and to issue 241,666 common shares of Engine to those shareholders. As alternative relief, the shareholders of Allinsports sought up to $20.0 million in damages. A hearing in this matter was held in May of 2021, and by a decision dated September 30, 2021, the Arbitrator determined that the closing of the transaction had previously occurred and directed Engine to issue 241,666 common shares. In conjunction with completion of the Arrangement (see Note 4), the Company assumed this obligation to issue 241,666 common shares. The Company is pursuing regulatory approval to issue the shares and is also pursuing relief against Allinsports shareholders for various alleged breaches of the share purchase agreement. The Company recognized a liability for the arbitration ruling of $1.5 million, which represented the fair value of the common shares directed to be delivered as of April 11, 2023, the closing date of the Arrangement. The liability is recorded as arbitration reserve on the Company's consolidated balance sheets. This liability will be adjusted to fair value at the end of each reporting period.

By Order to Continue dated May 5, 2022, Engine was substituted in as the plaintiff in a matter pending in the Ontario Superior Court of Justice, seeking recovery of $2.1 million (€1.9 million) of principal and additional amounts of accrued interest under promissory notes acquired by Engine. The matter is in the discovery stage.

On June 21, 2024, the Company received a notice from King Street Partners LLC ("King Street"), the holder of a 12.75% Convertible Senior Secured Note with a principal amount of $5,800,000 dated December 29, 2023. The notice objected to the Company's ability to maintain its 51% economic interest in FaZe Media, Inc. and other related matters.

As a result, King Street requested the immediate repayment of the full principal amount, along with any premiums and accrued interest.

On October 1, 2024, the Company entered into a Settlement and Release Agreement with King Street pertaining to the King Street Note.

The outcomes of pending litigations in which the Company is involved are necessarily uncertain as are the Company's expenses in prosecuting and defending these actions. From time to time the Company may modify litigation strategy and/or the terms on which it retains counsel and other professionals in connection with such actions, which may affect the outcomes of and/or the expenses incurred in connection with such actions.

The Company is subject to various other claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations, or liquidity.

ITEM 1A. RISK FACTORS

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Repurchases of Shares

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the nine months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

GAMESQUARE HOLDINGS, INC.
FORM 10-Q

EXHIBIT INDEX

The exhibits to this Form 10-Q are listed in the following Exhibit Index:

Exhibit No.	Description
10.1	Standby Equity Purchase Agreement, dated July 8, 2024, between GameSquare Holdings, Inc. and YA II PN, Ltd. (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K/A filed with the SEC on July 9, 2024).
10.2	Form of Convertible Promissory Note issued to YA II PN, Ltd. (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K/A filed with the SEC on July 9, 2024).
10.3	Registration Rights Agreement, dated July 8, 2024, between GameSquare Holdings, Inc. and YA II PN, Ltd. (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K filed with the SEC on July 8, 2024).
10.4	Secondary Preferred Stock Purchase Agreement, dated as of June 17, 2024, by and among FaZe Media Holdings, LLC, M40A3 LLC, Gigamoon Media LLC, and FaZe Media, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 20, 2024).
10.5	Standstill and Repayment Agreement by and between GameSquare Holdings, Inc. and YA II PN, Ltd., dated as of November 5, 2024 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 7, 2024).
31.1*	Certification of Principal Executive Officer pursuant to Rule 13(a)-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13(a)-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from GameSquare Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 are filed herewith, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2024 and 2023, (ii) the Condensed Consolidated Statements of Other Comprehensive Income (Loss) for the three and nine months ended September 30, 2024 and 2023, (iii) the Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023, (v) the Condensed Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2024 and 2023, and (vi) Notes to Condensed Consolidated Financial Statements.
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*Filed herewith.
** Furnished, not filed.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	GAMESQUARE HOLDINGS, INC. (Registrant)
Dated: November 14, 2024	By: */s/ JUSTIN KENNA* Justin Kenna Chief Executive Officer (Principal Executive Officer)
Dated: November 14, 2024	By: */s/ MICHAEL MUNOZ* Michael Munoz Chief Financial Officer (Principal Financial Officer)