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

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of **August 2023**.

Commission File Number: **001-39389**

GameSquare Holdings, Inc.

(Exact Name of Registrant as Specified in Charter)

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

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F Form 40-F

SIGNATURE

Pursuant to the requirements of the Securities 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)

Date: August 14, 2023

By: /s/ Justin Kenna
Name: Justin Kenna
Title: Chief Executive Officer and Director

EXHIBIT INDEX

[99.1 Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023, and 2022](#)

[99.2 Managements Discussion and Analysis for the three and six months ended June 30, 2023, and 2022](#)

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GAMESQUARE

GAMESQUARE HOLDINGS, INC.
(formerly Engine Gaming and Media, Inc.)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For the three and six months ended June 30, 2023, and 2022
(Expressed in United States Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, the financial statements must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim condensed consolidated financial statements of GameSquare Holdings, Inc.) (the "Company") are the responsibility of management and the Board of Directors.

The interim condensed consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the interim condensed consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim condensed consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the interim condensed consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the interim condensed consolidated financial statements and (ii) the interim condensed consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the interim condensed consolidated financial statements.

The Board of Directors are responsible for reviewing and approving the interim condensed consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The Company's Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the interim condensed consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

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GameSquare Holdings, Inc.

(formerly Engine Gaming and Media, Inc.)

Condensed Interim Consolidated Statements of Income (loss) and Comprehensive Income (loss)

(Unaudited)

(Expressed in United States Dollars)

	Note	June 30, 2023	December 31, 2022
		\$	\$
ASSETS			
<i>Current</i>			
Cash		4,249,602	977,413
Restricted cash		47,465	-
Accounts and other receivables	6	14,115,331	8,331,120
Government remittances		1,146,493	-
Prepaid expenses and other current assets	10	1,459,381	788,227
		<u>21,018,272</u>	<u>10,096,760</u>
<i>Non-Current</i>			
Investment at FVTPL	7	3,188,749	-
Property and equipment	8	2,790,738	3,001,883
Goodwill	9	23,710,499	-
Intangible assets	9	23,237,813	4,609,837
Right-of-use assets	12	2,198,025	2,385,330
		<u>55,125,824</u>	<u>9,997,050</u>
		<u>76,144,096</u>	<u>20,093,810</u>
		\$	\$
		June 30, 2023	December 31, 2022
		\$	\$
LIABILITIES			
<i>Current</i>			
Accounts payable		17,729,367	4,848,854
Accrued liabilities		6,325,496	3,180,208
Consideration payable		30,000	260,000
Players liability account		47,465	-
Deferred revenue		2,070,323	1,092,982
Lease liabilities, current	12	729,575	336,229
Credit facility payable	11	-	802,328
Promissory notes payable	13	481,149	-
Warrant liability	17	276,544	-
Convertible debt, current	14	5,093,287	-
Arbitration reserve	19	730,109	-
		<u>33,513,315</u>	<u>10,520,601</u>
Convertible debt, non-current	14	1,566,804	-
Lease liabilities, non-current	12	2,182,499	2,362,448
Deferred tax liability		50,117	55,096
		<u>3,799,420</u>	<u>2,417,544</u>
		<u>37,312,735</u>	<u>12,938,145</u>
		\$	\$
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	15	84,115,256	43,375,158
Contributed surplus	16	4,496,528	3,296,668
Warrants	17	20,000	1,925,238
Contingently issuable shares		-	131,184
Accumulated other comprehensive (loss) income		(380,406)	(269,053)
Deficit		(49,420,017)	(41,303,530)
		<u>38,831,361</u>	<u>7,155,665</u>
		<u>76,144,096</u>	<u>20,093,810</u>
Going concern	1(b)		
Commitments and contingencies	19		
Subsequent events	22		

Approved on Behalf of Board:

"Justin Kenna"

Director

"Travis Goff"

Director

See accompanying notes to the condensed interim consolidated financial statements.

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GameSquare Holdings, Inc.

(formerly Engine Gaming and Media, Inc.)

Condensed Interim Consolidated Statements of Income (loss) and Comprehensive Income (loss)

(Unaudited)

(Expressed in United States Dollars)

	Note	For the three months ended		For the six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		\$	\$	\$	\$
CONTINUING OPERATIONS					
REVENUE					
Revenue	20	14,238,810	6,655,892	19,189,523	11,695,966
Cost of sales		10,170,636	3,638,731	13,191,846	7,033,604
Gross profit		4,068,174	3,017,161	5,997,677	4,662,362
EXPENSES					
Salaries, consulting and management fees		5,872,434	2,368,223	8,522,847	5,029,112
Player compensation		527,396	449,355	1,026,798	889,040
Professional fees		56,991	594,670	428,050	987,913
Advertising and promotion		475,270	176,627	651,656	459,065
Office and general		1,284,581	774,293	1,871,727	1,381,515
Technology expenses		158,914	-	158,914	-
Amortization and depreciation	8,9,12	1,034,804	678,060	1,626,164	1,360,618
Share-based payments	16	317,005	441,084	882,385	941,227
Interest expense	11,12,13,14	180,148	127,727	262,666	214,812
(Gain) loss on foreign exchange		(222,550)	(49,876)	(221,618)	(45,980)
Transaction costs		1,013,672	-	1,497,981	-
Arbitration settlement reserve	19	(739,644)	-	(739,644)	-
Restructuring costs		10,388	-	294,286	-
Legal settlement		183,724	-	183,724	-
Change in fair value of warrant liability	17	(1,710,878)	-	(1,710,878)	-
Change in fair value of convertible debt	14	(455,009)	-	(455,009)	-
		7,987,246	5,560,163	14,280,049	11,217,322
Net loss for the period before discontinued operations and taxes		(3,919,072)	(2,543,002)	(8,282,372)	(6,554,960)
Income tax recovery		-	18,177	5,027	36,506
Net loss for the period before discontinued operations		(3,919,072)	(2,524,825)	(8,277,345)	(6,518,454)
DISCONTINUED OPERATIONS					
Gain (loss) from discontinued operations		(176,094)	-	(176,094)	-
Net loss for the period from discontinued operations		(176,094)	-	(176,094)	-
Net loss for the period		(4,095,166)	(2,524,825)	(8,453,439)	(6,518,454)
Other comprehensive loss					
<i>Items that will subsequently be reclassified to operations:</i>					
Foreign currency translation		(104,704)	(238,992)	(111,353)	(135,217)
Total comprehensive loss for the period		(4,199,870)	(2,763,817)	(8,564,792)	(6,653,671)
(Loss) profit for the period attributable to:					
Owners of the parent		(4,095,166)	(2,524,825)	(8,453,439)	(6,532,172)
Non-controlling interest		-	-	-	13,718
		(4,095,166)	(2,524,825)	(8,453,439)	(6,518,454)
Basic and diluted net loss per share - continuing operations		(0.32)	(0.49)	(0.89)	(1.27)
Basic and diluted net loss per share - discontinued operations		(0.02)	-	(0.02)	-
Basic and diluted net loss per share		(0.34)	(0.49)	(0.91)	(1.27)
Weighted average number of common shares outstanding - basic and diluted		12,131,409	5,188,719	9,283,340	5,118,603

See accompanying notes to the condensed interim consolidated financial statements.

expired	-	-	-	(344,913)	-	-	-	-	344,913	-
Restricted share units	-	-	-	556,130	-	-	-	-	-	556,130
Warrants issued for credit facility	-	-	-	-	69,215	-	-	-	-	69,215
Other comprehensive loss	-	-	-	-	-	-	(135,217)	-	-	(135,217)
Net loss for the period	-	-	-	-	-	-	-	13,718	(6,532,172)	(6,518,454)
Balance, June 30, 2022	3,098	5,151,818	38,395,864	3,697,328	2,356,699	52,662	764	(76,756)	(30,246,800)	14,179,761

See accompanying notes to the condensed interim consolidated financial statements.

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GameSquare Holdings, Inc.
(formerly Engine Gaming and Media, Inc.)
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in United States Dollars)

	Note	For the six months ended	
		June 30, 2023	June 30, 2022
		\$	\$
OPERATING ACTIVITIES			
Net loss for the period		(8,453,439)	(6,518,454)
Items not affecting cash:			
Amortization and depreciation	8, 9, 12	1,626,164	1,360,618
Income tax recovery		(5,027)	(36,506)
Arbitration settlement reserve	19	(739,644)	-
Shares issued for legal settlements		183,724	-
Change in fair value of warrant liability	17	(1,710,878)	-
Change in fair value of convertible debt	14	(455,009)	-
Non-cash interest expense		-	218,547
Share-based payments	16	882,385	941,227
		(8,671,724)	(4,034,568)
Changes in non-cash working capital:			
Accounts and other receivables		1,680,450	(1,767,402)
Government remittances		(82,390)	-
Prepaid expenses and other current assets		73,545	(1,043,246)
Reclamation deposits		-	3,339
Assets held for sale		-	(49,088)
Accounts payable and accrued liabilities		807,138	557,746
Consideration payable		(230,000)	-
Deferred revenue		(218,088)	1,577,439
		2,030,655	(721,212)
		(6,641,069)	(4,755,780)
INVESTING ACTIVITIES			
Purchase of property and equipment		-	(31,290)
Proceeds from sale of assets held for sale		-	49,356
Acquisition of Engine	5	11,278,691	-
		11,278,691	18,066
FINANCING ACTIVITIES			
Proceeds from private placement		-	2,215,811
Share issue costs		-	(38,063)
Proceeds (payments) on promissory notes payable, net		31,066	(149,442)
Payments on lease financing		(275,231)	(266,508)
Payments on credit facility		(825,510)	-
		(1,069,675)	1,761,798
Impact of foreign exchange on cash		(295,758)	(34,999)
Change in cash		3,272,189	(3,010,915)
Cash, beginning of period		977,413	6,028,232
Cash, end of period		4,249,602	3,017,317

See accompanying notes to the condensed interim consolidated financial statements.

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GameSquare Holdings, Inc.

(formerly Engine Gaming and Media, Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023, and 2022

(Unaudited)

(Amounts in United States dollars)

1. Corporate information and going concern

(a) Corporate information

GameSquare Holdings, Inc. (formerly Engine Gaming & Media, Inc.) ("GameSquare" or the "Company") is a corporation existing under the Business Corporations Act (British Columbia) (and was originally incorporated under the Business Corporations Act (Ontario) on April 8, 2011). The registered head office of the Company is 6775 Cowboys Way, Ste. 1335, Frisco, Texas, USA, 75034.

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 (see Note 5).

The Arrangement constituted a Reverse Takeover of the Company by GameSquare Esports, Inc. with GameSquare Esports, Inc as the reverse takeover acquirer and the Company as the reverse takeover acquiree, under applicable securities laws and for accounting purposes under IFRS. At completion of the Arrangement Engine Gaming and Media, Inc. changed its name to GameSquare Holdings Inc.

GameSquare Esports, Inc was traded on the Canadian Securities Exchange (CSE) under the symbol "GSQ" and on the OTCQB Venture Market in the United States under the symbol "GMSQF" until April 11, 2023.

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 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, NextGen Tech, LLC, dba as Complexity Gaming ("Complexity"), a leading esports organization, GameSquare Esports Inc. 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.

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries.

(b) Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profit levels of operations.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$49,420,017 as of June 30, 2023 (December 31, 2022 – \$41,303,530). 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 June 30, 2023, the Company had a working capital deficiency of \$12,495,043 (December 31, 2022 – working capital deficiency of \$423,841) which is comprised of current assets less current liabilities.

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GameSquare Holdings, Inc.

(formerly Engine Gaming and Media, Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023, and 2022

(Unaudited)

(Amounts in United States dollars)

These conditions indicate the existence of a material uncertainty that may 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. Basis of presentation

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited interim condensed consolidated financial statements are prepared on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2022; and should be read in conjunction with those audited consolidated financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 14, 2023.

(b) Basis of consolidation

The interim condensed consolidated financial statements comprise the accounts of the Company and its controlled subsidiaries. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between companies. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Company's material subsidiaries as of June 30, 2023, are as follows:

Name of Subsidiary	Country of Incorporation	Ownership Percentage	Functional Currency
Frankly Inc.	Canada	100%	Canadian Dollar
Stream Hatchet S.L.	Spain	100%	Euro
Code Red Esports Ltd.	United Kingdom	100%	UK Pound Sterling
GameSquare Esports, Inc.	Canada	100%	Canadian Dollar
GameSquare Esports (USA) Inc. (dba as Fourth Frame Studios)	USA	100%	US Dollar
GCN Inc.	USA	100%	US Dollar
NextGen Tech, LLC	USA	100%	US Dollar
Swingman LLC	USA	100%	US Dollar
Mission Supply LLC	USA	100%	US Dollar
SideQik, Inc.	USA	100%	US Dollar

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

GameSquare Holdings, Inc.

(formerly Engine Gaming and Media, Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023, and 2022

(Unaudited)

(Amounts in United States dollars)

(c) Functional and presentation currency

The functional currency of the Company is the US Dollar ("USD"). The functional currencies of the Company's subsidiaries are disclosed in Note 2(b). The presentation currency of the interim condensed consolidated financial statements is the US Dollar ("USD").

(d) Error correction and reclassifications to the first quarter of 2023

These unaudited condensed interim consolidated financial statements include one error correction and two reclassifications on the Statements of Income (loss) and Comprehensive Income (loss) for the first quarter of 2023. These changes included the following: (1) decrease to revenue of \$100,000 and (2) reclass of \$484,309 out of professional fees and into transaction costs and reclass of \$283,898 out of salaries, consulting and management fees and into restructuring costs.

3. Changes in significant accounting policies

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2022, except for the following new accounting standards below.

New accounting standards

Effective January 1, 2023, the Company adopted the following new accounting standards. Adoption of these standards on January 1, 2023, did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 8 – Definition of accounting estimates

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to IAS 12 – Deferred Taxes related to Assets and Liabilities arising from a Simple Transaction

Future accounting pronouncements

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company:

Amendments to IAS 1 – Non-current Liabilities with Covenants

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to IAS 8 – Definition of Accounting Estimates

Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

Amendments to IAS 21 – Lack of Exchangeability

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or the Company is still assessing what the impact will be on the Company's financial statements.

4. Significant judgments, estimates and assumptions

The preparation of these interim condensed consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the interim condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the interim condensed consolidated financial statements.

On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates.

Actual outcomes may differ from these estimates under different assumptions and conditions. Significant estimates and judgments made by management in the preparation of these interim condensed consolidated financial statements are outlined below.

GameSquare Holdings, Inc.

(formerly Engine Gaming and Media, Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023, and 2022

(Unaudited)

(Amounts in United States dollars)

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is material uncertainty regarding the Company's ability to continue as a going concern.

(a) Significant estimates and critical judgments

Information about significant estimates and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements is included in the following notes:

Note 1	Going concern;
Note 17	Valuation of warrant liability;
Note 9	Intangible assets and goodwill;
Notes 16	Valuation of share-based payments;
Note 14	Valuation of convertible debt; and
Note 19	Contingencies.

(b) Uncertainty about the effects of COVID-19

The global COVID-19 pandemic remains an evolving situation. The Company will continue to actively monitor the developments of the pandemic and may take further actions that could alter business operations as may be required by federal, state, local, or foreign authorities, or that management determines are in the best interests of our employees, customers, partners, and shareholders. It is not clear what effects any such potential actions may have on the Company's business, including the effects on our employees, players and consumers, customers, partners, development and content pipelines, the Company's reputation, financial condition, results of operations, revenue, cash flows, liquidity, or stock price.

5. Acquisitions

Acquisition of GameSquare Esports, Inc.

On April 11, 2023, GameSquare Esports, Inc. completed its plan of arrangement with Engine Gaming and Media, Inc. ("Engine") resulting in Engine acquiring all the issued and outstanding securities of the GameSquare Esports, Inc.

Resulting from the Arrangement, Engine acquired all issued and outstanding GameSquare Esports, Inc. shares based on one GameSquare Esports, Inc. share in exchange for 0.020655 of an Engine common share (the "Exchange Ratio"). Each outstanding option of GameSquare was exchanged for an Engine option entitling the holder to a number of Engine common shares, as adjusted on the basis of the Exchange Ratio, and be subject to exercise thereof in accordance with the terms of the options, including payment of the exercise price, which will also be adjusted based upon the Exchange Ratio. All other material terms of the options will remain the same. Each outstanding restricted share unit of GameSquare will be exchanged for an Engine restricted share unit entitling the holder to a number of Engine common shares, as adjusted on the basis of the Exchange Ratio. All other material terms of the restricted share units will remain the same. Each outstanding warrant of GameSquare will be adjusted pursuant to its governing contractual instrument to entitle the holder to receive, upon due exercise, Engine common shares, adjusted on the basis of the Exchange Ratio.

At completion of the Arrangement Engine Gaming and Media, Inc. changed its name to GameSquare Holdings, Inc.

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GameSquare Holdings, Inc.

(formerly Engine Gaming and Media, Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023, and 2022

(Unaudited)

(Amounts in United States dollars)

All transaction costs associated with this acquisition were expensed as incurred. The loss attributed to acquiree's operations from the acquisition date to April 11, 2023, was \$1,687,689, with revenue of \$8,440,607.

All transaction costs associated with this acquisition were expensed as incurred. The loss attributed to acquiree's operations from the acquisition date to June 30, 2023, was \$1,687,689, with revenue of \$8,440,607.

The following preliminary table summarizes the consideration for the acquisition:

Purchase Price Consideration Paid	#	\$
Common shares	6,380,083	39,684,000
Warrants - Equity	877,891	20,000
Options - Vested	237,996	1,210,000
RSUs - Vested	23,339	120,000
	7,519,309	41,034,000

The following table summarizes the preliminary fair value of acquired assets and liabilities acquired as follows:

Net Assets Acquired

Cash	11,278,691
Restricted cash	47,455
Accounts and other receivables	7,464,661
Government remittances	1,064,103
Prepaid expenses and other current assets	744,699
Investment at FVTPL	3,188,749
Property and equipment	128,823
Goodwill	23,710,499
Intangible - Software	5,400,000
Intangible - Brand name	3,230,000
Intangible - Customer relationships	11,000,000
Right-of-use assets	4,042
Accounts payable	(12,578,714)
Accrued liabilities	(2,840,322)
Players liability account	(47,455)
Deferred revenue	(1,195,429)
Promissory notes payable	(450,083)
Warrant liability	(153,275)
Arbitration reserve	(1,469,753)
Lease liabilities	(381,358)
Convertible debt	(7,111,333)
	41,034,000

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6. Accounts and other receivables

The Company's accounts and other receivables are comprised of the following:

	June 30,	December 31,
	2023	2022
	\$	\$
Trade accounts receivable	13,699,444	8,114,542
Insurance receivable	222,296	
Tax receivable	114,784	88,874
Other receivables	78,807	127,704
	14,115,331	8,331,120

7. Investment at FVTPL

In conjunction with completion of the Arrangement, the Company acquired a 20.48% interest in One Up Group, LLC ("One Up"). One Up operates a mobile app which allows gamers to organize and play one-on-one matches with other gamers and compete for money.

The fair value of the Company's investment in One Up is estimated at each reporting period, with reference to valuations underlying privately placed financing transactions closed by One Up and is classified with a level 3 in the fair value hierarchy (see Note 21). The fair value of this investment was \$3,188,749 on both April 11, 2023 and June 30, 2023.

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8. Property and equipment

A continuity of the Company's property and equipment is as follows:

Cost	Equipment	Leasehold improvements	Total
	\$	\$	\$
December 31, 2021	238,988	3,655,734	3,894,722
Additions	31,251	-	31,251
Foreign exchange	(583)	(115)	(698)
December 31, 2022	269,656	3,655,619	3,925,275
December 31, 2022	269,656	3,655,619	3,925,275
Acquisition of Engine	128,823	-	128,823
Additions	-	-	-
Foreign exchange	264	-	264
June 30, 2023	398,743	3,655,619	4,054,362

Accumulated depreciation	Equipment	Leasehold improvements	Total
December 31, 2021	27,434	238,530	265,964
Depreciation	112,938	544,653	657,591
Foreign exchange	(163)	-	(163)
December 31 2022	140,209	783,183	923,392
December 31, 2022	140,209	783,183	923,392
Depreciation	67,608	272,326	339,934
Foreign exchange	298	-	298
June 30, 2023	208,115	1,055,509	1,263,624

Net book value	Equipment	Leasehold improvements	Total
December 31, 2022	129,447	2,872,436	3,001,883
June 30, 2023	190,628	2,600,110	2,790,738

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9. Intangibles and goodwill

Intangibles

A continuity of the Company's intangibles is as follows:

<u>Cost</u>	<u>Customer relationships</u>	<u>Brand name</u>	<u>Software</u>	<u>Total</u>
	\$	\$	\$	\$
December 31, 2021	2,417,937	6,043,981	-	8,461,918
Foreign exchange	(154,602)	(386,451)	-	(541,053)
December 31, 2022	2,263,335	5,657,530	-	7,920,865
December 31, 2022	2,263,335	5,657,530	-	7,920,865
Acquisition of Engine	11,000,000	3,230,000	5,400,000	19,630,000
Foreign exchange	51,968	129,901	-	181,869
June 30, 2023	13,315,303	9,017,431	5,400,000	27,732,734

<u>Accumulated amortization</u>	<u>Customer relationships</u>	<u>Brand name</u>	<u>Software</u>	<u>Total</u>
	\$	\$	\$	\$
December 31, 2021	417,617	677,860	-	1,095,477
Amortization	471,211	1,177,859	-	1,649,070
Impairment	472,018	229,405	-	-
Foreign exchange	(45,246)	(89,696)	-	(134,942)
December 31, 2022	1,315,600	1,995,428	-	2,609,605
December 31, 2022	1,315,600	1,995,428	-	3,311,028
Amortization	261,503	596,489	236,712	1,094,704
Foreign exchange	32,991	56,198	-	89,189
June 30, 2023	1,610,094	2,648,115	236,712	4,494,921

<u>Net book value</u>	<u>Customer relationships</u>	<u>Brand name</u>	<u>Software</u>	<u>Total</u>
	\$	\$	\$	\$
December 31, 2022	947,735	3,662,102	-	4,609,837
June 30, 2023	11,705,209	6,369,316	5,163,288	23,237,813

The Company reviews the carrying value of its intangible assets with definite lives at each reporting period for indicators of impairment. During the year ended December 31, 2022, the Company recorded an impairment of intangible assets acquired on the acquisition of Code Red of \$701,423.

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Goodwill

A continuity of the Company's goodwill is as follows:

Balance, December 31, 2022 and 2021	-
Acquisition of Engine	23,710,499
Effect of foreign exchange	-
Balance, June 30, 2023	<u>23,710,499</u>

10. Prepaid expenses and other current assets

Prepaid expenses and other assets consist primarily of prepaid expenses such as insurance as well as acquisition costs of players and security deposits. Acquisition costs of players are amortized on a straight-line basis over the players' contract terms.

11. Credit facility payable

On June 30, 2022, the Company entered into an agreement for a \$5 million credit facility (the "Facility") for a one-year term with Goff & Jones Lending Co, LLC, a related party to the Company. The Facility matures on June 30, 2023 (the "Maturity Date"). The Company may, by written notice to the lender, extend the Maturity Date by one year from the date of the then applicable Maturity Date; provided that any such request is made no more than 90 days or less than 45 days, prior to the then applicable Maturity Date. This credit facility was paid off during the quarter ended June 30, 2023, and has not been renewed.

Interest accrued on the outstanding principal amount of the Facility from and including the date of the advance of funds, as well as on all overdue amounts outstanding in respect of interest, costs or other fees, expenses or other amounts payable under the Facility, at an interest rate, calculated and payable in arrears on (i) the last business day of each calendar month, (ii) the date of any prepayment of all or any portion of the principal amount of the Facility, and (iii) the Maturity Date (each, an "Interest Payment Date"), as well as after each of maturity, default and judgment. The Facility bears interest based on the sum of the SOFR published for the second U.S. Government Securities Business Day prior to the end of the period ending on an Interest Payment Date. The Facility provides for the issuance of warrants to the lender on the date of signing of the Facility and with respect to each draw down on the Facility.

During the six months ended June 30, 2023, the Company accrued \$23,266 in interest on the loan. On June 30, 2023, the principal and accrued interest were carried at \$0 (December 31, 2022 - \$802,328). In addition, the Company incurred legal costs of \$80,133 during the six months ended June 30, 2023 (see Note 18).

12. Leases

On April 11, 2023, the Company acquired lease liabilities as part of the Arrangement (see Note 5). On June 30, 2021, the Company acquired Complexity. Complexity leases a building in Frisco, Texas.

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A reconciliation of the of right of use assets for the six months ended June 30, 2023, and year ended December 31, 2022, is as follows:

	\$
December 31, 2021	2,761,961
Depreciation	(376,631)
December 31, 2022	<u>2,385,330</u>
December 31, 2022	2,385,330
Acquisition of Engine	4,042
Depreciation	(191,347)
June 30, 2023	<u>2,198,025</u>

Lease liabilities are measured at the present value of the lease payments that are not paid at the statement of financial position date. Lease payments are apportioned between interest expenses and a reduction of the lease liability using the Company's incremental borrowing rate to achieve a constant rate of interest on the remaining balances of the liabilities.

A reconciliation of the lease liabilities for the six months ended June 30, 2023, and year ended December 31, 2022, is as follows:

	Equipment \$	Office lease \$	Total \$
Balance, December 31, 2021	-	3,000,031	3,000,031
Interest expense	-	233,793	233,793
Payments	-	(535,147)	(535,147)
Balance, December 31, 2022	-	2,698,677	2,698,677
Balance, December 31, 2022	-	2,698,677	2,698,677
Acquisition of Engine	4,400	376,958	381,358
Interest expense	60	107,210	107,270
Payments	(4,460)	(270,771)	(275,231)
Balance, June 30, 2023	-	2,912,074	2,912,074
	Equipment \$	Office lease \$	Total \$
As of June 30, 2023:			
Less than one year	-	729,575	729,575
Greater than one year	-	2,182,499	2,182,499
Total lease obligation	-	2,912,074	2,912,074

The future minimum undiscounted lease payments as of June 30, 2023, are presented below:

Maturity analysis - contractual undiscounted cash flows as of June 30, 2023:

	Equipment	Office lease	Total
Less than one year	-	950,079	950,079
Greater than one year	-	2,638,072	2,638,072
Total undiscounted lease obligation	-	3,588,151	3,588,151

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13. Promissory note payable

In conjunction with completion of the Arrangement, the Company acquired the following Promissory note (see Note 5):

The Company has a secured promissory note outstanding for amounts due for the provision of services by the noteholder. As of June 30, 2023, \$481,149 was due under the note. The note is secured by the assets of a discontinued operation, bears interest at 8%, and is currently due.

14. Convertible debt

In conjunction with completion of the Arrangement, the Company acquired the following Convertible debt (see Note 5):

The reconciliation of the convertible debt for the six months ended June 30, 2023, is as follows:

	2020 Series	EB CD	Total
	\$	\$	\$
Balance, December 31, 2022 and 2021	-	-	-
Acquisition of Engine	2,082,304	5,029,029	7,111,333
Interest expense	19,178	109,589	128,767
Accrued interest on conversion / interest payments	-	(125,000)	(125,000)
Change in fair value	(534,678)	79,669	(455,009)
Balance, June 30, 2023	1,566,804	5,093,287	6,660,091

The Company's convertible debt obligations are classified between current and non-current liabilities on June 30, 2023, as follows:

As of June 30, 2023:	\$
Less than one year	5,093,287
Greater than one year	1,566,804
Total convertible debt obligation	6,660,091

(a) 2020 Series

On September 1, 2022, Engine extended convertible debentures that were due to expire in October and November 2022 with an aggregate principal amount of US\$1,250,000. 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. Fair value as of June 30, 2023 was estimated using a binomial lattice method. The key assumptions used included share price of \$3.02, conversion price of \$4.40, 2.17-year remaining term, 7% interest rate, expected volatility of 110%, 4.75% risk free interest rate and 0% expected dividend yield.

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As of June 30, 2023, and on April 11, 2023 (the Arrangement completion date) the fair value of the 2020 Series convertible debentures was estimated using the binomial lattice model with the below assumptions:

2020 Series	June 30, 2023	April 11,
	(US\$)	2023
		(US\$)
Share price	3.02	6.09
Conversion price	4.40	4.40
Term, in years	2.17	2.39
Interest rate	7%	7%
Expected volatility	110.00%	105.00%
Risk-free interest rate	4.75%	3.89%
Expected dividend yield	0%	0%

(b) EB CD

On February 24, 2021, Engine issued a secured convertible debenture in the principal amount of \$5 million (the "EB CD"). The EB CD is convertible into units of the Company at a conversion price of \$41.00 per unit, with each unit comprised of one common share and one-half of a warrant, with each whole warrant exercisable into a common share at an exercise price of \$60.00 per share for a period of three years from the issuance of the EB CD. The EB CD has an original term of three years, with a maturity date of February 24, 2024. The convertible debenture is secured by Engine's assets.

As of June 30, 2023, and on April 11, 2023 (the Arrangement completion date) the fair value of the EB CD convertible debenture was estimated using the binomial lattice model with the below assumptions:

EB CD	June 30, 2023	April 11,
	(US\$)	2023
		(US\$)
Share price	3.02	6.09
Conversion price	41.00	41.00
Warrant exercise price	60.00	60.00
Term, in years	0.65	0.87
Interest rate	10%	10%
Expected volatility	140.00%	135.00%
Risk-free interest rate	5.38%	4.70%
Expected dividend yield	0%	0%

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(c) Fair value

The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique and key inputs used).

Financial assets / financial liabilities	Valuation technique	Key Inputs	Relationship and sensitivity of unobservable inputs to fair value to fair value
Convertible debt	The fair value of the convertible debentures as of June 30, 2023 has been calculated using a binomial lattice methodology.	Key observable inputs Share price USD \$3.02 Risk-free interest rate (4.75% to 5.38%) Dividend yield (0%) <i>Key unobservable inputs</i> Credit spread (5.84% to 7.86%) Discount for lack of marketability (0%)	The estimated fair value would increase (decrease) if: The share price was higher (lower) The risk-free interest rate was higher (lower) The dividend yield was lower (higher) The credit spread was lower (higher) The discount for lack of marketability was lower (higher)
Convertible debt	The fair value of the convertible debentures as of April 11, 2023 has been calculated using a binomial lattice methodology.	Key observable inputs Share price USD \$6.09 Risk-free interest rate (3.89% to 4.7%) Dividend yield (0%) <i>Key unobservable inputs</i> Credit spread (7.92% to 10.27%) Discount for lack of marketability (0%)	The estimated fair value would increase (decrease) if: The share price was higher (lower) The risk-free interest rate was higher (lower) The dividend yield was lower (higher) The credit spread was lower (higher) The discount for lack of marketability was lower (higher)

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15. Capital Stock

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares.

(b) Issued and outstanding, common shares

	Number of Proportionate Voting Shares	Number of common shares	Share Capital
	#	#	\$
Balance, December 31, 2021	-	5,047,708	36,218,116
Conversion from Common to Proportionate Voting Shares	3,098	(309,825)	-
Private placements	-	413,935	2,215,811
Share issuance costs	-	-	(38,063)
Balance, June 30, 2022	3,098	5,151,818	38,395,864

	Number of Proportionate Voting Shares	Number of common shares	Share Capital
	#	#	\$
Balance, December 31, 2022	3,098	6,042,445	43,375,158
Conversion from Proportionate Voting Shares to Common	(3,098)	309,825	-
Impact of rounding down after exchange for GSQ Esports	-	(70)	-
Contingent consideration on acquisition of Cut+Sew	-	29,359	131,184
Acquisition of Engine	-	6,380,083	39,684,000
Shares issued for legal settlements	-	29,929	183,187
Restricted share units exercised	-	125,148	675,573
Shares issued for debt	-	9,109	66,154
Balance, June 30, 2023	-	12,925,828	84,115,256

(c) Activity for the periods presented

Six months ended June 30, 2022

On May 30, 2022, the Company closed the first tranche of a non-brokered private placement. The Company issued 413,935 common shares of the Company at a price of CAD\$6.78 per common share for gross proceeds of \$2,215,811 (CAD\$2,805,660). The Company incurred legal and other expenses totaling \$38,063 in connection with the private placement.

On June 23, 2022, 309,825 common shares were converted into 3,098 PVS.

Six months ended June 30, 2023

On March 10, 2023, 29,359 common shares of the Company were issued for contingent consideration on the acquisition of Cut+Sew.

On March 24, 2023, 9,109 common shares were issued in settlement of outstanding amounts payable of \$66,154.

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On April 3, 2023, 3,098 PVS were converted into 309,825 common shares.

On April 11, 2023, 6,380,083 shares of the Company were issued for the completion of the Arrangement (Acquisition of Engine).

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

During the six months ended June 30, 2023, 125,148 shares were issued on the exercise of RSUs (see Note 16(b)).

16. Share based payments

On April 11, 2023, the Company adopted the amended and restated Omnibus equity incentive plan ("Omnibus Plan"). Under the Omnibus plan, the total number of common shares reserved and available for grant and issuance pursuant to stock options shall not exceed 10% of the then issued and outstanding shares.

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 officers, employees, directors 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 Restricted Share Unit ("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 requires 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 1,067,147 Shares.

(a) Options

The following is a summary of stock options outstanding on June 30, 2023, and December 31, 2022, and changes during the periods then ended by option exercise currency:

	Number of options	Weighted- average Exercise price USD
	#	\$
Balance, December 31, 2022	-	-
Acquisition of Engine	261,929	5.15
Cancelled	(450)	2.60
Balance, June 30, 2023	261,479	5.15

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	Number of options #	Weighted- average Exercise price CAD \$
Balance, December 31, 2021	400,331	21.79
Granted	95,013	15.49
Cancelled	(36,680)	22.27
Balance, December 31, 2022	458,664	20.33
Balance, December 31, 2022	458,664	20.33
Granted	20,655	6.29
Cancelled	(64,031)	19.29
Balance, June 30, 2023	415,288	19.37

Information relating to options outstanding by exercise currency as of June 30, 2023, is as follows:

Expiry date	Outstanding options	Weighted average exercise price USD	Weighted average remaining contractual term (Years)
August 25, 2025	85	315.95	2.16
February 10, 2026	328	315.95	2.62
May 23, 2026	2	315.95	2.90
June 24, 2026	3,665	2.60	2.99
July 2, 2026	1,122	2.60	3.01
August 20, 2026	250	2.60	3.14
January 31, 2027	375	2.60	3.59
March 3, 2027	250	315.95	3.68
April 12, 2027	25,000	7.20	3.79
August 10, 2027	25,000	3.60	4.12
September 30, 2027	10,750	2.40	4.25
October 1, 2027	5,625	2.48	4.26
October 31, 2027	21,041	2.60	4.34
November 3, 2027	33	315.95	4.35
December 1, 2027	68,123	2.60	4.42
March 31, 2028	11,250	5.40	4.76
May 26, 2029	80,099	3.64	5.91
November 7, 2029	3,311	2.60	6.36
June 14, 2031	2,670	42.13	7.96
November 23, 2031	2,500	39.28	8.41
	261,479	5.15	4.85

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Expiry date	Outstanding options	Weighted average exercise price CAD	Weighted average remaining contractual term (Years)
October 2, 2023	712	29.48	0.26
April 28, 2024	7,229	22.75	0.83
November 25, 2025	19,106	23.24	2.41
January 22, 2026	41,310	21.30	2.57
February 24, 2026	5,164	24.21	2.66
March 2, 2026	10,328	22.75	2.67
March 16, 2026	20,655	21.30	2.71
April 28, 2026	22,721	22.75	2.83
July 5, 2026	47,507	24.69	3.02
September 21, 2026	132,117	21.06	3.23
February 16, 2027	4,131	16.95	3.64
March 1, 2027	21,688	16.95	3.67
March 23, 2027	19,622	16.95	3.73
August 30, 2027	26,593	8.52	4.17
August 30, 2027	6,455	9.68	4.17
September 14, 2027	5,164	6.20	4.21
November 21, 2027	4,131	9.68	4.40
February 22, 2033	20,655	6.29	9.66
	415,288	19.37	3.46

On February 22, 2023, the Company granted 20,655 options to a consultant of the Company. 5,164 of the options vest on the date of grant with the remaining options vesting in 24 equal monthly installments. Each option is exercisable at a price of CAD\$6.29 per common share and expires February 22, 2033. The fair market value of the options of \$72,541 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of CAD\$6.29 based on the closing price of the Company's shares on February 21, 2023, risk free rate of 3.37%, expected volatility of 66.72%, an estimated life of 10 years and an expected dividend yield of 0%. The fair value of the options is amortized over the vesting period.

During the six months ended June 30, 2023, the Company expensed \$309,893 in share-based compensation related to the vesting of options.

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(b) RSUs

The following is a summary of RSUs outstanding on June 30, 2023, and December 31, 2022, and changes during the periods then ended:

	<u>Number</u>
	#
Balance, December 31, 2021	108,277
Granted	87,784
Exercised	(68,250)
Cancelled	-
Balance, December 31, 2022	127,811
Balance, December 31, 2022	127,811
Acquisition of Engine	41,442
Granted	67,358
Exercised	(125,148)
Cancelled	(620)
Balance, June 30, 2023	110,843

On February 22, 2023, the Company granted 20,655 RSUs to a consultant of the Company. 5,164 of the RSUs vested on the date of grant with the remaining RSUs vesting in 24 equal monthly installments. The estimated fair value of the RSUs on the date of grant is amortized over the vesting period.

On March 10, 2023, the Company granted 46,703 RSUs to directors, officers, employees, and consultants of the Company. The RSUs vested immediately on the date of grant. On March 24, 2023, 46,083 of these RSUs were exercised for common shares of the Company and 620 were cancelled.

During the six months ended June 30, 2023, the Company recognized expense for RSUs of \$572,492.

17. Warrants

Liability measured warrants having CAD exercise price

The following is a summary of liability measured warrants outstanding on June 30, 2023, and changes during the period then ended.

	<u>Amount</u>
	\$
Balance at December 31, 2022 and 2021	-
Acquisition of Engine	153,275
Reclassify former GSQ Esports Inc. warrants to warrant liability	1,925,238
Change in fair value	(1,710,878)
Foreign exchange	(91,091)
Balance, June 30, 2023	276,544

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	Number of warrants	Weighted-average exercise price CAD
	#	\$
Outstanding, December 31, 2022 and 2021	-	-
Acquisition of Engine	269,601	30.00
Reclassify former GSQ Esports Inc. warrants to warrant liability	927,228	23.72
Expired	-	-
Outstanding as of June 30, 2023	1,196,829	25.13

The following table reflects the liability measured warrants issued and outstanding as of June 30, 2023:

Expiry date	Number outstanding	Warrants outstanding	
		Average exercise price CAD	Average remaining contractual life (years)
July 8, 2024	111,495	30.00	1.02
July 25, 2024	100,406	30.00	1.07
August 8, 2024	57,700	30.00	1.11
February 19, 2024	28,037	29.05	0.64
March 4, 2024	196,614	29.05	0.68
July 22, 2023	438,918	29.05	0.06
July 22, 2024	30,724	19.37	1.06
June 30, 2024	92,829	6.78	1.00
September 30, 2027	123,930	9.68	4.25
June 30, 2024	16,176	6.29	1.00
	1,196,829	\$ 25.13	0.95

As of June 30, 2023, the fair value of the 1,196,829 warrants outstanding (April 11, 2023 – 1,196,829) was determined to be \$276,544 (April 11, 2023 – \$2,078,513) as calculated using the Black Scholes option pricing model with the following range of assumptions: 0.06 – 4.25 years (April 11, 2023 – 0.28 – 4.47 years) as expected average life; share price of CAD\$4.00 (April 11, 2023 – CAD\$8.20); exercise price of CAD\$6.29 – CAD\$30.00 (April 11, 2023 – CAD\$6.29 – CAD\$30.00); 90% expected volatility (April 11, 2023 – 90%); risk free interest rate of 3.70% – 5.29% (April 11, 2023 – 3.09% - 4.55%); and an expected dividend yield of 0%.

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GameSquare Holdings, Inc.

(formerly Engine Gaming and Media, Inc.)

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(Unaudited)

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Equity measured warrants having USD exercise price

The following is a summary of liability measured warrants outstanding on June 30, 2023, and changes during the period then ended.

	Amount \$
Balance at December 31, 2021	2,287,484
Private placements	140,677
Warrants issued for credit facility	96,359
Warrants expired	(599,282)
Balance, December 31, 2022	1,925,238
Balance at December 31, 2022	1,925,238
Acquisition of Engine	20,000
Reclass equity warrants to warrant liability	(1,925,238)
Balance, June 30, 2023	20,000

	Number of warrants #	Weighted- average exercise price CAD \$
Outstanding, December 31, 2021	953,986	26.14
Private placements	123,930	9.68
Warrants issued for credit facility	109,005	6.78
Warrants expired	(259,693)	19.37
Outstanding as of December 31, 2022	927,228	23.72

Outstanding, December 31, 2022	927,228	23.72
Reclassify former GSQ Esports Inc. warrants to warrant liability	(927,228)	23.72
Outstanding as of June 30, 2023	-	-

	Number of warrants #	Weighted- average exercise price USD \$
Outstanding, December 31, 2022	-	-
Acquisition of Engine	877,891	60.00
Outstanding as of June 30, 2023	877,891	60.00

The following table reflects the equity measured warrants issued and outstanding as of June 30, 2023:

	Number outstanding	Warrants outstanding	
		Average exercise price USD	Average remaining contractual life (years)
Expiry date			
January 8, 2024	467,196	60.00	0.53
January 22, 2024	130,724	60.00	0.56
February 24, 2024	264,556	60.00	0.65
August 19, 2024	12,499	60.00	1.14
September 15, 2024	2,916	60.00	1.21
	877,891	\$ 60.00	0.58

18. Related party transactions

Key management personnel compensation:

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
Total compensation paid to key management	400,129	255,050	952,713	510,667
Share based payments	-	104,627	182,040	229,205

Credit facility payable

On June 30, 2022, the Company entered into an agreement for a \$5 million credit facility (the "Facility") for a one-year term with Goff & Jones Lending Co, LLC., a related party to the Company by virtue of one of its directors. The Facility matures on June 30, 2023 (the "Maturity Date"). During the three months ended March 31, 2023, the Company accrued \$23,266 in interest and \$80,133 in legal fees in connection with the Facility. This credit facility was paid off during the quarter ended June 30, 2023, and has not been renewed (see Note 11).

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 US\$1,250,000. 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. The participation of a director in the original issuance of the convertible debenture constitutes a "related party transaction" as such term is defined by Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is relying on an exemption from the formal valuation requirements and the minority shareholder approval requirements under MI 61-101 as the fair market value of the convertible debenture did not exceed 25% of the market capitalization of the Company.

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Commitment to former holders of WinView to proceeds from the patent portfolio enforcement action

Pursuant to the Business Combination agreement dated March 9, 2020, among Engine, Frankly Inc. and Winview Inc., the Company is required to pay to certain former Winview securities holders (“Stubholders”) fifty percent (50%) of the net license fees, damages awards or settlement amounts collected from third parties in connection with the Winview Patent Portfolio, after deduction of certain expenses. One of the directors of the Company is among the pool of Stubholders.

19. Contingencies and commitments

Management commitments

The Company is party to certain management contracts. These contracts require payments of approximately \$600,000 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 \$1,100,000 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 CAD\$343,691 (\$250,742) to be remote, the outcome of any such contingent matters is inherently uncertain.

Litigation and arbitration

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 Company and other consideration, including payments of \$1,200,000 as a portion of the purchase consideration. In September 2020, the Company 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 the Company to complete the acquisition of Allinsports without the audited financial statements, and to issue 241,666 common shares of the Company to those shareholders. As alternative relief, the shareholders of Allinsports sought up to US\$20,000,000 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 the Company to issue 241,666 common shares. The Company is pursuing regulatory approval to issue the shares and is also pursuing relief against the Allinsports shareholders for various alleged breaches of the share purchase agreement. The Company recognized a liability for the arbitration ruling of \$730,109, which represents the fair value of the common shares directed to be delivered as of June 30, 2023. The liability is recorded as Arbitration reserve on the Company’s Consolidated Statements of Financial Position. This liability will be adjusted to fair value at the end of each reporting period.

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On January 21, 2021, eight former shareholders of Winview filed a Complaint in Delaware Chancery Court against four Winview directors (David Lockton, et al. v. Thomas S. Rogers, et al.) alleging that the defendants breached their fiduciary duties in connection with the sale of Winview to the Company. The relief sought includes rescission of the sale of Winview to the Company and compensatory damages. The defendants have filed a motion to dismiss the claims. By Decision dated March 1, 2022, the Court granted in part and denied in part, the defendants' Motion to Dismiss the Complaint. Neither the Company nor Winview have been named as parties to this action. Under the March 9, 2020, Business Combination Agreement pursuant to which the Company acquired Winview, the Company agreed to indemnify Winview's directors for any claims arising out of their service as directors for Winview.

In July of 2021, Winview Inc. filed separate patent infringement lawsuits against DraftKings Inc. and FanDuel, Inc in the United States District Court for the District of New Jersey, alleging that Sportsbook and Daily Fantasy Sports offerings of DraftKings and FanDuel infringe four of Winview's patents. These actions seek the recovery of damages and other appropriate relief. Draft Kings and FanDuel have filed motions to dismiss, which are pending, and the court's review of these motions has been suspended pending the outcome of inter partes review proceedings filed with the United States Patent Office regarding some of the patents involved in these actions.

By Order to Continue dated May 5, 2022, the Company was substituted in as the plaintiff in a matter pending in the Ontario Superior Court of Justice, seeking recovery of €1,903,153 of principal and additional amounts of accrued interest under promissory notes acquired by the Company. The matter is in the discovery stage.

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.

20. Revenue and segmented information

IFRS 8 requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Company's chief executive officer as he is primarily responsible for the allocation of resources and the assessment of performance. 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.

The CODM's primary focus for review and resource allocation is the Company as a whole and not any component part of the business. Having considered these factors, management has judged that the Company has one operating segment under IFRS 8.

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(Unaudited)

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The following disaggregates revenue by revenue stream and geographic region for the three and six months ended June 30, 2023, and 2022.

Three months ended June 30, 2023

Revenue channel	United Kingdom \$	USA \$	Canada \$	Spain \$	Total \$
Team Revenue	-	2,876,908	-	-	2,876,908
Agency Revenue	774,175	1,957,831	-	-	2,732,006
Content production	-	196,326	-	-	196,326
SaaS	-	1,648,554	-	662,179	2,310,733
Advertising	-	6,122,837	-	-	6,122,837
Total Revenue	774,175	12,802,456	-	662,179	14,238,810
Cost of sales	637,568	9,462,596	-	70,472	10,170,636
Gross profit	136,607	3,339,860	-	591,707	4,068,174

Three months ended June 30, 2022

Revenue channel	United Kingdom \$	USA \$	Canada \$	Mexico \$	Total \$
Team Revenue	-	2,380,728	-	-	2,380,728
Agency Revenue	1,226,354	2,711,810	-	-	3,938,164
Content production	-	337,000	-	-	337,000
SaaS	-	-	-	-	-
Advertising	-	-	-	-	-
Total Revenue	1,226,354	5,429,538	-	-	6,655,892
Cost of sales	1,001,932	2,636,799	-	-	3,638,731
Gross profit	224,422	2,792,739	-	-	3,017,161

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Six months ended June 30, 2023

Revenue channel	United Kingdom \$	USA \$	Canada \$	Spain \$	Total \$
Team Revenue	-	5,037,559	-	-	5,037,559
Agency Revenue	1,408,548	3,918,291	-	-	5,326,839
Content production	-	391,555	-	-	391,555
SaaS	-	1,648,554	-	662,179	2,310,733
Advertising	-	6,122,837	-	-	6,122,837
Total Revenue	1,408,548	17,118,796	-	662,179	19,189,523
Cost of sales	1,169,414	11,951,960	-	70,472	13,191,846
Gross profit	239,134	5,166,836	-	591,707	5,997,677

Six months ended June 30, 2022

Revenue channel	United Kingdom \$	USA \$	Canada \$	Mexico \$	Total \$
Team Revenue	-	4,204,242	-	99,848	4,304,090
Agency Revenue	2,494,751	4,437,625	-	-	6,932,376
Content production	-	459,500	-	-	459,500
SaaS	-	-	-	-	-
Advertising	-	-	-	-	-
Total Revenue	2,494,751	9,101,367	-	99,848	11,695,966
Cost of sales	2,012,566	4,969,087	-	51,951	7,033,604
Gross profit	482,185	4,132,280	-	47,897	4,662,362

21. Financial instruments and risk management

(a) Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks including foreign currency risk, interest rate risk, credit risk, liquidity risk and market risk and other price risk. These financial instrument risks are actively managed by the Company under the policies approved by the Board of Directors. On an ongoing basis, the finance department actively manages market conditions with a view to minimizing the exposure of the Company to changing market factors, while at the same time limiting the funding costs to the Company. There have been no changes in objectives, policies or how the Company manages these risks.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses information supplied by independent rating agencies where available, and if not available, the Company uses other publicly available financial information and its own records to rate its customers.

Credit risk arises from cash and deposits with banks as well as credit exposure to outstanding receivables, the carrying amounts represent the Company's maximum exposure to credit risk.

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The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company establishes an allowance for doubtful accounts that represents its estimate of expected losses in respect of accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The Company's accounts receivable are concentrated among customers in the media and broadcasting industry, which may be affected by adverse economic factors impacting that industry. The Company performs ongoing credit evaluations of its major customers, maintains reserves for expected credit losses, and does not require any collateral deposits.

As of June 30, 2023, no customers (December 31, 2022 – N/A) accounted for greater than 10% of the Company's net trade accounts receivable balance. During the six months ended June 30, 2023, one (June 30, 2022 – N/A) customer represented 31% of total revenue.

The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations and limited exposure to credit and market risks while ensuring greater returns on any surplus funds.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities. The Company seeks to ensure that it has sufficient capital to meet short-term financial obligations after taking into account its operating obligations and cash on hand.

The Company's policy is to seek to ensure adequate funding is available from operations and other sources, including debt and equity capital markets, as required.

The following table describes our contractual obligations and financial liabilities on June 30, 2023:

	<u>< 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
Accounts payable	17,729,367	-	-
Accrued liabilities	6,325,496	-	-
Consideration payable	30,000	-	-
Players liability account	47,465	-	-
Promissory notes payable	481,149	-	-
Convertible debt	5,093,287	-	1,566,804

(d) Market Risk

Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, and other relevant market or price risks. The Company does not use derivative instruments to mitigate this risk.

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to fair value risk with respect to debt which bears interest at fixed rates.

Currency Risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to fluctuations of financial instruments related to cash, accounts and other receivables, and accounts payable denominated in Euros, UK pound sterling as well as debt denominated in Canadian dollars.

(e) Fair value hierarchy

The following tables combine information about:

- classes of financial instruments based on their nature and characteristics;
- The carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; or
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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Carrying value at June 30, 2023	FVTPL - mandatorily measured	FVOCI - mandatorily measured	FVOCI - designated	Amortized cost
Financial assets:				
Cash	-	-	-	4,249,602
Restricted cash	-	-	-	47,465
Accounts and other receivables	-	-	-	14,115,331
Government remittances	-	-	-	1,146,493
Investment at FVTPL	3,188,749	-	-	-
	3,188,749	-	-	19,558,891

Carrying value at June 30, 2023	FVTPL - mandatorily measured	FVOCI - mandatorily measured	FVTPL - designated	Amortized cost
Financial liabilities:				
Accounts payable	-	-	-	17,729,367
Accrued liabilities	-	-	-	6,325,496
Consideration payable	-	-	-	30,000
Players liability account	-	-	-	47,465
Credit facility payable	-	-	-	-
Promissory notes payable	-	-	-	481,149
Convertible debt	-	-	6,660,091	-
	-	-	6,660,091	24,613,477

Carrying value at December 31, 2022	FVTPL - mandatorily measured	FVOCI - mandatorily measured	FVOCI - designated	Amortized cost
Financial assets:				
Cash	-	-	-	977,413
Restricted cash	-	-	-	-
Accounts and other receivables	-	-	-	8,331,120
Government remittances	-	-	-	-
Investment at FVTPL	-	-	-	-
	-	-	-	9,308,533

Carrying value at December 31, 2022	FVTPL - mandatorily measured	FVOCI - mandatorily measured	FVTPL - designated	Amortized cost
Financial liabilities:				
Accounts payable	-	-	-	4,848,854
Accrued liabilities	-	-	-	3,180,208
Consideration payable	-	-	-	260,000
Players liability account	-	-	-	-
Credit facility payable	-	-	-	802,328
Promissory notes payable	-	-	-	-
Convertible debt	-	-	-	-
	-	-	-	9,091,390

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A summary of instruments, with their classification in the fair value hierarchy is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Fair value as of June 30, 2023
	\$	\$	\$	\$
Convertible debt	-	-	6,660,091	6,660,091
Investment at FVTPL	-	-	3,188,749	3,188,749

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

22. Subsequent events

The Company has evaluated subsequent events from the balance sheet date through August 14, 2023, the date at which the unaudited interim condensed consolidated financial statements were available to be issued and determined there were no additional items to be disclosed.



GAMESQUARE

GAMESQUARE HOLDINGS, INC.
(formerly Engine Gaming & Media, Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2023, and 2022
(Expressed in United States Dollars)

Introduction

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations and financial condition of GameSquare Holdings, Inc. (formerly Engine Gaming & Media, Inc.) for the three and six months ended June 30, 2023, and 2022 and should be read in conjunction with the Company's Interim Consolidated Financial Statements and accompanying notes. The words "we", "our", "us", "Company", and "GameSquare" refer to GameSquare Holdings, Inc., and its subsidiaries and/or the management and employees of the Company (as the context may require).

This MD&A has taken into account information available up to and including August 14, 2023.

Cautionary Statements Regarding Forward-Looking Statements

Certain statements, other than statements of historical fact, contained in this MD&A constitute "forward-looking information" within the meaning of certain securities laws, including the *Securities Act* (Ontario), and are based on expectations, estimates and projections as of the date on which the statements are made in this MD&A. The words "plans", "expects", "estimated", "anticipates", "intend", "focus", "outlook", "potential", "seek", "strategy", "vision", "goal", "targets" or "believes", or variations of such words and phrases or statements that certain future conditions, actions, events or results "will", "may", "could", "would", "should", "might" or "can", or negative versions thereof, "be taken", "occur", "continue" or "be achieved", and other similar expressions, frequently identify forward-looking statements. Forward-looking statements include, without limitation, statements of the Company with respect to: the size and expected growth of the esports industry, statements regarding the operations, business, financial condition, expected financial results, prospects, opportunities, targets, goals, ongoing objectives, strategies and outlook of GameSquare, including the Company's outlook for 2023 (see "Outlook"), the closing of the arrangement with Engine and the impact thereof on the Company, management's expectations for the Content Production business to generate margins of approximately 30%, and the positioning of the Company for sustainable growth. Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made in this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being incorrect. In addition to any factors and assumptions set forth in this MD&A, the material factors and assumptions used to develop the forward-looking information include, but are not limited to: the Company being able to grow its business and being able to execute on its business plan, the Company being able to successfully identify and integrate strategic acquisition opportunities; the Company being able to recognize and capitalize on opportunities earlier than its competitors; the culture and business structure of the Company supporting its growth; the Company continuing to attract qualified personnel to support its development requirements; and that the risk factors noted below, collectively, do not have a material impact on the Company.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections, or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved. Known and unknown risk factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking information in this MD&A. Such factors include, without limitation, risks relating to the following, which are discussed in greater detail in the "Risk Factors" section in the Annual Information Form and the "Risks and Uncertainties" section of the Annual MD&A: industry competition, the Company's ability to achieve its objectives, the Company's size and position in the industry and potential growth strategy, the ability of the Company to obtain future financings or complete offerings on acceptable terms, failure to leverage the Company's portfolio across entertainment and media platforms, dependence on the Company's key personnel, ability to execute on future acquisitions, mergers or dispositions, currency exchange rates, laws and government regulations, electronic data compromises and general business, economic, competitive, political and social uncertainties including the impact of the COVID-19 pandemic. These risk factors are not intended to represent a complete list of the factors that could affect the Company and investors are cautioned to consider these and other factors, uncertainties, and potential events carefully and not to put undue reliance on forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. All forward-looking statements in this MD&A are qualified by these cautionary 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 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, NextGen Tech, LLC, dba as Complexity Gaming ("Complexity"), a leading esports organization, GameSquare Esports Inc. 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.

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.

GameSquare Esports, Inc was traded on the Canadian Securities Exchange (CSE) under the symbol "GSQ" and on the OTCQB Venture Market in the United States under the symbol "GMSQF" until April 11, 2023.

Outlook

Management believes GameSquare is well positioned to benefit from the significant growth of the gaming and esports industry. The gaming and esports industry is projected to have a global audience of nearly 650 million viewers by 2025, with live streaming expected to reach more than 1.4 billion by the end of 2025 and the gaming market is expected to generate more than 225 billion of revenue by 2025. (source: NewZoo 2022 Global Esports and Live Streaming Report and NewZoo 2022 Global Games Market Report). GameSquare's revenue growth is expected to be driven by increasing marketing spend from global brands that seek exposure to and connections with these audiences.

The Company's 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 ("EBITDA") margins, which management believes positions the Company well for sustainable growth through organic efforts and presents significant opportunities to grow through accretive acquisitions.

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 and greater sales activity within Complexity. The quality and performance of the Company's sales organization resulted in significant growth in the Company's revenue and investments in marketing have led to a robust contracted revenue and a significant sales pipeline for 2023. The Company's financial profile compares very favorably against its esports peers.

See "Risks and Uncertainties" in the annual MD&A and the Company's 20-F for the year ended December 31, 2022, available under the Company's profile on SEDAR at www.sedar.com and through the SEC's website EDGAR at www.sec.gov.

Second quarter of 2023 highlights and subsequent events

Completion of the plan of Arrangement

On April 11, 2023, the Company announced that it completed its previously announced plan of arrangement (the "Arrangement") with Engine Gaming and Media, Inc. ("Engine") resulting in Engine acquiring all of the issued and outstanding securities of the Company. As a result of the completion of the Arrangement, GameSquare Esports's common shares have been halted from trading on the Canadian Securities Exchange and will be subsequently delisted. The combined entity is now known as GameSquare Holdings, Inc. ("GameSquare Holdings") with shares traded on the Nasdaq Capital Market and TSX Venture Exchange under the ticker symbol GAME.

Prior to the closing of the Arrangement, Engine closed a public offering of 7,673,000 subscription receipts (the "Subscription Receipts") at an issue price of US\$1.25 per Subscription Receipt, including the partial exercise of an over-allotment option, for aggregate gross proceeds of \$9,591,250. As a result of the closing of the Arrangement, the Subscription Receipts were consolidated on the same ratio as the Consolidation (as discussed below) and automatically exchanged on a one-to-one basis for common shares of the GameSquare Holdings without any further action on the part of the holder and without payment of additional consideration. GameSquare Holdings enacted a reverse stock split to consolidate (the "Consolidation") the outstanding common shares on the basis of one new common share for every four existing common shares. As a result, GameSquare Holdings has approximately 12.9 million shares outstanding following completion of the Consolidation, the Arrangement and the conversion of the Subscription Receipts.

Pursuant to the Arrangement, all the common shares of the Company were acquired in exchange for post consolidation common shares of GameSquare Holdings based on a 1-for-0.020655 exchange ratio.

The management team of GameSquare Holdings includes Justin Kenna as Chief Executive Officer, Lou Schwartz as President, Mike Munoz as Chief Financial Officer, Sean Horvath as Chief Revenue Officer, Tyler "Ninja" Blevins as Chief Innovation Officer, John Wilk as General Counsel, and Matt Ehrens as Chief Technology Officer.

Other Highlights

On April 3, 2023, 3,098 PVS were converted into 309,825 common shares.

On April 11, 2023, 6,380,083 shares of the Company were issued for the completion of the Arrangement (Acquisition of Engine).

On April 11, 2023, 29,929 shares of the Company were issued to settle legal matters.

During the six months ended March 31, 2023, 125,148 shares were issued on the exercise of RSUs.

Subsequent events

The Company has evaluated subsequent events from the balance sheet date through August 14, 2023, the date at which the unaudited interim condensed consolidated financial statements were available to be issued and determined there were no additional items to be disclosed.

GameSquare Holdings, Inc.
(formerly Engine Gaming & Media, Inc.)
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(Expressed in United States Dollars)

Review of financial results

The following financial information is derived from the condensed interim consolidated financial statements for the three and six months ended June 30, 2023, and 2022.

	For the three months ended June 30, 2023	For the three months ended June 30, 2022	Variance
	\$	\$	\$
CONTINUING OPERATIONS			
REVENUE			
Revenue	14,238,810	6,655,892	7,582,918
Cost of sales	10,170,636	3,638,731	6,531,905
Gross profit	4,068,174	3,017,161	1,051,013
EXPENSES			
Salaries, consulting and management fees	5,872,434	2,368,223	3,504,211
Player compensation	527,396	449,355	78,041
Professional fees	56,991	594,670	(537,679)
Advertising and promotion	475,270	176,627	298,643
Office and general	1,284,581	774,293	510,288
Technology expenses	158,914	-	158,914
Amortization and depreciation	1,034,804	678,060	356,744
Share-based payments	317,005	441,084	(124,079)
Interest expense	180,148	127,727	52,421
(Gain) loss on foreign exchange	(222,550)	(49,876)	(172,674)
Transaction costs	1,013,672	-	1,013,672
Arbitration settlement reserve	(739,644)	-	(739,644)
Impairment expense	-	-	-
Restructuring costs	10,388	-	10,388
Legal settlement	183,724	-	183,724
Change in fair value of warrant liability	(1,710,878)	-	(1,710,878)
Change in fair value of convertible debt	(455,009)	-	(455,009)
	7,987,246	5,560,163	2,427,083
Net loss for the period before discontinued operations and taxes	(3,919,072)	(2,543,002)	(1,376,070)
Income tax recovery	-	18,177	(18,177)
Net loss for the period before discontinued operations	(3,919,072)	(2,524,825)	(1,394,247)
DISCONTINUED OPERATIONS			
Gain (loss) from discontinued operations	(176,094)	-	(176,094)
Net loss for the period from discontinued operations	(176,094)	-	(176,094)
Net loss for the period	(4,095,166)	(2,524,825)	(1,570,341)

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	For the six months ended June 30, 2023	For the six months ended June 30, 2022	Variance
	\$	\$	\$
CONTINUING OPERATIONS			
REVENUE			
Revenue	19,189,523	11,695,966	7,493,557
Cost of sales	13,191,846	7,033,604	6,158,242
Gross profit	5,997,677	4,662,362	1,335,315
EXPENSES			
Salaries, consulting and management fees	8,522,847	5,029,112	3,493,735
Player compensation	1,026,798	889,040	137,758
Professional fees	428,050	987,913	(559,863)
Advertising and promotion	651,656	459,065	192,591
Office and general	1,871,727	1,381,515	490,212
Technology expenses	158,914	-	158,914
Amortization and depreciation	1,626,164	1,360,618	265,546
Share-based payments	882,385	941,227	(58,842)
Interest expense	262,666	214,812	47,854
(Gain) loss on foreign exchange	(221,618)	(45,980)	(175,638)
Transaction costs	1,497,981	-	1,497,981
Arbitration settlement reserve	(739,644)	-	(739,644)
Impairment expense	-	-	-
Restructuring costs	294,286	-	294,286
Legal settlement	183,724	-	183,724
Change in fair value of warrant liability	(1,710,878)	-	(1,710,878)
Change in fair value of convertible debt	(455,009)	-	(455,009)
	14,280,049	11,217,322	3,062,727
Net loss for the period before discontinued operations and taxes	(8,282,372)	(6,554,960)	(1,727,412)
Income tax recovery	5,027	36,506	(31,479)
Net loss for the period before discontinued operations	(8,277,345)	(6,518,454)	(1,758,891)
DISCONTINUED OPERATIONS			
Gain (loss) from discontinued operations	(176,094)	-	(176,094)
Net loss for the period from discontinued operations	(176,094)	-	(176,094)
Net loss for the period	(8,453,439)	(6,518,454)	(1,934,985)

For the three and six months ended June 30, 2023, the Company reported losses of \$4,095,166 and \$8,453,439, respectively, compared with losses of \$2,524,825 and \$6,518,454, respectively, for the three and six months ended June 30, 2022. The increase in net losses is primarily the result of inclusion of Engine expenses as well the related costs to complete the Arrangement.

Revenue and segmented information

IFRS 8 requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Company's chief executive officer as he is primarily responsible for the allocation of resources and the assessment of performance. 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.

The CODM's primary focus for review and resource allocation is the Company as a whole and not any component part of the business. Having considered these factors, management has judged that the Company has one operating segment under IFRS 8.

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The following disaggregates revenue by revenue stream and geographic region for the three and six months ended June 30, 2023, and 2022.

Three months ended June 30, 2023

	United Kingdom	USA	Canada	Spain	Total
Revenue channel	\$	\$	\$	\$	\$
Team Revenue	-	2,876,908	-	-	2,876,908
Agency Revenue	774,175	1,957,831	-	-	2,732,006
Content production	-	196,326	-	-	196,326
SaaS	-	1,648,554	-	662,179	2,310,733
Advertising	-	6,122,837	-	-	6,122,837
Total Revenue	774,175	12,802,456	-	662,179	14,238,810
Cost of sales	637,568	9,462,596	-	70,472	10,170,636
Gross profit	136,607	3,339,860	-	591,707	4,068,174

Three months ended June 30, 2022

	United Kingdom	USA	Canada	Mexico	Total
Revenue channel	\$	\$	\$	\$	\$
Team Revenue	-	2,380,728	-	-	2,380,728
Agency Revenue	1,226,354	2,711,810	-	-	3,938,164
Content production	-	337,000	-	-	337,000
SaaS	-	-	-	-	-
Advertising	-	-	-	-	-
Total Revenue	1,226,354	5,429,538	-	-	6,655,892
Cost of sales	1,001,932	2,636,799	-	-	3,638,731
Gross profit	224,422	2,792,739	-	-	3,017,161

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Six months ended June 30, 2023

	United Kingdom	USA	Canada	Spain	Total
Revenue channel	\$	\$	\$	\$	\$
Team Revenue	-	5,037,559	-	-	5,037,559
Agency Revenue	1,408,548	3,918,291	-	-	5,326,839
Content production	-	391,555	-	-	391,555
SaaS	-	1,648,554	-	662,179	2,310,733
Advertising	-	6,122,837	-	-	6,122,837
Total Revenue	1,408,548	17,118,796	-	662,179	19,189,523
Cost of sales	1,169,414	11,951,960	-	70,472	13,191,846
Gross profit	239,134	5,166,836	-	591,707	5,997,677

Six months ended June 30, 2022

	United Kingdom	USA	Canada	Mexico	Total
Revenue channel	\$	\$	\$	\$	\$
Team Revenue	-	4,204,242	-	99,848	4,304,090
Agency Revenue	2,494,751	4,437,625	-	-	6,932,376
Content production	-	459,500	-	-	459,500
SaaS	-	-	-	-	-
Advertising	-	-	-	-	-
Total Revenue	2,494,751	9,101,367	-	99,848	11,695,966
Cost of sales	2,012,566	4,969,087	-	51,951	7,033,604
Gross profit	482,185	4,132,280	-	47,897	4,662,362

Results of operations for the three months ended June 30, 2023

Revenue

Revenues for the three months ended June 30, 2023, were \$14,238,810, which included \$8,440,607 from the Engine acquisition that did not impact the revenues in the comparative period ended June 30, 2022, of \$6,655,892.

Expenses

Salaries, consulting, and management fees incurred during the three months ended June 30, 2023, were \$5,872,434 compared to \$2,368,223 during the three months ended June 30, 2022. The increase of \$3,504,211 primarily was the result of two months of expense from the operations of Engine that did not impact the comparative period.

Professional fees for the three months ended June 30, 2023, were \$56,991, in comparison to \$594,670 during the three months ended June 30, 2022. The decrease of \$537,679 was primarily due to our cost reduction initiatives.

Office and general expenses for the three months ended June 30, 2023, were \$1,013,672, in comparison to \$774,293 for the three months ended June 30, 2022. The increase of \$510,288 primarily was the result of two months of expense from the Engine acquisition that did not impact the comparative period.

Transaction costs for the three months ended June 2023, were \$1,284,581, in comparison to \$0 for the three months ended June 30, 2022. The increase primarily resulted from the Engine acquisition that did not impact the comparative period.

Arbitration settlement reserve gain for the three months ended June 2023, was \$739,644, in comparison to \$0 for the three months ended June 30, 2022. At the date of the Engine acquisition, we recognized a liability for an arbitration ruling, relating to AIS, which represents the fair value of the common shares directed to be delivered as of April 11, 2023. The movement represents adjusting the liability to fair value at the end of the reporting period.

Change in fair value of warrant liability gain was \$1,710,878 for the three months ended June 30, 2023, versus \$0 in the comparative period. 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 the Company's share price at the end of the period.

Change in fair value of convertible debt gain for the three months ended June 2023, was \$455,009, in comparison to \$0 for the three months ended June 30, 2022. At the date of the Engine acquisition, we recognized a liability for convertible debt. The gain represents adjusting the liability to fair value at the end of the reporting period.

Results of operations for the six months ended June 30, 2023

Revenue

Revenues for the six months ended June 30, 2023, were \$19,189,523, which included \$8,440,607 from the Engine acquisition that did not impact the revenues in the comparative period ended June 30, 2022, of \$11,695,966.

Expenses

Salaries, consulting, and management fees incurred during the six months ended June 30, 2023, were \$8,522,847 compared to \$5,029,112 during the six months ended June 30, 2022. The increase of \$3,493,735 primarily was the result of two months of expense from the Engine acquisition that did not impact the comparative period.

Professional fees for the six months ended June 30, 2023, were \$428,050, in comparison to \$987,913 during the six months ended June 30, 2022. The six-month period benefited from the same initiatives as the quarter above.

Office and general expenses for the six months ended June 30, 2023, were \$1,871,72, in comparison to \$1,381,515 for the six months ended June 30, 2022. The increase of \$490,212 primarily was the result of two months of expense from the Engine acquisition that did not impact the comparative period.

Transaction costs for the six months ended June 2023, were \$1,497,981, in comparison to \$0 for the six months ended June 30, 2022. The increase primarily resulted from Engine acquisition that did not impact the comparative period.

Arbitration settlement reserve gain for the six months ended June 2023, was \$739,644, in comparison to \$0 for the six months ended June 30, 2022. At the date of the Engine acquisition, we recognized a liability for an arbitration ruling, relating to AIS, which represents the fair value of the common shares directed to be delivered as of April 11, 2023. The movement represents adjusting the liability to fair value at the end of the reporting period.

Change in fair value of warrant liability gain was \$1,710,878 for the six months ended June 30, 2023, versus \$0 in the comparative period. 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 the Company's share price at the end of the period.

Change in fair value of convertible debt gain for the six months ended June 2023, was \$455,009, in comparison to \$0 for the three months ended June 30, 2022. At the date of the Engine acquisition, we recognized a liability for convertible debt. The gain represents adjusting the liability to fair value at the end of the reporting period.

Cash Flows

The Company used cash of \$6,641,069 in operating activities during the six months ended June 30, 2023, compared with \$4,755,780 in the comparative period. The use of funds in operating activities are described in the Results of Operations section.

During the quarter the company had a benefit of \$11,278,691 from the Arrangement.

The Company made lease payments of \$275,231 during the six months ending June 30, 2023, and repaid loan amounts of \$825,510. During the six months ended June 30, 2022, the Company made lease payments of \$266,508 and received proceeds from a private placement of \$2,215,811.

Management's use of Non-IFRS Measures

This MD&A contains certain financial performance measures, including "EBITDA" and "Adjusted EBITDA," that are not recognized under International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS. 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 Interim Financial Statements in accordance with IFRS, see the section entitled "Reconciliation of Non-IFRS Measures" of this MD&A.

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) non-recurring legal and professional fees, human-resources, one-time events, marketing investments and collections-related expenses, (iv) intangible and goodwill impairments and loss on disposal of assets, and (v) transaction costs related to merger and acquisition activities.

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Reconciliation of Non-IFRS Measures

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

	For the three months ended June 30, 2023	For the three months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Net income (loss) attributable to owners of the Company	(4,095,166)	(2,524,825)	(8,453,439)	(8,518,454)
Interest expense	180,148	127,727	262,666	214,812
Income tax recovery	-	(18,177)	(5,027)	(38,508)
Amortization and depreciation	1,034,804	678,080	1,626,164	1,360,618
Share-based payments	317,005	441,084	882,385	941,227
Transaction costs	1,013,672	-	1,497,981	-
Arbitration settlement reserve	(739,644)	-	(739,644)	-
Restructuring costs	40,388	-	294,286	-
Legal settlement	183,724	-	183,724	-
Change in fair value of warrant liability	(1,740,878)	-	(1,740,878)	-
Change in fair value of convertible debt	(455,009)	-	(455,009)	-
(Gain) loss from discontinued operations	176,094	-	176,094	-
Adjusted EBITDA	(4,084,862)	(1,296,131)	(6,440,697)	(4,038,303)

Selected quarterly financial information

The following selected financial information is derived from the consolidated financial statements of the Company for the most recent eight historical quarters and should be read in conjunction with the financial statements of the Company:

	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
<i>(\$, except per share amounts)</i>				
Revenue	14,238,810	4,950,713	6,252,763	10,133,280
Cash flow from operating activities	(6,117,188)	(523,881)	(3,683,720)	(2,926,617)
Net (loss)	(4,095,166)	(4,358,273)	(7,397,214)	(4,182,042)
Per share - basic and diluted	(0.34)	(0.68)	(1.16)	(0.74)
Total assets	76,144,096	15,977,624	20,093,810	24,186,689
<i>(\$, except per share amounts)*</i>				
Revenue	6,655,892	5,040,074	7,198,956	1,979,031
Cash flow from operating activities	(719,010)	(4,036,770)	(3,910,779)	(4,094,214)
Net (loss) income	(2,524,825)	(3,993,629)	(452,943)	(10,268,510)
Per share - basic and diluted	(0.49)	(0.79)	(0.09)	(2.60)
Total assets	22,186,918	20,459,388	23,828,404	42,286,412

Liquidity and capital resources

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. The Company may revise programs depending on its working capital position.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's liquidity and operating results may be adversely affected if the Company's 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.

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

As of June 30, 2023, the Company had a working deficit of \$12,495,043, compared to \$423,841 as of December 31, 2022. The decrease in the working capital resulted mostly from the liabilities related to the Engine acquisition as well as from the Company's use of cash in operating activities as described in the cash flows section. The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$49,420,017 as of June 30, 2023 (December 31, 2022: \$41,303,530).

The Company has plans to raise additional funds. 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. These risk factors are described in the Risks and uncertainties section of this MD&A.

Related party transactions

Key management personnel compensation:

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Total compensation paid to key management	400,129	255,050	952,713	510,667
Share based payments	-	104,627	182,040	229,205

Credit facility payable

On June 30, 2022, the Company entered into an agreement for a \$5 million credit facility (the "Facility") for a one-year term with Goff & Jones Lending Co, LLC., a related party to the Company by virtue of one of its directors. The Facility matures on June 30, 2023 (the "Maturity Date"). During the three months ended March 31, 2023, the Company accrued \$23,266 in interest and \$80,133 in legal fees in connection with the Facility. This credit facility was paid off during the quarter ended June 30, 2023, and has not been renewed.

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 US\$1,250,000. 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. The participation of a director in the original issuance of the convertible debenture constitutes a "related party transaction" as such term is defined by Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is relying on an exemption from the formal valuation requirements and the minority shareholder approval requirements under MI 61-101 as the fair market value of the convertible debenture did not exceed 25% of the market capitalization of the Company.

Commitment to former holders of WinView to proceeds from the patent portfolio enforcement action

Pursuant to the Business Combination agreement dated March 9, 2020, among Engine, Frankly Inc. and Winview Inc., the Company is required to pay to certain former Winview securities holders ("Stubholders") fifty percent (50%) of the net license fees, damages awards or settlement amounts collected from third parties in connection with the Winview Patent Portfolio, after deduction of certain expenses. One of the directors of the Company is among the pool of Stubholders.

Commitments and contingencies

Management commitments

The Company is party to certain management contracts. These contracts require payments of approximately \$600,000 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 \$1,100,000 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 CAD\$343,691 (\$250,742) to be remote, the outcome of any such contingent matters is inherently uncertain.

Litigation and arbitration

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 Company and other consideration, including payments of \$1,200,000 as a portion of the purchase consideration. In September 2020, the Company advised the shareholders of Allinsports that the 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 the Company to complete the acquisition of Allinsports without the audited financial statements, and to issue 241,666 common shares of the Company to those shareholders. As alternative relief, the shareholders of Allinsports sought up to US\$20,000,000 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 the Company to issue 241,666 common shares. The Company is pursuing regulatory approval to issue the shares and is also pursuing relief against the Allinsports shareholders for various alleged breaches of the share purchase agreement. The Company recognized a liability for the arbitration ruling of \$730,109, which represents the fair value of the common shares directed to be delivered as of June 30, 2023. The liability is recorded as Arbitration reserve on the Company's Consolidated Statements of Financial Position. This liability will be adjusted to fair value at the end of each reporting period.

On January 21, 2021, eight former shareholders of Winview filed a Complaint in Delaware Chancery Court against four Winview directors (David Lockton, et al. v. Thomas S. Rogers, et al.) alleging that the defendants breached their fiduciary duties in connection with the sale of Winview to the Company. The relief sought includes rescission of the sale of Winview to the Company and compensatory damages. The defendants have filed a motion to dismiss the claims. By Decision dated March 1, 2022, the Court granted in part and denied in part, the defendants' Motion to Dismiss the Complaint. Neither the Company nor Winview have been named as parties to this action. Under the March 9, 2020, Business Combination Agreement pursuant to which the Company acquired Winview, the Company agreed to indemnify Winview's directors for any claims arising out of their service as directors for Winview.

In July of 2021, Winview Inc. filed separate patent infringement lawsuits against DraftKings Inc. and FanDuel, Inc in the United States District Court for the District of New Jersey, alleging that Sportsbook and Daily Fantasy Sports offerings of DraftKings and FanDuel infringe four of Winview's patents. These actions seek the recovery of damages and other appropriate relief. Draft Kings and FanDuel have filed motions to dismiss, which are pending, and the court's review of these motions has been suspended pending the outcome of inter partes review proceedings filed with the United States Patent Office regarding some of the patents involved in these actions.

By Order to Continue dated May 5, 2022, the Company was substituted in as the plaintiff in a matter pending in the Ontario Superior Court of Justice, seeking recovery of €1,903,153 of principal and additional amounts of accrued interest under promissory notes acquired by the Company. The matter is in the discovery stage.

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.

Accounting policies

Significant accounting policies

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2022, except for the following new accounting standards below.

New accounting standards

Effective January 1, 2023, the Company adopted the following new accounting standards. Adoption of these standards on January 1, 2023, did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 8 – Definition of accounting estimates

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to IAS 12 – Deferred Taxes related to Assets and Liabilities arising from a Simple Transaction

Future accounting pronouncements

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company:

Amendments to IAS 1 – Non-current Liabilities with Covenants

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to IAS 8 – Definition of Accounting Estimates

Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

Amendments to IAS 21 – Lack of Exchangeability

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or the Company is still assessing what the impact will be on the Company's financial statements.

Risks and Uncertainties

The Company's operations and financial performance are subject to the normal risks of its industry and are subject to various factors which are beyond the control of the Company. Certain of these risk factors are described below. The risks described below are not the only ones facing the Company. Additional risks not currently known to the Company, or that it currently considers immaterial, may also adversely impact the Company's business, operations, financial results, or prospects, should any such other events occur.

Risks Related to Our Business

GameSquare has a limited operating history and operates in an evolving sector.

GameSquare had no experience in the esports industry prior to October 2, 2020, when the Company acquired its first revenue-generating asset, Code Red. Prior to the acquisition of Code Red, GameSquare's operations were limited to identifying and acquiring target companies in the esports industry.

Consequently, we are subject to all the risks and uncertainties inherent in a new business and in connection with the development and sale of new services. In addition, the esports and gaming industry is a relatively new and an evolving sector. Accordingly, investors should consider our prospects in light of the costs, uncertainties, delays, and difficulties frequently encountered by companies in this early stage of development and operating in a changing and evolving sector. Investors should carefully consider the risks and uncertainties that a company, such as GameSquare, with a limited operating history will face. In particular, investors should consider that we cannot provide assurance that we will be able to:

- a. successfully implement or execute our current business plan;
- b. maintain our management team;
- c. raise sufficient funds in the capital markets to effectuate our business plan;
- d. attract, enter or maintain contracts with, and retain clients; and/or
- e. compete effectively in the extremely competitive environment in which we operate.

If we cannot successfully accomplish any of the foregoing objectives, our business may not succeed.

GameSquare generates a significant portion of revenue from representing esports players, influencers, gaming personalities and other on-screen talent through our agency operating segment. Failure to attract new clients or to successfully represent our existing clients may adversely affect revenue.

Our Agency Services segment represents esports agencies which include Code Red, GCN and Zoned. Our agencies generate revenue through representing players, influencers and on-screen talent, consulting and managing and brokering brand activations for influencers. Our agency services sector generates a significant amount of our revenue.

The agency segment of the esports industry is highly competitive and there is no guarantee that we will succeed in attracting new clients to represent or that we will retain our existing clients. Factors that influence our success in attracting and retaining clients include our ability to:

- f. successfully negotiate contracts on behalf of our clients;
- g. secure sponsorships for our clients; and
- h. secure event and tournament participation for our clients.

Failure to attract or retain clients would have a material, adverse effect on our business, financial condition, and results of operations.

GameSquare's agency services business model may not remain effective, and it cannot guarantee that its future monetization strategies will be successfully implemented or generate sustainable revenues and profit.

Our agencies business generates a portion of its revenue from securing talent for live esports events. Although we anticipate that the audience for such live esports will continue to grow, creating more opportunities for us to provide services, such growth is not guaranteed and demand for GameSquare's services may change, decrease substantially, or dissipate, or we may fail to anticipate and serve client demands effectively. For example, COVID-19 and related variants reduced demand for in-person esports events while increasing demand for online and broadcasted events. Although we also provide a variety of services relating to online and broadcasted events, any decision to reduce or eliminate its service offering for live esports events in order to prioritize online and broadcasted events may be unsuccessful and would involve additional risks and costs that could materially and adversely affect our business, financial condition, and results of operations.

If GameSquare fails to maintain and enhance its brands, its business, financial condition, and results of operations may be materially and adversely affected.

We believe that maintaining and enhancing our brands, including GameSquare, Complexity, Zoned and Code Red, as well as any other brands that we may acquire in the future, is important for our business to succeed by increasing our visibility and reputation in the esports industry and enabling GameSquare to attract new clients and retain existing clients for our businesses. Since GameSquare operates in a highly competitive industry, brand maintenance and enhancement directly affect our ability to maintain and enhance our market position. As GameSquare expands, we may conduct various marketing and brand promotion activities using various methods to continue promoting our brands, but we cannot assure investors that these activities will be successful. In addition, negative publicity, regardless of its veracity, could harm our brands and reputation, which may materially and adversely affect our business, financial condition, and results of operations.

GameSquare's teams business is substantially dependent on the continued popularity and success of our teams and players.

The financial results of our business are largely dependent on our esports teams remaining popular with our fan bases. The popularity of our teams will, in part, depend on their performance in the leagues and tournaments in which they participate. We cannot ensure that our teams will be successful in the leagues and tournaments in which they play and therefore our ability to attract or retain talented players and coaching staff, supporters, sponsors, and other commercial partners, as well as potentially result in lower prize money. Moreover, the popularity of the individual players can impact online viewership and television ratings, which could affect the long-term value of the media rights and sponsorship opportunities. There can be no assurance that our players will develop or maintain continued popularity. Furthermore, the popularity of the teams, and, in turn, their financial results, further depend, in part, upon the popularity of the esports played and their ability to attract audiences and generate online viewership. There can be no guarantee that games currently popular will develop or maintain continued popularity in esports.

The defection of GameSquare's players to other teams could hinder our success.

GameSquare competes with other esports teams to sign and retain world class esports players, some of which have greater resources or brand recognition and popularity than GameSquare. GameSquare's players under contract may choose to move to other esports organizations for various reasons, including higher pay or that they have chosen to pursue new or other opportunities. The loss of any of our players could have negative consequences for our business and results of operations.

Adverse publicity concerning GameSquare, one of our businesses or key personnel or talent could negatively affect our business.

GameSquare's reputation is essential to our continued success, and any decrease in the quality of our reputation could impair our ability to, among other things, recruit and retain key personnel, retain, or attract clients and maintain relationships with our partners. GameSquare's reputation can be negatively impacted by a number of factors, including negative publicity concerning GameSquare, members of our management or other key personnel including our talent and players. In addition, GameSquare is dependent for a portion of our revenues on our key talent and our ability to monetize through various channels. Such publicity could have a negative impact on GameSquare and adversely affect our business, financial condition and results of operations.

If GameSquare fails to anticipate, adopt and build expertise in new esports technologies, our business may suffer.

Rapid technology changes in the esports gaming market require us to anticipate which technologies we should adopt and build expertise in to remain competitive in the esports industry. GameSquare has invested, and in the future may invest, in new business strategies, technologies or services to engage a growing number of esports players, influencers and other on-screen talent, sponsors and others. For example, Code Red assists game publishers and developers such as Ubisoft and Massive Entertainment in designing broadcast-ready games by honing in-game spectator modes for improved viewing and commentating. Such advice typically relates to overlay placement, broadcasting options for streamers and commentators and scoreboard, replay and timer displays, as well as a number of other design elements. If we fail to anticipate, adopt, or build expertise in new technologies which impact in-game spectator modes, GameSquare may fail to attract new or retain existing game publishers, developers, influencers and brands as clients.

Adopting new technologies involves significant risks and uncertainties, and no assurance can be given that GameSquare will successfully identify which technologies will complement our business. If we do not successfully implement new technologies, our reputation may be materially adversely affected and our business, financial condition and operating results may be impacted.

The success of GameSquare's business depends on our marketing efforts.

Achieving market success will require substantial marketing efforts and investments to inform potential clients of the distinctive benefits and characteristics of our products and services. GameSquare's long-term success will depend on our ability to expand current marketing capabilities. We will, among other things, need to attract and retain experienced marketing and sales personnel. No assurance can be given that we will be able to attract and retain such personnel or that any efforts undertaken by such personnel will be successful.

Acquisitions may never materialize, may be subject to unexpected delays or may entail unexpected costs or prove unsuccessful.

As a growing company, we are engaged in identifying, acquiring, and developing esports and gaming assets that we believe are a strategic fit for our business. However, we cannot predict what form future acquisitions might take or when such acquisitions will be consummated, if at all. GameSquare is likely to face significant competition in seeking appropriate acquisitions and these acquisitions can be complicated and time consuming to negotiate and document. We may not be able to negotiate acquisitions on acceptable terms, or at all, and we are unable to predict when, if ever, we will consummate such acquisitions due to the numerous risks and uncertainties associated with them.

Since GameSquare may not be able to accurately predict these difficulties and expenditures, these costs may outweigh the value we realize from a future acquisition. Future acquisitions could result in issuances of securities that would dilute shareholders' ownership interest, the incurrence of debt, contingent liabilities, amortization of expenses related to other intangible assets, and the incurrence of large, immediate write-offs.

Any of the foregoing could materially and adversely affect our business, financial condition, and results of operations.

Difficulties integrating acquisitions.

GameSquare has acquired a number of businesses since the RTO and acquisitions continue to be part of our growth strategy. The benefits of an acquisition may take considerable time to develop, and we cannot be certain that any particular acquisition will produce the intended benefits. These risks and difficulties associated with acquisitions, if they materialize, could disrupt our ongoing business, distract management, result in the loss of key personnel, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial performance.

GameSquare may be unable to achieve or sustain profitability or continue as a going concern.

There is no assurance that GameSquare will earn profits in the future, or that profitability will be sustained in the near future or at all. Beyond this, we may incur significant losses in the future for a number of reasons including other risks described in this document, and we may encounter unforeseen expenses, difficulties, complications, delays, and other unknown events. There is also no assurance that future revenues will be sufficient to generate the funds required to continue our business development and our activities. If we do not have sufficient capital to fund our operations, we may be required to reduce our sales and marketing efforts or forego certain business opportunities and strategies.

Our consolidated financial statements have been prepared on the assumption that we will continue as a going concern. Our continuation as a going concern is dependent upon our ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately achieve profitable operations. There is no assurance that we will be able to obtain such financings or obtain them on favorable terms. These matters represent material uncertainties that cast significant doubt on our ability to continue as a going concern.

GameSquare will require additional financing and cannot be certain that such additional financing will be available on reasonable terms when required, or at all.

To date, we have relied primarily on equity financing to carry on our business. We have limited financial resources and operating cash flow and can make no assurance that sufficient funding will be available to us to fund our operating expenses and to further develop our business. As of June 30, 2023, GameSquare had cash of \$4,249,602.

GameSquare does not have any contracts or commitments for additional financing. Any additional equity financing may involve substantial dilution for the existing shareholders. There can be no assurance that such additional capital will be available, on a timely basis or on acceptable terms. Failure to obtain such additional financing could result in delay or indefinite postponement of operations or the further development of our business with the possible loss of such properties or assets. If adequate funds are not available or are not available on acceptable terms, we may not be able to fund our business or the expansion thereof, take advantage of strategic acquisitions or investment opportunities or respond to competitive pressures. Such inability to obtain additional financing when needed could have a material adverse effect on our business, financial condition and results of operations.

Future cash flow fluctuations may affect GameSquare's ability to fund our working capital requirements or achieve our business objectives in a timely manner.

The working capital requirements and cash flows are expected to be subject to quarterly and yearly fluctuations, depending on such factors as timing and size of capital expenditures, acquisitions, levels of sales and collection of receivables and client payment terms and conditions. If our revenues and cash flows are materially lower than we currently expect, we may be required to reduce our capital expenditures and investments or take other measures in order to meet our cash requirements. GameSquare may also seek additional funds from liquidity-generating transactions and other conventional sources of external financing (which may include a variety of debt, convertible debt and/or equity financing). We cannot provide any assurance that the net cash requirements will be as we currently expect. Our inability to manage cash flow fluctuations resulting from the above factors could have a material adverse effect on our ability to fund the working capital requirements from operating cash flows and other sources of liquidity or to achieve our business objectives in a timely manner.

GameSquare currently has negative cash flow from operations.

The Company has had negative cash flow from operating activities since it was formed. Although the Company anticipates that it will have positive cash flow from operating activities in future periods, it is possible the Company may continue to have negative cash flow in any future period as the Company continues to progress its expansion plans and its capacity of operations.

International operations and expansion expose GameSquare to risks associated with international markets.

GameSquare currently operates and has businesses predominantly in the U.S. Spain, and U.K. markets and may further expand internationally and operate in select foreign markets. Managing a global organization is more time consuming and expensive than managing a company operating in one jurisdiction. Conducting international operations subjects GameSquare to risks related to foreign regulatory requirements and complying with a wide variety of laws and legal standards, managing and staffing international operations, fluctuations in foreign exchange rates, managing tax consequences, accounting and reporting complexities and political, social and economic instability in various jurisdictions. The investment and additional resources required to establish and manage operations in various countries and jurisdictions may result in lower levels of revenue or profitability.

The requirements related to being a public company.

As a reporting issuer, GameSquare is subject to and must comply with applicable securities legislation, the listing requirements and rules of the exchange and other applicable securities rules and regulations. Compliance with these rules and regulations may increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. Applicable securities laws require GameSquare to, among other things, file certain annual and quarterly reports with respect to our business and results of operations. In addition, applicable securities laws require GameSquare to, among other things, maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required including due to complexity of transactions and our expanding international business. As a result, management's attention may be diverted from other business concerns in order to comply with these requirements. To comply with these requirements, GameSquare may need to hire more employees in the future or engage outside consultants, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating increasing legal and financial compliance costs and making some activities more time consuming. We intend to continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue generating activities to compliance activities.

GameSquare is subject to privacy laws in each jurisdiction in which we operate, and we may face risks related to breaches of the applicable privacy laws.

GameSquare collects and stores personal information about our users, clients and partners and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly user and partner lists, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach could have a material adverse effect on our business, financial condition or results of operations.

In addition, there are a number of Canadian federal and provincial laws as well as local rules which are applicable to GameSquare and our subsidiaries which protect the confidentiality of personal information and restrict the use and disclosure of that protected information. The Canadian privacy rules under the *Personal Information Protection and Electronics Documents Act* (Canada) (PIPEDA) protect personal information by limiting its use and disclosure of personal information. If we are found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of personal information, we could be subject to sanctions and civil or criminal penalties, which could increase our liability, harm our reputation, and have a material adverse effect on our business, financial condition or results of operations.

GameSquare is exposed to cyber security incidents resulting from deliberate attacks or unintentional events.

Cyber security incidents can result from deliberate attacks or unintentional events, and may arise from internal sources (e.g., employees, contractors, service providers, suppliers, and operational risks) or external sources (e.g., nation states, terrorists, hacktivists, competitors and acts of nature). Cyber incidents include, but are not limited to, unauthorized access to information systems and data (e.g., through hacking or malicious software) for purposes of misappropriating or corrupting data or causing operational disruption. Cyber incidents also may be caused in a manner that does not require unauthorized access, such as causing denial-of-service attacks on websites (e.g., efforts to make network services unavailable to intended users).

A cyber incident that affects our business or our service providers might cause disruptions and adversely affect their respective business operations and might also result in violations of applicable law (e.g., personal information protection laws), each of which might result in potentially significant financial losses and liabilities, regulatory fines and penalties, reputational harm and reimbursement and other compensation costs. In addition, substantial costs might be incurred to investigate, remediate, and prevent cyber incidents.

GameSquare uses third-party services and partnerships in connection with our business, and any disruption to these services or partnerships could result in a disruption to our business, negative publicity and a slowdown in the growth of our clients, materially and adversely affecting our business, financial condition and results of operations.

GameSquare depends upon third-party software and services to conduct our business. The inability to access these services could result in a disruption while sourcing replacement service vendors. Additionally, we rely on contracted third-party partnerships to conduct our business. While we have minimized our reliance on any single vendor or partner, any disruption of service from our partners could have a material adverse effect on our business, financial condition, or results of operations.

Failure to attract, retain and motivate key employees may adversely affect GameSquare's ability to compete and the loss of the services of key personnel could have a material adverse effect on our business.

GameSquare depends on the services of a few key executive officers. The loss of any of these key people could have a material adverse effect on our business, financial condition and results of operations. Our success is also highly dependent on our continuing ability to identify, hire, train, motivate and retain highly qualified technical, marketing and management personnel. Competition for such personnel can be intense, and we cannot provide assurance that we will be able to attract or retain highly qualified technical, marketing and management personnel in the future. Stock options and other share-based compensation plans may comprise a significant component of key employee compensation, and if the price of the Common Shares declines, it may be difficult to retain such individuals. Similarly, changes in the share price may hinder our ability to recruit key employees, as they may elect to seek employment with other companies that they believe have better long-term prospects. Our inability to attract and retain the necessary technical, marketing and management personnel may adversely affect our future growth and profitability. Our retention and recruiting may require significant increases in compensation expenses, which would adversely affect our results of operation.

Our executive officers and other members of senior management have substantial experience and expertise in the business and have made significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could also adversely affect the business, financial condition and results of operations. GameSquare is not protected by key man or similar life insurance covering members of senior management.

Litigation costs and the outcome of litigation could have a material adverse effect on our business.

From time to time, GameSquare may be subject to litigation claims through the ordinary course of our business operations regarding, but not limited to, employment matters, security of client and employee personal information, contractual relations with clients, including gamers, influencers and other on-screen talent, production crew and sponsors, among others and marketing and infringement of trademarks. Litigation to defend against claims by third parties, or to enforce any rights that we may have against third parties, may be necessary, which could result in substantial costs and diversion of our resources, causing a material adverse effect on our business, financial condition, and results of operations.

We are not aware of any current material legal proceedings outstanding, threatened or pending as of the date hereof by or against GameSquare. However, given the nature of our business, we are, and may from time to time in the future be, party to various, and at times numerous, legal investigations, proceedings and claims that arise in the ordinary course of business. Because the outcome of litigation is inherently uncertain, if one or more of such legal matters were to be resolved against us for amounts in excess of our expectations, our business, financial condition and results of operations could be materially adversely affected.

GameSquare is exposed to foreign currency risk and we have not hedged against risk associated with foreign exchange rate exposure.

Although GameSquare's functional currency is the United States dollar, it generates revenue and incurs costs in foreign currencies. In particular, we expect to generate revenue and incur costs in GBP, the functional currency of Code Red, and euro, as well as, Canadian dollars, the functional currency of our other subsidiaries. Accordingly, GameSquare is subject to risk from fluctuations in the rates of currency exchange between such foreign currency and the United States dollar, and such fluctuations may materially adversely affect our business, financial condition, and results of operations. GameSquare does not currently hedge against such currency fluctuations.

Public health crises may adversely affect our growth.

GameSquare may be negatively impacted by volatility in the equity markets as a result of certain events that are beyond our control, including infectious diseases, pandemics or similar health threats, such as the COVID-19 outbreak and its variants. Many governments, including in the United States, the United Kingdom and Canada, imposed stringent restrictions to seek to mitigate, or slow, the spread of COVID-19 and its variants, including restrictions on international and local travel, public gatherings, and participation in business meetings, as well as closures of workplaces, schools, and other public sites, and are continuing to encourage "social distancing." While many of these measures are being eased, the duration of such measures is highly uncertain, but could be prolonged, and stricter measures may still be put in place or reintroduced in areas where such measures have very recently started to be gradually eased.

As a result of the COVID-19 related restrictions, in-person esports tournaments and other events have been cancelled or required to enforce social distancing and other policies designed to reduce the spread of the virus. The resulting loss of revenue from ticket sales has not been fully offset by a corresponding increase in paid online or televised esports events. There can be no guarantee that demand for in-person esports events will resume in the near future. Any continuation of COVID-19 related, or other restrictions could have a material adverse effect on our business, financial condition and operating results may be impacted.

Risks Related to the Industry

GameSquare's business and success is dependent on the continuing popularity and growth of the esports industry.

Our business is substantially dependent on the continuing popularity of the esports industry, which is in the early stages of its development. Although the esports industry has experienced rapid growth and we anticipate the industry to continue to grow, consumer preferences may shift and there is no assurance that this growth will continue in the future. We have taken steps to diversify our business and continue to seek out new opportunities in the esports industry but there is no guarantee that it will be successful in doing so. Given the dynamic evolution of this industry, it can be difficult to plan strategically, and it is possible that competitors will be more successful than we are at adapting to change and pursuing business opportunities.

The esports and gaming industry is intensely competitive. GameSquare faces competition from a growing number of companies and, if we are unable to compete effectively, our business could be negatively impacted.

The esports and gaming industry is in competition with other sporting and entertainment events, both live and delivered over television networks, radio, the Internet, mobile applications, and other sources. As a result of the large number of options available and the global nature of the esports industry, we face strong competition for esports fans. There is also intense competition amongst businesses operating in the segments of the esports industry where we currently operate or may operate in the future, including esports agencies, influencer technology platforms, analytics technologies, content creation and media content assets.

As some of GameSquare's competitors have greater financial resources, they may spend more money and time on developing their products or services, undertake more extensive marketing campaigns, adopt more aggressive pricing policies, or otherwise develop more commercially successful products or services, which could impact our ability to secure new clients or retain existing clients. Competition may also lead to reduced margins as companies compete for clients by adopting aggressive pricing policies or our costs of doing business may increase in a competitive environment. Furthermore, new competitors may enter the segments of the esports industry where we currently operate or may operate in the future. If GameSquare is unable to obtain a significant market presence or if we lose market share to our competitors, our business, financial condition and results of operations could be materially adversely affected. Finally, there are many companies with established relationships with third parties, including sponsors, event and tournament organizers, influencers and esports organizations. Consequently, some competitors may be able to develop and expand their esports organization more quickly. Our success depends on our ability to develop and maintain relationships with such third parties.

As a result, GameSquare may not be able to continue to effectively compete against current and future competitors which could materially and adversely affect our business, financial condition, and results of operations.

Esports is a new and evolving industry, which presents significant uncertainty and business risks.

The esports industry is relatively new and continues to evolve. GameSquare has taken steps to diversify our business and continues to seek out new opportunities in the esports industry, including in the teams segment through the acquisition of Complexity, but most of our revenue continues to be generated from our agency business. However, whether this industry grows and whether our business will ultimately succeed will be affected by, among other things, the success of efforts to monetize the esports industry through tournament fees, live event ticket sales, advertising and sponsorships, spectator demand for in-person, online and televised esports events and tournaments, the success of industry marketing efforts, including on social media platforms, the development of new games and technologies to attract and retain gamers and spectators, data privacy laws and regulation and other factors that we are unable to predict and which are beyond our control. Given the dynamic evolution of this industry, it can be difficult to plan strategically, and it is possible that competitors will be more successful than GameSquare at adapting to change and pursuing business opportunities.

Reliance on advertisers for revenue.

The esports industry relies on advertisers as part of its revenue. Our inability to secure contracts for advertising revenues may have a material adverse effect on our business, financial condition, and results of operations. Additionally, this is a relatively new and rapidly evolving industry and as such, it is difficult to predict the prospects of growth. There is no assurance that advertisers will continue to increase their purchases of online advertising or that the supply of advertising inventory on digital media properties will not exceed the demand. If the industry grows slower than anticipated or we fail to maintain and grow our market position, we may not be able to achieve our revenue projections.

Our business is vulnerable to changing economic conditions and to other factors that adversely affect the industries in which we operate.

The demand for entertainment and leisure activities, including esports and gaming, tends to be highly sensitive to changes in consumers' free time and disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond our control. Unfavorable changes in general economic conditions, including recessions, economic slowdown, inflation, sustained high levels of unemployment, and increasing fuel or transportation costs, may reduce customers' disposable income or result in fewer individuals attending ticketed in-person or online esports events or tournaments, paying for subscriptions to esports media channels or otherwise engaging in entertainment and leisure activities. As a result, we cannot ensure that demand for our services will remain constant. Continued or renewed adverse developments affecting economies throughout the world, including a general tightening of availability of credit, inflation, increasing interest rates, increasing energy costs, acts of war or armed conflicts (including the conflict in Ukraine), terrorism, transportation disruptions, natural disasters, pandemics, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, could lead to a further reduction in discretionary spending on leisure activities, such as esports. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could reduce demand for our services, which would have a material adverse effect on our business, financial condition and results of operations.

Risk Factors Related to the Common Shares

Future sales or the issuance of our securities may cause the market price of the Common Shares to decline.

The market price of the Common Shares could decline as a result of issuances of securities (including additional Common Shares) by the Company, exercises of outstanding options or warrants for additional Common Shares or sales by existing shareholders of Common Shares in the market, or the perception that these issuances or sales could occur. Sales of Common Shares by shareholders may make it more difficult for GameSquare to sell equity securities at a time and at a price that we deem appropriate. Sales or issuances of substantial numbers of Common Shares, including in the context of future acquisitions, or the perception that such sales or issuances could occur, may adversely affect prevailing market prices of the Common Shares. With any such sale or issuance of Common Shares, investors may suffer dilution and GameSquare may experience dilution in our earnings per share.

GameSquare expects that the price of the Common Shares may fluctuate significantly.

The market price of securities of many companies, particularly development and early commercial stage esports companies, experiences wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies.

The market price of the Common Shares could be subject to wide fluctuations in response to many risk factors set out herein, and others beyond our control. These and other market and industry factors may cause the market price and demand for the Common Shares to fluctuate substantially, regardless of the actual operating performance of GameSquare, which may limit or prevent investors from readily selling their Common Shares and may otherwise negatively affect the liquidity of the Common Shares. In addition, stock markets in general, and the share prices of esports and early-growth companies in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies.

Significant ownership by principal shareholders.

As of June 30, 2023, two shareholders held approximately 22% of the Common Shares. As a result, these shareholders have significant influence over all corporate actions and securities matters requiring shareholder approval, including election of our directors and significant corporate transactions. The concentrated voting control of the Common Shares will limit the ability of other shareholders to influence corporate matters and actions may be approved that certain shareholders may not view as beneficial. Additionally, the principal shareholders' interest in GameSquare may discourage transactions involving a change of control, including transactions in which shareholders might otherwise receive a premium for their shares over the then current market price.

If equity research analysts do not publish research or reports about GameSquare and our business or if they issue unfavorable commentary or downgrade the Common Shares, the price of the Common Shares could decline.

The trading market for the Common Shares will rely in part on the research and reports that equity research analysts publish about GameSquare and our business. The price of the Common Shares could decline if one or more equity analysts downgrade the Common Shares or if analysts issue other unfavorable commentary or cease publishing reports about GameSquare or our business.

GameSquare may be subject to securities litigation, which is expensive and could divert management attention.

The market price of the Common Shares may be volatile, and in the past companies that have experienced volatility in the market price of their shares have been subject to securities class action litigation. GameSquare may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could adversely impact its business. Any adverse determination in litigation could also subject GameSquare to significant liabilities.

Variable revenues and earnings.

The revenues and earnings of GameSquare may fluctuate from quarter to quarter, which could affect the market price of the Common Shares. Revenues and earnings may vary quarter to quarter as a result of a number of factors, including acquisition of new customers and clients, cyclical fluctuations related to the evolution of the industry and impairment of goodwill or intangible assets which may result in a significant change to earnings in the period in which impairment is determined. Any of the risk factors listed in this MD&A could also cause significant variations to our revenues, gross margins and earnings in any given quarter. Historically, the Company's revenue for the third and fourth quarters of the fiscal year has been higher than revenue in the Company's first and second quarters. These seasonal variances reflect the general trend in the sector.

GameSquare must perform impairment assessments of goodwill and intangibles.

Under IFRS, the Company is required to, at least annually, perform an impairment assessment of goodwill. For intangible assets with useful lives, the Company is required to review these for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives. To perform impairment assessments, all intangible assets including goodwill are allocated to the cash generating units. An impairment loss is recognized if the carrying amount of a cash generating unit exceeds its recoverable amount. The recoverable amount of each cash generating unit is based on the greater of fair value less costs to dispose and value in use. To determine recoverable amount, significant assumptions are used in projecting earning margins, earning multiples, growth rates and discount rates in estimating and discounting future cashflows.

As a result of the annual goodwill assessment for the thirteen months ended December 31, 2021, and the year ended November 30, 2020, management recognized goodwill impairment of \$1,798,430 related to Code Red. The goodwill impairment related to Code Red was recorded as Code Red had not grown its gross margin and net margins as expected at the time of acquisition in March 2020 (as compared to the forecast provided for the original purchase price allocation). Thus, Code Red's updated discounted cash flow model, which was prepared as part of the annual goodwill impairment test, suggested that an impairment be recorded. The Company further impaired the remaining Code Red intangible assets by \$701,423 in the year ended December 31, 2022, to reflect continued delays in growing its gross and net margins as expected at the time of the acquisition in March 2020.

GameSquare has never paid dividends on Common Shares, and it does not anticipate paying any dividends in the foreseeable future. Consequently, any gains from an investment in the Common Shares will likely depend on whether the price of the Common Shares increases.

GameSquare has not paid dividends on Common Shares to date, and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of the Common Shares will be investors sole source of gain for the foreseeable future. Consequently, in the foreseeable future, investors will likely only experience a gain from their investment in the Common Shares if the price of the Common Shares increases.

GameSquare may lose foreign private issuer status in the near future, which could result in significant additional costs and expenses.

GameSquare may in the future lose foreign private issuer status if a majority of the Common Shares are held in the United States and GameSquare fails to meet the additional requirements necessary to avoid loss of foreign private issuer status, such as if: (i) a majority of our directors or executive officers are U.S. citizens or residents; (ii) a majority of our assets are located in the United States; or (iii) our business is administered principally in the United States. The regulatory and compliance costs to the Company under U.S. securities laws as a U.S. domestic issuer will be significantly more than the costs incurred as an SEC foreign private issuer. If GameSquare is not a foreign private issuer, we would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are generally more detailed and extensive than the forms available to a foreign private issuer. In addition, GameSquare may lose the ability to rely upon exemptions from corporate governance requirements that are available to foreign private issuers.

Risk Factors Related to the Engine Arrangement

Possible failure to realize anticipated benefits of the Arrangement.

The ability to realize the benefits of the Arrangement will depend in part on successfully consolidating functions and integrating operations, procedures, and personnel in a timely and efficient manner, as well as on the Company's ability to realize the anticipated growth opportunities and synergies from integrating the Company's business following completion of the Arrangement. This integration will require the dedication of management effort, time and resources which may divert management's focus and resources from other strategic opportunities available to the combined company following completion of the Arrangement, and from operational matters during this process. The integration process may result in the loss of key employees or directors and the disruption of ongoing business and employee relationships that may adversely affect the ability of the combined company to achieve the anticipated benefits of the Arrangement as well as any anticipated benefits from possible future acquisitions.

The Engine Shares issued in connection with the Arrangement may have a market value different than expected.

Pursuant to the Arrangement, each shareholder of the Company will be entitled to receive 0.08262 of an Engine Share for each Common Share held, subject to adjustment for fractional shares. Because the exchange ratio under the Arrangement will not be adjusted to reflect any changes in the market value of Engine Shares or the Common Shares, the market values of the Engine Shares and the Common Shares at the effective time of the Arrangement may vary significantly from the values at the date of this MD&A. If the market price of Engine Shares declines, the value of the consideration received by shareholders of the Company will decline as well. Variations may occur as a result of changes in, or market perceptions of changes in, the business, operations or prospects of the integrated Company, regulatory considerations, general market and economic conditions and other factors over which neither the Company has control.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does 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.

Management's Responsibility for Financial Information

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management and have been examined and approved by the Company's audit committee and Board of Directors. The accompanying financial statements are prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of four non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. To do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

Additional information

This MD&A, as well as additional information regarding the Company, have been filed electronically with the Canadian securities regulators through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through SEDAR's website at www.sedar.com and the Securities Exchange Commission ("SEC") and may be accessed through the SEC's website EDGAR at www.sec.gov.

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, Justin Kenna, Chief Executive Officer of GameSquare Holdings, Inc., certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of GameSquare Holdings, Inc. (the “issuer”) for the interim period ended June 30, 2023.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings

- a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - i. material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- b. designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 *N/A*

5.3 *N/A*

6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on March 1, 2023, and ended on June 30, 2023, that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: August 14, 2023.

/s/ Justin Kenna

Justin Kenna

Chief Executive Officer

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, Michael Munoz, Chief Financial Officer of GameSquare Holdings, Inc., certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of GameSquare Holdings, Inc. (the “issuer”) for the interim period ended June 30, 2023.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings

- a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - i. material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- b. designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 *NA*

5.3 *NA*

6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on March 1, 2023, and ended on June 30, 2023, that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: August 14, 2023.

/s/ Michael Munoz
Michael Munoz
Chief Financial Officer