

NEW WAVE ESPORTS CORP.

(formerly Trueclaim Exploration Inc.)



MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Nine Months Ended

December 31, 2019

NEW WAVE ESPORTS CORP.

(FORMERLY TRUECLAIM EXPLORATION INC.)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED DECEMBER 31, 2019

(All amounts expressed in Canadian dollars, unless otherwise stated)

This Management Discussion and Analysis ("MD&A") provides a detailed analysis of the business of New Wave Esports Corp. (formerly Trueclaim Exploration Inc.) (the "Company") and describes its financial results for the nine months ended December 31, 2019. The MD&A should be read in conjunction with the financial statements of the Company and related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in addition, this MD&A should be read in conjunction with the audited financial statements for the period ending March 31, 2019. Refer to Note 3 of the December 31, 2019 interim financial statements, and the March 31, 2019 audited financial statements for disclosure of the Company's significant accounting policies and a discussion of future accounting policy changes. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in the Canadian dollar.

Management's Responsibility

The Company's management is responsible for the preparation and presentation of the financial statements and the MD&A. The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators, and the Canadian Securities Exchange.

QUARTERLY HIGHLIGHTS AND SUBSEQUENT EVENTS

Completion of Reverse Take-over and Listing

On October 24, 2019, the Company completed a "three cornered" amalgamation whereby its previous wholly owned subsidiary, 1205619 B.C. Ltd., amalgamated with the company New Wave Holdings (BC) Corp. pursuant to an amalgamation agreement dated June 7, 2019 (announced in the Company's June 18, 2019 news release) as amended effective September 26, 2019, among the Company, 1205619 B.C. Ltd., and New Wave Holdings Corp. On October 28, 2019, the Company began trading on the Canadian Securities Exchange under the stock symbol NWES.

Non-Binding Letter of Intent with Activate Entertainment LLC

On January 28, 2020, the Company entered into non-binding letter of intent with Activate Entertainment LLC ("Activate") to acquire 100% interest in Activate for an aggregate purchase price of USD \$1,000,000. The proposed acquisition is subject to the Company and Activate negotiating and executing definitive documentation, the satisfactory completion of due diligence and the receipt of all other necessary consents and approvals, among other conditions that are typical for a transaction of this nature.

Acquisition of Even Matchup Gaming Inc.

On February 10, 2020, the Company acquired the remaining issued and outstanding shared of Even Matchup Gaming Inc. ("EMG") for \$1,230,000 comprising \$550,000 cash and 7,555,555 common shares of the Company. The cash consideration is payable in tranches, with \$350,000 paid on February 7, 2020 and the remainder to be paid in installments over the six months following February 7, 2020. A portion of the 7,555,555 common shares issued is subject to a contractual lock up and will be released to the vendors of EMG in installments over twelve months following the closing of the acquisition.

Share Capital Activity

On February 24, 2020, 100,000 options were issued to the incoming Chief Financial Officer of the Company. The options are exercisable at \$0.06 per share for five years from date of grant.

On February 14, 2020, the Company closed its first tranche of a convertible debt financing through the issuance of secured convertible debentures in the aggregate principal amount of \$555,555 for gross proceeds of \$500,000 reflecting a 10% discount of the principal amount. The convertible debentures are convertible to common shares at conversion price of \$0.10 per share and will mature two years from the date

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of issuance. If the convertible debenture remains outstanding on the one year anniversary of the maturity date, the principal amount will increase by 10%. The convertible debentures will not bear interest until the maturity date, after which if the principal amount remains unpaid, the convertible debentures will bear an interest rate of 22% per annum. Concurrent to the issuance of the convertible debentures, the Company issued 5,555,556 share purchase warrants exercisable at \$0.15 per share expiring two years from the date of issuance.

On February 24, 2020, the Company closed its second and final tranche of a convertible debt financing through the issuance of secured convertible debentures in the aggregate principal amount of \$111,111 for gross proceeds of \$100,000 reflecting a 10% discount of the principal amount. This issuance has the same terms as the first tranche closing on February 14, 2020. Concurrent to the second tranche closing, the Company issued 1,111,112 share purchase warrants exercisable at \$0.15 per share expiring two years from the date of issuance.

OVERALL PERFORMANCE

The Company continued operations for the third quarter ending December 31, 2019 and incurred a net loss of \$4,650,956 primarily driven by the reverse take-over transaction, share-based compensation and various activities and related expenses in ramping up operations, although the Company also successfully raised additional equity financing to expand its investment activities, personnel, and marketing efforts. For the period ended December 31, 2019, the Company has made several key investments in private esports companies and successfully completed several financings. The Company expects to continue to raise additional funds through equity and debt financings and seek additional investment opportunities.

INVESTMENTS AT FAIR VALUE

The Company held the following investments as at December 31, 2019:

	Number of Shares/Units Held	Fair Value at March 31, 2019	Additional Investment	Fair market value Adjustments	Fair Value at December 31, 2019
Equities of private esports companies:		\$	\$	\$	\$
Even Matchup Gaming Inc.	180	250,000	-	-	250,000
Playline Ltd.	51,653	250,829	-	-	250,829
Tiidal Gaming Group Inc.	2,000,000	400,000	50,000	600,000	1,050,000
Avatar One E-Sports	7,500,000	150,000	-	-	150,000
Talon Esports Ltd.	681,818	405,000	-	-	405,000
Stock options held:					
Tiidal Gaming Group Inc.	250,000	46,018		58,425	104,443
Talon Esports Ltd.	681,818	198,511			198,511
Balance		1,700,358	50,000	658,425	2,408,783

- i. On December 3, 2019 the Company purchased 681,818 common shares of Talon Esports Ltd. at a price of USD \$0.44 USD per share for an aggregate investment of USD \$300,000 which represents approximately 6.5% of Talon Esports Ltd. Concurrently, the Company entered into an advisory agreement with Talon Esports Ltd., to provide strategic advisory services. The Company received 681,818 stock options with an exercise price of \$0.44 USD expiring May 13, 2021. The options received have an estimated fair market value of \$198,511 using the Black-Scholes pricing model with the following weighted average assumptions: expected dividend yield – 0%, share price of \$0.44, expected volatility – 155% (average based on comparable companies), risk-free interest rate – 1.66%, exercise price of \$0.44 and an expected average life of 1.5 years.

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- ii. On August 2, 2019, the Company subscribed for 7,500,000 units of Avatar One E-Sports Capital Corp. ("Avatar") at \$0.02 each for a total subscription price of \$150,000. Each unit consists of one common share of Avatar and one common share purchase warrant of Avatar, with each such warrant entitling the holder to acquire one additional Avatar common share at a price of \$0.02 for five years. The fair value of the investment into Avatar. is currently reflected as the initial cash purchase price of its common shares and attached warrants.
- iii. On March 27, 2019, the Company purchased 180 common shares (18%) of Even Matchup Gaming Inc. for \$250,000 along with an irrevocable option to acquire an additional 31% interest, with additional terms to purchase from the Even Matchup Gaming Inc.'s existing shareholders, upwards to a maximum of 49% of all common shares. Even Matchup Gaming Inc. is a private company and its shares cannot be reliably valued using any market-derived indicators. The fair value of the investment into Even Matchup Gaming Inc. is currently reflected as the initial cash purchase price of its common shares. The Company purchased the remaining issued and outstanding shares of EMG on February 10, 2020 (Note 12).
- iv. On March 26, 2019, the Company purchased 2,000,000 common shares (approximately 4%) of Tiidal Gaming Group Inc. for \$400,000. Tiidal Gaming Group Inc. is a private company and its shares cannot be reliably valued using any market-derived indicators. The fair value of the common share investment into Tiidal Gaming Group Inc. is currently reflected at its current fair market value based on its recent financing of \$0.50 per common share.
- v. On March 22, 2019, the Company purchased 51,653 common shares (less than 1%) of Playline Ltd. for \$250,829. Playline Ltd. is a private company and its shares cannot be reliably valued using any market-derived indicators. The fair value of the investment into Playline Ltd. is currently reflected as the initial cash purchase price of its common shares.
- vi. On March 26, 2019, the Company purchased 2,000,000 common shares (approximately 4%) of Tiidal Gaming Group Inc. for \$400,000. Tiidal Gaming Group Inc. is a private company and its shares cannot be reliably valued using any market-derived indicators. The fair value of the common share investment into Tiidal Gaming Group Inc. is currently reflected at its current fair market value based on its recent financing of \$0.50 per common share.
- vii. On March 11, 2019, the Company entered into an advisory agreement with Tiidal Gaming Group Inc. to provide strategic advisory services. The Company received 250,000 stock options with an exercise price of \$0.20 for a term of five years. The options received have an estimated fair market value of \$46,018 using the Black-Scholes pricing model with the following weighted average assumptions: expected dividend yield – 0%, share price of \$0.20, expected volatility – 155% (average based on comparable companies), risk-free interest rate – 1.66%, exercise price of \$0.20 and an expected average life of 5 years. The fair value of the options investment into Tiidal Gaming Group Inc. is currently reflected at its current fair market value in light of the recent \$0.50 per common share closed private placement, and revised remaining term of the options. During the period ended December 31, 2019, the Company exercised 250,000 stock options for an additional \$50,000 investment into Tiidal Gaming Inc.

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LIQUIDITY AND CAPITAL RESOURCES

In management's view, given the nature of the Company's operations, which comprises commercial esports/gaming activities, investing and advising esports companies in business growth, market penetration, and product expansion, the most relevant financial information relates primarily to current liquidity, solvency and planned strategic growth. The Company's ability to continue as a going concern and realize the carrying value of its assets is dependent on its continued ability to raise capital through public equity financings, and upon the generation of profits from its investments, the outcome of which cannot be predicted at this time.

At December 31, 2019, the Company had working capital of \$334,810, including cash of \$644,662.

On October 24, 2019, as a result of the reverse take-over, the Company exchanged 48,848,666 common shares to the shareholders of New Wave Holdings (BC) Corp., consolidated its share capital on a basis of one to one and half shares resulting in 23,958,501 shares post-consolidated shares, and issued 4,884,866 common shares to certain consultants of the reverse take-over transaction resulting in aggregate shares issued of 77,692,033.

During the period ended December 31, 2019, the Company issued, in aggregate, 2,770,833 to certain directors, officers and consultants of the Company, and in addition to the 4,884,866 common shares issued to consultants of the reverse take over transaction, recognized share-based compensation expense of \$1,100,355.

On October 24, 2019 and October 31, 2019, the Company issued, in aggregate 7,750,000 restricted share units to certain officers, directors and consultants of the Company. The restricted share units are released in equal quarters with the first release on the date of grant, and then every four months. The release of these shares are measured at fair market value on the date of release, and is included in share-based compensation expense.

Subsequent to December 31, 2019

On February 10, 2020, 200,000 options were issued to a director of the Company. The options are exercisable at \$0.11 per share for five years from date of grant.

On February 24, 2020, 100,000 options were issued to the incoming Chief Financial Officer of the Company. The options are exercisable at \$0.06 per share for five years from date of grant.

On February 14, 2020, the Company closed its first tranche of a convertible debt financing through the issuance of secured convertible debentures in the aggregate principal amount of \$555,555 for gross proceeds of \$500,000 reflecting a 10% discount of the principal amount. The convertible debentures are convertible to common shares at conversion price of \$0.10 per share and will mature two years from the date of issuance. If the convertible debenture remains outstanding on the one year anniversary of the maturity date, the principal amount will increase by 10%. The convertible debentures will not bear interest until the maturity date, after which if the principal amount remains unpaid, the convertible debentures will bear an interest rate of 22% per annum. Concurrent to the issuance of the convertible debentures, the Company issued 5,555,556 share purchase warrants exercisable at \$0.15 per share expiring two years from the date of issuance.

On February 24, 2020, the Company closed its second and final tranche of a convertible debt financing through the issuance of secured convertible debentures in the aggregate principal amount of \$111,111 for gross proceeds of \$100,000 reflecting a 10% discount of the principal amount. This issuance has the same terms as the first tranche closing on February 14, 2020. Concurrent to the second tranche closing, the Company issued 1,111,112 share purchase warrants exercisable at \$0.15 per share expiring two years from the date of issuance.

The Company's current and expected cash resources are sufficient to satisfy working capital requirements of running the operations for the following twelve months, however the Company has not realized a source of revenue therefore management

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will continue to seek new sources of capital to maintain its operations and to further its primary objective of generating income and achieve long term capital appreciation through its investments.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

OUTSTANDING SHARE DATA

The following share capital as of date of this document is:

	Balance
Common Shares	89,868,421
Stock-options	7,900,000
Warrants	64,912,200

RESULTS OF OPERATION

For the three and nine months ended December 31, 2019

The Company incurred a net loss of \$4,153,920 and \$4,650,296 for the three and nine months ended December 31, 2019; there was no comparable activity in the prior period. The Company made several investments into esports companies during the recently completed year and continues to search for additional investments. In addition, the Company incurred significant, and non-recurring expenses related to the completion of its reverse take-over transaction with New Wave Holdings (BC) Corp. Along with the reverse take-over transaction, the Company ramped up its consulting, investor relations, and professional fees related to the further development of the Company's operations. There are no meaningful comparisons to be made with prior periods.

OUTLOOK

In the Company's fiscal year ending March 31, 2020, the Company will seek to, among other things: (i) make additional esports/gaming investments, including the complete acquisition of a business in this industry; (ii) develop a technology platform and a set of tools for offer to prospective esports/gaming technology clients; and (iii) secure additional consulting or advisory engagements with esports/gaming companies.

SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	April 17, 2018 to June 30, 2018
	\$	\$	\$	\$	\$	\$	\$
Net profit (loss)	(4,153,920)	69,424	(565,800)	(618,520)	-	-	-
Basic profit (loss) per share	(0.05)	0.00	(0.01)	(0.12)	-	-	-
Diluted profit (loss) per share	(0.05)	0.00	(0.01)	(0.12)	-	-	-

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FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The following table summarizes the carrying value of financial assets and liabilities as at December 31, 2019:

	December 31, 2019
	\$
Fair value through profit or loss	
Investment at fair value	2,408,783
Amortized cost	
Cash	644,662
Accounts payable and accrued liabilities	363,179

Fair value measurement

As at December 31, 2019, financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, short-term investment, receivables, due from related parties, account payable and accrued liabilities. The fair values of these financial instruments approximate the carrying value due to their short-term nature.

Financial assets and liabilities that are recognized on the balance sheet at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements.

The levels in the hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's financial assets measured at fair values through profit or loss are as follows:

December 31, 2019	Level 1	Level 2	Level 3
	\$	\$	\$
Investments at fair value	-	-	2,408,783

March 31, 2019	Level 1	Level 2	Level 3
	\$	\$	\$
Investments at fair value	-	-	946,847

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Management of Industry and Financial Risk

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum credit risk is limited by its liquidity.

The Company deposits the majority of its cash with high credit quality financial institutions in Canada and the United States. Therefore, management considers its exposure to credit risk arising from its cash to be minimal. Credit risk with respect to receivables has been assessed as low from management as the majority of receivables are government input tax credits refundable.

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank account. All of its cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The maximum exposure to credit risk is the carrying amount of the Company's financial instruments.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign exchange risk.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

The Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Capital Management

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

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In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the period ended December 31, 2019.

Fair Value

The fair value of the Company's financial assets and liabilities approximate the carrying amount whether due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

RELATED PARTY TRANSACTIONS

Related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties. Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

Transactions with key management and directors

The Company incurred the following transactions for the period ended, with companies controlled by current and former directors and officers of the Company:

	For the nine months ended to December 31, 2019	April 17, 2018 to December 31, 2018
	\$	\$
Consulting fees	306,718	-
Share-based compensation	406,422	-
Wages	223,741	-

Related parties balance

As at December 31, 2019, the Company had amounts due to a company controlled by the President in the amount of \$Nil (March 31, 2019 - \$8,475).

Off-Balance Sheet Transactions

The Company has not entered into any significant off-balance sheet arrangements or commitments.

CRITICAL ACCOUNTING ESTIMATES*Significant estimates and assumptions*

The preparation of the unaudited condensed interim consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events

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that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability and measurement of deferred tax assets, carrying value of intangible assets and impairment of financial assets.

Significant judgments

The preparation of the unaudited condensed interim consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern, assessment of acquisitions as business combinations or asset acquisitions, impairment of non-financial assets and whether there are events or conditions that may give rise to significant uncertainty.

CHANGES IN ACCOUNTING POLICIES

New standard IFRS 16 "Leases"

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

The Company adopted IFRS 16 effective April 1, 2019 with no impact to its consolidated financial statements.