

**TIIDAL GAMING GROUP CORP. (FORMERLY GTA FINANCECORP INC.)**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**For the three months ended January 31, 2022 and 2021**  
**(Expressed in Canadian Dollars - Unaudited)**

This Management's Discussion and Analysis ("MD&A") is a review of the operations and current financial position for Tiidal Gaming Group Corp. (formerly GTA Financecorp Inc.) (the "Company", "Tiidal Corp."). This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements and notes for the three months ended January 31, 2022 and 2021.

The Company's condensed consolidated interim financial statements and notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and are reported in Canadian dollars unless otherwise noted.

Tiidal Gaming Group Corp. (formerly GTA Financecorp Inc.) is classified as a "venture issuer" for the purposes of National Instrument 51-102. This MD&A was approved by the directors of the Company on March 31, 2022.

**Caution Regarding Forward Looking Statements**

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Certain statements in this report are forward-looking statements which reflect management's expectations regarding future growth, results of operations, performance, business prospects and opportunities, the Company's ability to meet financial commitments and its ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations, or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance, or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as at the date of this report. These assumptions, which include management's current expectations, the global economic environment, and the Company's ability to manage its operating costs, may prove to be incorrect. Several risks and uncertainties could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. 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, except as required by law.

Actual performance, achievement or other realities could differ materially from those expressed in, or implied by, any forward-looking statements or information in this MD&A and, accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as at the date on which such statement is made, and the Company does not undertake any obligation to update any forward-looking statements or information to reflect information, events, results, circumstances, realities or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained in this MD&A and other documents of the Company are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each

such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statements.

In addition, forward-looking statements, and information herein, including financial information, is based on certain assumptions relating to the business and operations of the Company. Although the Company has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements and forward-looking information in this MD&A, and the documents incorporated by reference herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There is no assurance that such statements and information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information contained in this MD&A.

## **Business History**

The table below lists the the Company's wholly-owned subsidiaries as at January 31, 2022:

<b>Name of subsidiary</b>	<b>Jurisdiction Incorporated</b>	<b>Functional Currency</b>	<b>Accounting Method</b>
Tiidal Gaming Holdings Inc. (formerly Tiidal Gaming Group Inc.)	Canada	Canadian dollars	Consolidation
Lazarus Esports Inc.	Canada	Canadian dollars	Consolidation
Space Esports Inc.	USA	U.S. dollars	Consolidation
Tiidal Gaming NZ Limited	New Zealand	New Zealand dollars	Consolidation
GTA GW Mergeco Inc.	United States	Canadian dollars	Consolidation

Tiidal Gaming Group Corp. (formerly GTA Financecorp Inc.) (the "Company", "Tiidal Corp.") was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) on August 9, 2006. On November 9, 2021, the Company changed its name from GTA Financecorp Inc. to Tiidal Gaming Group Corp. The address of the Company's head, principal, and registered office is located at 365 Bay Street, Suite 800, Toronto, Ontario M5H 2V1. The Company's shares were listed on the TSX Venture Exchange until February 8, 2019 at which time the shares were delisted at the request of the Company. On November 17, 2021, the Company commenced trading of its common shares on the Canadian Securities Exchange (the "CSE") under the symbol TIDL.

The business began as SetToDestroyX, a sole proprietorship operated by Charlie Watson that began operations in 2010 in the esports industry. On October 27, 2018, Tiidal Gaming Holdings Inc. (formerly Tiidal Gaming Group Inc.) ("Tiidal Inc.") acquired the business assets associated with the business of SetToDestroyX in exchange for 38,214,000 common shares of the Company, post-share split, \$140,000, and the assumption of \$22,468 of liabilities. The organization changed its team name from SetToDestroyX to Lazarus in November 2018.

On September 27, 2019, Tiidal Inc., through its subsidiary Space Esports Inc., acquired the business assets of Space Esports, a sole proprietorship operating in the esports industry.

On December 14, 2020, Tiidal Gaming NZ Limited (Tiidal NZ), a wholly owned subsidiary of the Company, entered into and completed an asset purchase agreement with Sportsflare NZ Limited ("Sportsflare NZ") to acquire the assets of Sportsflare NZ.

On November 9, 2021, the Company completed a transaction that resulted in a reverse takeover ("GTA RTO") of the Company by the shareholders Tiidal Inc. The Company changed its name to

“Tiidal Gaming Group Corp.” and effect a consolidation of the common shares on the basis of 11.2678 pre-consolidation common shares into one new post-consolidation common shares.

The GTA RTO was completed pursuant to the terms of a business combination agreement dated July 12, 2021 (the “Definitive Agreement”), among the Company, Tiidal Inc., and 2852773 Ontario Inc. (GTA Subco).

Immediately prior to the amalgamation, Tiidal Inc.’s shares underwent a 1:1.2738 share split and all outstanding Tiidal Inc. restricted share units (“RSUs”) automatically vested. Upon effect of the split, authorized capital remains unchanged. This MD&A gives retroactive effect to such stock split named above and all share and per share amounts have been adjusted accordingly, unless otherwise noted.

On November 9, 2021, the Definitive Agreement closed, resulting in the formation of Tiidal Gaming Holdings Inc., a subsidiary of Tiidal Gaming Group Corp. Tiidal Gaming Group Corp. is the resulting issuer with shares trading on the Canadian Securities Exchange under the symbol “TIDL”.

The Company’s principal business activities are owning and operating synergistic businesses across the esports ecosystem, including its wholly-owned subsidiaries Tiidal NZ incorporated on November 23, 2020 under the Companies Act 1993 in New Zealand and doing business as Sportsflare, which has developed a robust odds feed and advanced betting solutions for sportsbooks and online betting companies, Lazarus Esports Inc. (“Lazarus Esports”), a Canadian leader and globally recognized competitive esports organization, incorporated under the Business Corporations Act of Ontario on May 19, 2019, and Tiidal Inc., incorporated under the Business Corporations Act of Ontario on October 22, 2018. Tiidal Inc. amalgamated with 2852773 Ontario Inc. (“GTA Subco”) prior to completion of the GTA RTO transaction on November 9, 2021.

## **Overall Performance**

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The Company focused its efforts for the three months ended January 31, 2022 going public through the completion of the GTA RTO.

On July 12, 2021, the Company officially entered into the Definitive Agreement and on November 9, 2021, the GTA RTO transaction closed. The resulting issuer’s shares trade on the Canadian Securities Exchange under the symbol “TIDL”.

The Company increased its cash position in connection with going public through a RTO. On July 13, 2021, the Company closed a non-brokered financing of 3,576,364 subscription receipts at a price of \$0.50 per subscription receipt for gross proceeds of \$1,788,182 and a brokered financing of 2,971,000 subscription receipts at a price of \$0.50 per subscription receipt for gross proceeds of \$1,485,500. As part of the GTA RTO, Tiidal Inc. split its common shares on the basis of one pre-share split Tiidal Inc. common share for 1.2738 post-share split Tiidal Inc. common share. Each subscription receipt was, upon satisfaction of the escrow release conditions, automatically converted into one unit of Tiidal Inc., with each unit being comprised of one post-share split common share and one-half of one post-share split warrant. Each warrant will entitle the holder to purchase one post-share split common share for a period of 24 months following the conversion date at a price of \$0.75.

On July 13, 2021, \$3,108,921 from the subscription receipt financing was transferred to TSX Trust Company to be released upon the satisfaction of escrow conditions, including the GTA RTO transaction.

On October 7, 2021, the Company closed a second tranche of a non-brokered financing of 296,970 subscription receipts at a price of \$0.50 per subscription receipt for gross proceeds of \$148,485. The subscription receipts have the same terms and escrow conditions as the first tranche which

closed on July 13, 2021 as noted above. \$148,485 in gross proceeds from the second tranche of the subscription financing were transferred to TSX Trust.

On November 9, 2021, upon satisfaction of the escrow release conditions, the proceeds from the subscription receipts were transferred to the Company's unrestricted bank account.

The Company issued 346,890 subscription receipts to the agents in connection with the financing and issued 457,970 compensation options to the agents upon satisfaction of the escrow conditions. Each compensation option will be exercisable for one post-share split common share or one Resulting Issuer Share (subject to any necessary adjustments), as applicable, \$0.50 for a period of 24 months following the satisfaction of the escrow release conditions.

As at October 31, 2021, \$136,159 in finance fees and \$28,600 in HST were paid directly from the gross proceeds to agents in the private placement and \$173,445 in financing charges were paid through 346,890 subscriptions in lieu of cash.

During the three months ended January 31, 2022, the Company recognized the remaining \$12,966 in financing charges for the 457,970 compensation stock options issued during the year ended October 31, 2021. The Company recognized an aggregate of \$481,043 from deferred financing charges upon completion of the GTA RTO and paid an additional aggregate of \$14,134 in share issuance costs.

The Company's net loss and comprehensive loss for the three months ended January 31, 2022 was \$3,872,193 and \$3,884,785, respectively (the three months ended January 31, 2021 - \$318,611 and \$319,799, respectively). Prize revenue decreased by \$12,134 from \$92,678 in for the three months ended January 31, 2021 to \$80,544 for the three months ended January 31, 2022 due to the Company reducing the size of its competitive esports teams.

There was a decrease of \$42,933 in sponsorship and other revenue from \$75,335 for the three months ended January 31, 2021 to \$32,402 for the three months ended January 31, 2022 as one sponsorship contract was not renewed, and another contract deferred most of its revenue to Q2.

With the acquisition of the intangible assets from Sportsflare NZ and continued development, the Company earned \$12,838 from betting solutions revenue for the three months ended January 31, 2022 which was not yet generating revenue during the three months ended January 31, 2021.

Overall, operating expenses increased by \$2,275,033 from \$377,622 for the three months ended January 31, 2021 to \$2,652,655 for the three months ended January 31, 2022 due to a \$589,466 increase in general and administrative expense which included salaries and rent for increased operations in the Tidal NZ entity, a bonus, as compensation for a reduction in wages during Covid, for Charlie Watson, CGO and former CEO, as well as additional professional fees incurred for the GTA RTO. The Company incurred listing expenses of \$1,277,609 as part of the GTA RTO. The Company also incurred share-based payments of \$1,623,249 which included RSUs that vested and exercised immediately upon completion of the GTA RTO and the issuance of stock options being recognized for the three months ended January 31, 2022.

### **Going Concern**

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These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Although the Company has generated revenue to date, it is currently unable to self-finance any future operations. The Company's ability to continue as a going concern and to realize assets at their carrying values is dependent upon its ability to obtain financing and generate profits and positive cash flows from operations in order to cover its operating costs.

The Company incurred a loss of \$3,872,193 for the three months ended January 31, 2022 (the three months ended January 31, 2021 – \$318,611), and as at that date the Company's accumulated deficit was \$12,254,290 (October 31, 2021 – \$8,382,097). The Company will periodically need to raise funds to continue to its operations and although it has been successful in doing so in the past, there is no assurance that it will be able to continue to do so in the future. These factors comprise a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements. These adjustments could be material.

In March 2020, the World Health Organization declared the coronavirus (COVID-19) a global pandemic. This contagious virus outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

#### **Selected Period Information for the Three Months Ended January 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
Revenues	\$ 125,784	\$ 168,013
Cost of sales	93,293	104,642
Expenses	2,652,655	377,622
Net loss	(3,872,193)	(318,611)
Comprehensive loss	(3,884,785)	(319,399)
Basic and diluted comprehensive loss per share	(0.05)	(0.01)
Total assets	4,116,662	2,292,961
Total non-current financial liabilities	214,903	60,000
Total liabilities	935,840	552,907

#### **Results of Operations for The Three Months Ended January 31, 2022 and 2021**

##### *Revenue*

The Company generated revenue of \$125,784 for the three months ended January 31, 2022 compared to \$168,013 for the three months ended January 31, 2021. Revenue consisted primarily of tournament prize winnings, sponsorship revenue, and betting solutions revenue. Prize revenue decreased by \$12,134 from \$92,678 for the three months ended January 31, 2021 to \$80,544 for the three months ended January 31, 2022. The Company did not play in as many tournaments compared to the prior year quarter. Live in-person tournaments continued to be impacted by the COVID-19 pandemic. The tournaments that the players entered did not have as large payouts. Sponsorship and other revenue decreased by \$42,933 from \$75,335 for the three months ended January 31, 2021 to \$32,402 for the three months ended January 31, 2022. One sponsorship did not renew their sponsorship agreement, and another deferred revenue to Q2, which caused sponsorship revenue to decrease in the current quarter compared to the three months ended January 31, 2021.

This was offset by an increase in betting solutions revenue of \$12,838 for the three months ended January 31, 2022 compared to the prior year quarter. The Company did not generate betting solutions revenue for the three months ended January 31, 2021.

### *Cost of sales and gross profit*

Cost of sales consists primarily of the player's portion of tournament winnings, but also includes commission paid on sponsorship revenue. Cost of sales decreased by \$11,349 from \$104,642 for the three months ended January 31, 2021 to \$93,293 for the three months ended January 31, 2022. The Company had fewer competitive players for the three months ended January 31, 2022 compared to January 31, 2021 and did not win as much prize money from tournaments resulting from the types of players under contract, the Company signing more streamers rather than just competitive players and the COVID-19 pandemic. Gross profit percentage decreased from 38% for the three months ended January 31, 2021 to 26% for the three months ended January 31, 2022 as a higher portion of the total revenue came from prize winnings revenue which on average has historically had a lower cost of sales compared to sponsorships and betting solutions.

### *Expenses*

The Company's operating expenses for the three months ended January 31, 2022 were \$2,652,655, compared to \$377,622 for the three months ended January 31, 2021, indicating an increase of \$2,275,033 as the Company increased in general and administrative expenses of \$589,466 consisting primarily of salaries and office expenses incurred by Tiidal NZ, increase in amortization of the intangible asset acquired from Sportsflare NZ of \$13,958, and an increase of \$1,420,233 in share-based payments as a result of stock options issued in the prior year and automatic vesting of RSUs upon completion of the GTA RTO. The Company signed a number of esports players for the three months ended January 31, 2022, resulting in an increase of \$48,642 in player fees compared to the three months ended January 31, 2021. Advertising and promotion increased from \$3,151 to \$39,301 as the Company's stock began trading on the CSE and the Company incurred expenses for raising investor awareness during the three months ended January 31, 2022.

### *General and administrative expenses*

	<b>For the three months ended January 31, 2022</b>	<b>For the three months ended January 31, 2021</b>
Office and miscellaneous	\$ 69,032	\$ 21,309
Salaries and benefits	440,408	8,318
Bank charges and interest	2,138	1,586
Professional fees	140,517	31,833
Insurance	6,049	5,632
	<b>\$ 658,144</b>	<b>\$ 68,678</b>

For the three months ended January 31, 2022, the Company's general and administrative expenses increased by \$589,466 from \$68,678 to \$658,144. This was mainly due to the increase in salaries and benefits of \$432,090 from \$8,318 for the three months ended January 31, 2021 to \$440,408 for the three months ended January 31, 2022. This is primarily due to the increase in operations of Tiidal NZ as more employees were hired. Tiidal Inc. also paid salaries to its employees and paid a bonus, as compensation for a reduction in wages during Covid, to Charlie Watson, CGO and former CEO. Office and miscellaneous expenses increased by \$47,723 from \$21,309 to \$69,032 also as a result of the increase of Tiidal NZ's office expenses for the three months ended January 31, 2022. Professional fees increased by \$108,684 from \$31,833 for the three months ended January 31, 2021 to \$140,517 for the three months ended January 31, 2022 due to the additional professional expenses incurred for the business transactions and completion of the GTA RTO.

## Summary of Quarterly Results

The following financial data was derived from the eight most recently completed financial quarters:

	<b>January 31, 2022</b>	<b>October 31, 2021</b>	<b>July 31, 2021</b>	<b>April 30, 2021</b>
Revenue	\$125,784	\$54,698	\$92,004	\$114,682
Comprehensive loss	(\$3,884,785)	(\$879,817)	(\$428,979)	(\$252,528)
Loss per unit – basic and diluted	(\$0.05)	(\$0.02)	(\$0.01)	(\$0.01)
Weighted average number of units outstanding	70,437,091	55,876,028	56,368,831	55,702,627
	<b>January 31, 2021</b>	<b>October 31, 2020</b>	<b>July 31, 2020</b>	<b>April 30, 2020</b>
Revenue	\$168,013	\$60,592	\$70,077	\$50,203
Comprehensive loss	(\$319,395)	(\$104,536)	(\$103,443)	(\$222,634)
Loss per unit – basic and diluted	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)
Weighted average number of units outstanding	54,403,807	52,226,459	55,553,841	58,325,427

Revenues increased for the three months ended January 31, 2022 by \$71,086 compared to the three months ended October 31, 2021. The increase is mainly attributable to a Crossfire E-Sports tournament that took place during the quarter in which the Company's placed higher in the tournament. The Company also generated betting solutions revenue from operations of Tiidal NZ. Comprehensive loss increased by \$3,004,968 compared to the three months ended October 31, 2021 mainly due to increased costs and share-based payments relating to the GTA RTO transaction occurring during the quarter.

Revenues decreased for the three months ended October 31, 2021 by \$37,306 compared to the three months ended July 31, 2021. The decrease is mainly attributable to tournaments like Twitch Rivals and Evasion Trios that took place during the quarter in which the Company's players placed lower in the tournament. Comprehensive loss increased by \$450,657 compared to the three months ended July 31, 2021 mainly due to increased costs relating to preparing for the RTO transaction being incurred in the quarter.

Revenues decreased for the three months ended July 31, 2021 by \$22,678 compared to the three months ended April 30, 2021. The decrease is mainly attributable to betting solutions revenue decreasing by approximately \$17,000 for the three months ended July 31, 2021 due to the Company entering into less agreements during the quarter. Comprehensive loss decreased by \$26,383 compared to the three months ended April 30, 2021 mainly due to a decrease in share based payments of approximately \$279,000 offset by an increase in professional fees and salaries of approximately \$159,000 and \$113,000, respectively.

Revenues decreased for the three months ended April 30, 2021 by \$53,331 compared to the three months ended January 31, 2021. The decrease is mainly attributable to prize winnings decreasing by approximately \$70,000 for the three months ended April 30, 2021 due to less tournaments and smaller prize pools during the quarter. This was offset by an increase of \$23,090 in betting solutions revenue for the three months ended April 30, 2021 compared to the three months ended January 31, 2021 as a result of the Company starting to enter into agreements with customers for the Company's betting platform. Comprehensive loss decreased by \$66,867 compared to the three months ended January 31, 2021 mainly due to a decrease in share based payments of \$85,610 as a result of the continued vesting of RSUs granted from the previous quarter.

Revenues increased for the three months ended January 31, 2021 by \$107,421 compared to the three months ended October 31, 2020. The increase is mainly attributable to prize winnings increasing by approximately \$60,000 and sponsorship revenues increasing by approximately \$48,000 for the three months ended January 31, 2021. This was mainly due to tournaments with larger prize pools taking place online during the quarter compared to the previous quarter. Comprehensive loss increased by \$11,844 compared to the three months ended October 31, 2020 mainly due to the incorporation of the Company's New Zealand subsidiary, Tidal NZ, and the costs incurred by the subsidiary.

Revenues decreased for the three months ended October 31, 2020 by \$9,485 compared to the three months ended July 31, 2020. The decrease is consistent with COVID-19 preventing any major tournaments to be held. Comprehensive loss stayed consistent with only a small increase of \$1,093 compared to the three months ended July 31, 2020, as cost-cutting measures were still in effect.

Revenues increased for the three months ended July 31, 2020 by \$19,874 compared to the three months ended April 30, 2020. The increase is mainly attributable to smaller online tournaments being held during the quarter. Comprehensive loss decreased by \$119,191 compared to the three months ended April 30, 2020 as further cost-cutting measures were taken during the lockdown.

Revenues decreased for the three months ended April 30, 2020 by \$347,150 compared to the three months ended January 31, 2020. Comprehensive loss decreased by \$825,794 compared to the three months ended January 31, 2020. The decreases are attributable to the COVID-19 pandemic, resulting in a global lockdown starting in the quarter.

### **Liquidity and Capital Resources**

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As at January 31, 2022, the Company had working capital of \$1,197,916 (October 31, 2021 – working capital deficiency of \$1,354,392), consisting primarily of cash, trade and other receivables, and prepaid expenses and deposits, offset by accounts payable and lease liability. Working capital increased to a surplus position as the Company derecognized its subscription liability as subscription receipts were converted into common shares and warrants, converted all of its convertible notes into common shares and warrants, and paid the remaining promissory notes payable upon completion of the GTA RTO. The Company paid a significant portion of its outstanding accounts payable and other liabilities during the three months ended January 31, 2022 as it had the funds available to do so after the subscription receipts funds had been released from escrow.

The Company anticipates that it will not have sufficient resources to meet the working capital requirements of the Company for at least the next 12 months and may need additional capital to fund operations and increase working capital in order to settle its obligations as they come due. The Company's ability to raise additional funds is subject to a number of uncertainties and risk factors.

### **Cash Flows**

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Based on the operating activities for the past year, it is expected that in addition to using funds currently available to the Company, additional funds will need to be raised through equity financings, loans or other alternatives. The Company has available funds that were raised from the subscription receipt financing and were released from escrow upon completion of the GTA RTO during the three months ended January 31, 2022. The Company's ability to raise additional funds is subject to a number of uncertainties and risk factors.



A summary of cash flows for the three months ended January 31, 2022 and 2021 is as follows (in Canadian Dollars):

<b>For the years ended</b>		<b>2022</b>	<b>2021</b>	<b>Change</b>
Operating activities	\$	(1,549,681)	(3,903)	(1,545,778)
Investing activities		(495)	(32,161)	31,666
Financing activities		3,157,816	20,000	3,137,816
Change in cash	\$	1,607,640	(16,064)	1,623,704

#### *Operating Activities*

For the three months ended January 31, 2022, operating activities used \$1,549,681 in cash. The use of cash for the year was mainly attributable to general and administrative expenses, including salaries and benefits, and office expenses that were mostly incurred in Tiidal NZ. Cash was also used in operations for player fees to the extent that revenues generated from prize and sponsorship revenue did not cover those fees.

For the comparative three months ended January 31, 2021, the Company used \$3,903 in cash for operating activities. The use of cash for the period was mainly attributable to paying accounts payable and other liabilities as well as paying general and administrative expenses, including rent and office expenses, salaries and benefits, and professional fees,. Cash was also used in operations for player and player management fees to the extent that revenues generated from prize and sponsorship revenue did not cover those fees.

#### *Investing Activities*

For the three months ended January 31, 2022, investing activities consisted of \$495 in cash used for purchasing equipment offset by cash acquired from the GTA RTO transaction.

For the comparative three months ended January 31, 2021, investing activities consisted of \$32,161 in cash used for legal fees recognized as intangibles as part of the Sportsflare NZ acquisition.

#### *Financing Activities*

For the three months ended January 31, 2022, financing activities consisted of \$3,257,408 in proceeds released from escrow upon completion of GTA RTO and \$11,376 of share issuance costs refunded. This was offset by \$17,458 of lease payments, \$38,000 for repayment of promissory notes payable, \$30,000 paid for repurchase of shares, and \$25,510 of share issuance costs paid.

For the comparative three months ended January 31, 2021, financing activities consisted of \$20,000 received from the CEBA loan from the Government of Canada.

#### **Off-Balance Sheet Arrangements**

The Company did not enter into any off-balance sheet arrangements as at January 31, 2022 or as at the date of this report.

#### **Related Party Transactions**

Key management consists of the officers and directors who have authority and are responsible for overseeing, planning, directing and controlling the activities of the Company.

For the three months ended January 31, 2022 and 2021, the Company incurred charges with officers and directors recorded at their exchange amounts as agreed upon by transacting parties as follows:

	<b>For the three months ended January 31, 2022</b>	<b>For the three months ended January 31, 2021</b>
Management fees	\$ 65,000	\$ -
Salaries	199,747	-
Share-based payments	278,125	-
	<b>\$ 542,872</b>	<b>\$ -</b>

For the three months ended January 31, 2022, the Company incurred \$138,200 (three months ended January 31, 2021 - \$nil) in salary and bonus to Charlie Watson, CGO and former CEO, \$20,000 (three months ended January 31, 2021 - \$nil) in salaries to Thomas Hearne, CEO and Director, \$31,959 (three months ended January 31, 2021 - \$nil) in salaries to Maximilian Polaczuk, CTO, and \$9,588 (three months ended January 31, 2021 - \$nil) in salaries to Troy Polaczuk.

The fair value of the share-based payments expense incurred during the three months ended January 31, 2022 was related to options issued to Max Polackzuk (\$8,940), Troy Polaczuk (\$715), David Wang (\$83,052), Zach Goldenberg (\$8,851) and Thomas Hearne (\$176,567).

#### **Other Transactions**

For the three months ended January 31, 2022, the Company incurred \$50,301 (three months ended January 31, 2021 - \$5,600) in professional fees charged by ACM Management Inc., a company controlled by Alex McAulay, CFO.

#### **Due to/from Related Parties**

As at January 31, 2022, the Company had a receivable balance of \$2,607 (October 31, 2021 - \$nil) owing from Charlie Watson, CGO and former CEO, for withholding taxes payable.

As at January 31, 2022, the Company had a payable balance of \$nil (October 31, 2021 - \$7,393) owing to Charlie Watson, CGO and former CEO. The amount consists of accrued salaries and expense reimbursements and is unsecured, non-interest bearing and due on demand.

As at January 31, 2022, the Company had a payable balance of \$56,788 (October 31, 2021 - \$168,204) owing to ACM Management Inc., a company controlled by Alex McAulay, CFO. The amount consists of professional fees and is unsecured, non-interest bearing and due on demand.

As at January 31, 2022, the Company had a payable balance of \$7,097 (October 31, 2021 - \$nil) owing to 2578218 Ontario Ltd., a company controlled by Zachary Goldenberg, Director. The amount consists of consulting fees and is unsecured, non-interest bearing and due on demand.

As at January 31, 2022, the Company had a payable balance of \$nil (October 31, 2021 - \$10,348) owing to Maximilian Polaczuk for salaries payable.

As at January 31, 2022, the Company had a promissory note payable of \$nil (October 31, 2021 - \$15,000) owing to 2578218 Ontario Ltd., a company controlled by Zachary Goldenberg, Director. The amount is unsecured, non-interest bearing and matures at the earlier of five days after completing a reverse takeover transaction or transaction resulting in a change of control and October 31, 2021. On November 12, 2021, the \$15,000 balance was repaid.

As at January 31, 2022, the Company had a promissory note payable of \$nil (October 31, 2021 - \$13,000) owing to 1092657 Canada Inc., a company controlled by Prit Singh, former Director of Tiidal Inc. The amounts are unsecured, non-interest bearing and matures at the earlier of five days after completing a reverse takeover transaction or transaction resulting in a change of control and October 31, 2021. On November 14, 2021, the \$13,000 balance was repaid.

### **Proposed Transactions**

As at the date of this MD&A, the Company has no proposed transactions.

### **Commitments**

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As at January 31, 2022, and the date of this MD&A, the Company did not have any commitments.

### **Accounting Standards, Amendments and Interpretations not yet Effective**

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#### *Accounting standards issued but not yet effective*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

Management anticipates that all the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have an impact on the Company's condensed consolidated interim financial statements.

### **Financial and Other Instruments**

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#### **Fair values**

Hierarchical levels, defined by IFRS 7 and directly related to the amount of subjectivity associated with inputs to fair valuation of these financial assets and liabilities are as follows:

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

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and

Inputs for the assets or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair values of the cash, restricted cash, trade and other receivables, accounts payable and other liabilities, subscription liability, promissory notes payable, and convertible notes approximate their carrying values due to the relatively short-term nature of these financial instruments.

The following table sets for the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash	\$ 1,630,563	\$ -	\$ -
Trade and other receivables	-	208,083	-
Accounts payable and other liabilities	-	(649,784)	-
Lease liability	-	(221,056)	-
Government loan payable	-	(60,000)	-
<b>Total</b>	<b>\$ 1,630,563</b>	<b>\$ (722,757)</b>	<b>\$ -</b>

Cash is comprised of:

	<b>January 31, 2022</b>	<b>October 31, 2021</b>
Cash held in bank account	\$ 1,625,829	\$ 22,923
Cash held in Stripe account	4,477	-
Cash held in PayPal account	257	-
<b>Total</b>	<b>\$ 1,630,563</b>	<b>\$ 22,923</b>

Cash includes demand deposits with financial institutions and cash equivalents consist of short-term, highly liquid investments purchased with original maturities of three months or less. As at January 31, 2022 and October 31, 2021, the Company had no cash equivalents.

## **Risk Management**

### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk for its trade receivables is equal to the carrying amount of those items.

100% (October 31, 2021 – 100%) of the Company's cash is held with a major Canadian financial institution and thus the exposure to credit risk on cash is considered insignificant. The Company's restricted cash held in escrow is held by TSX Trust Company, was released from escrow for the three months ended January 31, 2022 and had insignificant credit risk. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to trade and other receivables.

### **Liquidity risk**

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

Maturity analysis of liabilities which are due in next twelve months can be summarized as follows:

	<b>January 31, 2022</b>		<b>October 31, 2021</b>
Accounts payable and accrued liabilities	\$ 649,784	\$	1,137,432
Convertible notes	-		266,734
Lease liability (current)	88,556		51,597
Promissory notes payable	-		137,000
	<b>\$ 738,340</b>	<b>\$</b>	<b>1,592,763</b>

### **Foreign currency risk**

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. A large portion of the Company's transactions occur in a foreign currency (primarily in US dollars and NZ dollars) and, therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its U.S. and NZ denominated cash, trade receivables, accounts payable and lease liability. As at January 31, 2022, the Company has net financial assets of approximately \$12,755 denominated in US dollars and net financial liabilities of approximately \$19,470 denominated in NZ dollars. Therefore, a 10% appreciation or depreciation of the U.S. dollar or NZ dollar against the Canadian dollar would have resulted in an approximate \$1,623 decrease or increase or \$1,628 decrease or increase, respectively, in total loss and comprehensive loss.

### **Interest rate risk**

The Company does not have any significant exposure as at January 31, 2022 and October 31, 2021 to interest rate risk through its financial instruments.

## Other MD&A Requirements

### Outstanding Share Data

The following table summarizes the number of common shares outstanding and reserved for issuance, as at the current MD&A date and as at January 31, 2022:

	January 31, 2022	March 31, 2022
Common shares outstanding		
Opening balance	56,368,831	
Subscription receipts financing		
July 13, 2021	6,547,361	
October 7, 2021	296,970	
Shares issued for financing charges	346,890	
Automatic vesting of RSUs	4,203,536	
Automatic conversion of convertible notes	687,607	
Dissenting shareholder shares (i)	(191,070)	
Shares issued for services	200,000	
GTA shares outstanding on November 9, 2021	3,279,996	
Outstanding common shares of the Resulting Issuer	71,740,121	
Stock options exercised	191,070	
Shares issued for debt settlement	112,136	
Outstanding common shares	72,043,327	72,043,327
Additional common shares reserved for potential future issue re:		
Contingent shares (ii)	6,369,000	6,369,000
Share purchase warrants	7,537,892	7,537,892
Stock options	12,145,897	12,330,897
Fully diluted total	98,096,116	98,281,116

- (i) On November 26, 2021, the Company agreed to pay \$30,000 to a shareholder dissenting to the RTO transaction to cancel 191,070 shares held by the dissenting shareholder.
- (ii) Pursuant to the acquisition of intellectual property of Sportsflare NZ Limited, consideration in the form of 3,821,400 shares is contingent on Tiidal NZ meeting the following operating milestones:
- a) Successful integration of one of the Market Validating Customers on or before December 31, 2022; and
  - b) Tiidal NZ achieving USD\$100,000 in monthly recurring revenue from at least ten customers or deployments of Tiidal NZ on or before December 31, 2022.

Further, as part of a consulting agreement between the Company and David Wang, Director, 2,547,600 RSUs shall be granted to David Wang upon the Company meeting the operating milestones above.

As at January 31, 2022, the following stock options were outstanding, entitling the holders thereof the right to purchase one common share for each option held as follows:

<b>Number Outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Number Exercisable</b>
1,420	\$28.17	August 30, 2022	1,420
1,419	\$28.17	April 18, 2023	1,419
457,970	\$0.50	November 9, 2023	457,970
127,380	\$0.39	May 29, 2025	127,380
244,058	\$0.28	June 8, 2025	244,058
127,380	\$0.39	July 2, 2025	127,380
955,350	\$0.39	November 9, 2025	79,613
1,500,000	\$0.50	November 17, 2025	-
1,500,000	\$0.30	November 17, 2025	-
2,900,000	\$0.30	January 4, 2027	806,000
127,380	\$0.16	January 8, 2029	127,380
127,380	\$0.16	January 24, 2029	127,380
2,356,530	\$0.16	February 1, 2029	2,356,530
31,845	\$0.16	March 21, 2029	31,845
159,225	\$0.16	March 29, 2029	159,225
764,280	\$0.16	April 1, 2029	764,280
764,280	\$0.39	April 2, 2029	764,280
<b>12,145,897</b>			<b>6,176,160</b>

As at the date of this report, the following stock options were outstanding, entitling the holders thereof the right to purchase one common share for each option held as follows:

<b>Number Outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Number Exercisable</b>
1,420	\$28.17	August 30, 2022	1,420
1,419	\$28.17	April 18, 2023	1,419
457,970	\$0.50	November 9, 2023	457,970
127,380	\$0.39	May 29, 2025	127,380
244,058	\$0.28	June 8, 2025	244,058
127,380	\$0.39	July 2, 2025	127,380
955,350	\$0.39	November 9, 2025	79,613
1,500,000	\$0.50	November 17, 2025	-
1,500,000	\$0.30	November 17, 2025	-
2,900,000	\$0.30	January 4, 2027	918,000
125,000	\$0.30	March 1, 2027	-
60,000	\$0.30	March 1, 2027	-
127,380	\$0.16	January 8, 2029	127,380
127,380	\$0.16	January 24, 2029	127,380
2,356,530	\$0.16	February 1, 2029	2,356,530
31,845	\$0.16	March 21, 2029	31,845
159,225	\$0.16	March 29, 2029	159,225
764,280	\$0.16	April 1, 2029	764,280
764,280	\$0.39	April 2, 2029	764,280
<b>12,330,897</b>			<b>6,288,160</b>

At January 31, 2022 and as at the date of this report, the following warrants were outstanding, entitling the holders thereof the right to purchase one common share for each warrant held as follows:

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Number Vested</b>
3,598,483	\$0.16	April 1, 2023	3,598,483
3,939,409	\$0.75	November 9, 2023	3,939,409
7,537,892			7,537,892

### **Subsequent Events**

On March 1, 2022, the Company granted the following stock options:

- a) An aggregate of 125,000 stock options to certain employees of the Company. The stock options can be exercised at \$0.30 per stock option and expire March 1, 2027. These stock options vest evenly over the next 36 months.
- b) An aggregate of 60,000 stock options to certain employees of the Company. The stock options can be exercised at \$0.30 per stock option and expire on March 1, 2027. The vesting terms of these stock options are as follows:
  - Ten percent (10%) of the stock options shall vest upon the Company generating an aggregate of \$1,000,000 in total revenue between November 1, 2021, and the expiry date (the “Earning Period”);
  - Fifteen percent (15%) of the stock options shall vest upon the Company generating an aggregate of \$2,500,000 in total revenue during the Earning Period.
  - Twenty-five percent (25%) of the stock options shall vest upon the Company generating an aggregate of \$5,000,000 in total revenue during the Earning Period; and
  - Fifty percent (50%) of the stock options shall vest upon the Company generating an aggregate of \$10,000,000 in total revenue during the Earning period.

### **Risks and Uncertainties**

The Company believes that the following risks and uncertainties may materially affect its success:

#### **Limited Operating History**

The Company is relatively new with limited operating history and operates in the emerging industry of Esports. The business has been operating since 2010 and has yet to generate consistent profits from its activities. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise.

#### **Substantial Capital Requirements and Liquidity**

Substantial additional funds to maintain business operations and for the acquisition of new business or assets will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities. To meet such funding requirements, the Company will be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all.



### **Dependence on Industry and Player Popularity**

The esports industry is in the early stages of its development. Although the esports industry has experienced rapid growth, consumer preferences may shift and there is no assurance that this growth will continue in the future. The Company's has taken steps to diversify its business and mitigate these risks to an extent and continues to seek out new opportunities in the esports and gaming industries. However, due to the rapidly evolving nature of technology and online gaming, the esports industry may experience volatile and declining popularity as new options for online gaming and esports become available, or consumer preferences shift to other forms of entertainment, and as a consequence, the Company's business and results of operations may be materially negatively affected. The Company's financial results may also depend on the popularity of the players, influencers and other on-screen talent that will provide services to the Company. Such individuals can impact online viewership and television ratings, which in turn could affect the long-term value of the media rights and sponsorship opportunities available to the Company. There can be no assurance that the Company's players, influencers and other on-screen talent will develop or maintain continued popularity.

### **Competition and Changes in Technology**

The Company must compete with other esports organizations, in varying respects and degrees. For example, the Company will be in competition with other esports teams streamers, and other forms of digital entertainment as well as established and start-up B2B data companies . As a result of the large number of options available and global nature of the online gaming industry, the Company faces strong competition for esports competitors and fans. Given the nature of esports, there can be no assurance that the Company will be able to compete effectively, including with companies that may have greater resources than the Company has and as a consequence, the Company's business and results of operations may be materially, negatively affected.

Current and potential competitors have established or may establish cooperative relationships amongst themselves or with third parties to compete more effectively. Existing and potential competitors may also develop enhancements to, or future generations of, competitive products and services that will have better performance features than the Company's products and services. As a result of the early stage of the industry in which the Company operates, it expects to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

### **Reliance on Management and Dependence on Key Personnel**

The success of the Company will be largely dependent upon on the performance of the directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers, or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

### **The online gaming industry is heavily regulated**

While the Company does not presently require licenses for its technology offerings in the betting sector based on current operations as a business-to-business data offering that does not directly interact with end-customers, the regulation around betting is evolving rapidly and that may change in the future. The Company and its officers, directors, major shareholders, key employees and business partners will generally be subject to the laws and regulations relating to online gaming of

the jurisdictions in which the Company may conduct business, as well as the general laws and regulations that apply to all e-commerce businesses, such as those related to privacy and personal information, tax and consumer protection. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on the Company's operations and financial results. In particular, some jurisdictions have introduced regulations attempting to restrict or prohibit online gaming, while others have taken the position that online gaming should be licensed and regulated and have adopted or are in the process of considering legislation to enable that to happen. Even where a jurisdiction purports to license and regulate online gaming, the licensing and regulatory regimes can vary considerably in terms of their business-friendliness and at times may be intended to provide incumbent operators with advantages over new licensees. As such, some "liberalized" regulatory regimes are considerably more commercially attractive than others.

Regulatory regimes imposed upon gaming providers vary by jurisdiction. Typically, however, most regulatory regimes include the following elements:

- a requirement for gaming license applicants to make detailed and extensive disclosures as to their beneficial ownership, their source of funds, the probity and integrity of certain persons associated with the applicant, the applicant's management competence and structure and business plans, the applicant's proposed geographical territories of operation and the applicant's ability to operate a gaming business in a socially responsible manner in compliance with regulation;
- Interviews and assessments by the relevant gaming authority intended to inform a regulatory determination of the suitability of applicants for gaming licenses;
- Ongoing reporting and disclosure obligations, both on a periodic and ad hoc basis in response to material issues affecting the business;
- The testing and certification of software and systems, generally designed to confirm such things as the fairness of the gaming products offered by the business, their genuine randomness and ability accurately to generate settlement instructions and recover from outages;
- The need to account for applicable gaming duties and other taxes and levies, such as fees or contributions to bodies that organize the sports on which bets are offered, as well as contributions to the prevention and treatment of problem gaming; and
- Social responsibility obligations.

Any gaming license may be revoked, suspended or conditioned at any time, and the industry has recently experienced significantly more enforcement actions, particularly in Great Britain, where the Gambling Commission has issued fines against numerous operators for regulatory failings. The loss of a gaming license in one jurisdiction could trigger the loss of a gaming license or affect the Company's eligibility for such a license in another jurisdiction, and any of such losses, or potential for such loss, could cause the Company to cease offering some or all of its product offerings in the impacted jurisdictions. The Company may be unable to obtain or maintain all necessary registrations, licenses, permits or approvals, and could incur fines or experience delays related to the licensing process, which could adversely affect its operations. The determination of suitability process may be expensive and time-consuming. The Company's delay or failure to obtain gaming licenses in any jurisdiction may prevent it from distributing its product offerings, increasing its customer base and/or generating revenues in that jurisdiction. A gaming regulatory body may

refuse to issue or renew a gaming license if the Company, or one of its directors, officers, employees, major shareholders or business partners: (i) are considered to be a detriment to the integrity or lawful conduct or management of gaming, (ii) no longer meet a licensing or registration requirement, (iii) have breached or are in breach of a condition of licensure or registration or an operational agreement with a regulatory authority, (iv) have made a material misrepresentation, omission or misstatement in an application for licensure or registration or in reply to an inquiry by a person conducting an audit, investigation or inspection for a gaming regulatory authority, (v) have been refused a similar gaming license in another jurisdiction, (vi) have held a similar gaming license in that province, state or another jurisdiction which has been suspended, revoked or cancelled, or (vii) has been convicted of an offence, inside or outside of a particular jurisdiction that calls into question the honesty or integrity of the Company or any of its directors, officers, employees or associates.

### **Cybersecurity risks**

The Company's operations involve the storage and transmission of customer data, including personally identifiable information, and security incidents could result in unauthorized access to, the loss of, or unauthorized disclosure of such information. To mitigate cybersecurity risks, the Company has built a technical team headed by Christopher Herrmann, which has designed and maintains the Company's technology platform from a security perspective. The Company does not currently have cybersecurity insurance. Although the Company has security systems in place and what it deems sufficient security around its system to prevent unauthorized access, it must ensure that it continually enhances security and fraud protection within its platform, and if the Company is unable to do so it may become subject to liability for privacy breaches or consequences that result from any unanticipated incident. As a result of advances in computer capabilities, new discoveries in the field of cryptography or other developments, a compromise or breach of the Company's security precautions may occur. The techniques used to obtain unauthorized, improper or illegal access to the Company's systems, data or customers' data and to sabotage its system are constantly evolving and may be difficult to detect quickly. An information breach in the Company's system and loss of confidential information such as credit card numbers and related information, or interruption in the operation of the Company's applications, could have a longer and more significant impact on the Company's business operations than any hardware failure. A compromise in the Company's security system could severely harm its business by the loss of its customers' confidence in it and thus the loss of their business. The Company may be required to spend significant funds and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. However, protection may not be available at a reasonable price, or at all. Any failure to adequately comply with necessary protective measures could result in fees, penalties and/or litigation. Concerns regarding the security of e-commerce and the privacy of customers may also inhibit the growth of the Internet as a means of conducting commercial transactions, which may result in a reduction in revenues and increase operating expenses preventing the Company from achieving profitability.

### **Conflicts of Interest**

Certain directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, because of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The British Columbia Business Corporations Act ("BCBCA") provides that if a director has a material interest in a contract or proposed contract or agreement that is material to the Company, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

**Litigation**

In the ordinary course of business, the Company and its subsidiaries may become involved in various legal and regulatory actions. The Company establishes legal provisions when it becomes probable that the Company will incur a loss and the amount can be reliably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company has no reason to believe that the ultimate outcome of these matters would have a material impact on its consolidated financial position.