

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

FORM 10-Q

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

For the quarterly period ended February 28, 2019

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38188

**SIMPLICITY ESPORTS AND GAMING COMPANY**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**82-1231127**  
(I.R.S. Employer  
Identification Number)

**7000 W. Palmetto Park Road, Suite 210**  
**Boca Raton, FL**  
(Address of principal executive offices)

**33433**  
(Zip Code)

Registrant's telephone number, including area code: **(855) 345-9467**

**Not applicable**

(Former name or former address, if changed since last report)

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

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

As of April 11, 2019, there were 8,493,038 shares of the Company's common stock issued and outstanding.

**SIMPLICITY ESPORTS AND GAMING COMPANY**

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PART 1 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SIMPLICITY ESPORTS AND GAMING COMPANY AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

|   | February 28,<br>2019<br>(Unaudited) | May 31,<br>2018      |
|---|-------------------------------------|----------------------|
| <b>ASSETS</b>   |                                     |                      |
| <b>Current Assets</b>   |                                     |                      |
| Cash and cash equivalents   | \$ 1,245,666                        | \$ 458,063           |
| Prepaid expenses  | 54                                  | 3,168                |
| <b>Total Current Assets</b>   | <b>1,245,720</b>                    | <b>461,231</b>       |
| <b>Other Assets</b>   |                                     |                      |
| Goodwill  | 6,070,368                           | —                    |
| Property and equipment  | 51,350                              | —                    |
| Cash held in trust account  | —                                   | 52,895,652           |
| <b>Total Other Assets</b>   | <b>6,121,718</b>                    | <b>52,895,652</b>    |
| <b>TOTAL ASSETS</b>   | <b>\$ 7,367,438</b>                 | <b>\$ 53,356,883</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                     |                      |
| <b>Current Liabilities</b>  |                                     |                      |
| Loan payable- related party   | \$ 85,238                           | \$ 81,618            |
| Private placement funds received  | 1,000,003                           | —                    |
| Accrued expenses  | 871,315                             | 63,579               |
| Convertible note payable  | 1,000,000                           | —                    |
| Deferred legal fees   | —                                   | 100,000              |
| <b>Total Current Liabilities</b>  | <b>2,956,556</b>                    | <b>245,197</b>       |
| Deferred underwriting fees  | —                                   | 1,820,000            |
| <b>Total Liabilities</b>  | <b>2,956,556</b>                    | <b>2,065,197</b>     |
| <b>Commitments</b>  |                                     |                      |
| Common stock subject to possible redemption, \$0.0001 par value; -0- and 4,560,757 shares as of February 28, 2019 and May 31, 2018, respectively at redemption value          | —                                   | 46,291,685           |
| <b>Stockholders' Equity</b>   |                                     |                      |
| Preferred stock - \$0.0001 par value, 1,000,000 shares authorized; no shares issued and outstanding   |                                     |                      |
| Common stock - \$0.0001 par value; 20,000,000 shares authorized; 6,313,038 and 2,252,743 shares issued and outstanding as of February 28, 2019 and May 31, 2018, respectively | 632                                 | 225                  |
| Common stock issuable - 2,030,000 shares at February 28, 2019   | 203                                 | —                    |
| Additional paid-in capital  | 7,515,541                           | 5,009,310            |
| Accumulated deficit   | (3,105,494)                         | (9,534)              |
| <b>Total Stockholders' Equity (Deficit)</b>   | <b>4,410,882</b>                    | <b>5,000,001</b>     |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 7,367,438</b>                 | <b>\$ 53,356,883</b> |

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

**SIMPLICITY ESPORTS AND GAMING COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

|   | Three Months<br>Ended<br>February 28,<br>2019 | Three Months<br>Ended<br>February 28,<br>2018 | Nine Months<br>Ended<br>February 28,<br>2019 | Nine Months<br>Ended<br>February 28,<br>2018 |
|---|---|---|--|--|
| <b>Revenue</b>  |   |   |  |  |
| Revenue   | \$ 14,070                                     | \$ —  | 14,070                                       | \$ —   |
| <b>Operating Expenses</b>                                   |   |   |  |  |
| General and Administrative expenses                         | 430,010                                       | 114,465                                       | 3,811,612                                    | 305,690                                      |
| Loss from Operations  | 415,940                                       | 114,465                                       | 3,797,542                                    | 305,690                                      |
| <b>Other Income</b>   |   |   |  |  |
| Debt Forgiveness Income                                     | 300,000                                       | —   | 300,000                                      | —  |
| Interest Income   | 164   | 158,712                                       | 401,582                                      | 312,000                                      |
| Total Other Income  | 300,164                                       | 158,712                                       | 701,582                                      | 312,000                                      |
| Income (Loss) Before Provision for Income Taxes             | (115,776)                                     | 44,247  | (3,095,960)                                  | 6,310  |
| Less Provision for Income Taxes                             | —   | 15,044  | —  | 2,145  |
| Net Income (Loss)   | <u>\$ (115,776)</u>                           | <u>\$ 29,203</u>                              | <u>\$ (3,095,960)</u>                        | <u>\$ 4,165</u>                              |
| Basic and Diluted Net Income (Loss) per share               | <u>\$ (0.02)</u>                              | <u>\$ 0.01</u>                                | <u>\$ (0.87)</u>                             | <u>\$ 0.00</u>                               |
| <b>Weighted Average Number of common shares outstanding</b> | <u>5,790,781</u>                              | <u>2,268,539</u>                              | <u>3,575,419</u>                             | <u>2,002,237</u>                             |

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

**SIMPLICITY ESPORTS AND GAMING COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED MAY 31, 2018 AND THE NINE MONTHS ENDED FEBRUARY 28, 2019**  
**UNAUDITED**

|   | Common Stock |        | Common Stock Issuable |        | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity |
|---|--------------|--------|-----------------------|--------|----------------------------------|------------------------|----------------------------------|
|   | Shares       | Amount | Shares                | Amount |                                  |                        |                                  |
| <b>Balance - May 31, 2017</b>   | 1,437,500    | \$ 144 | \$ —                  | \$ —   | \$ 24,856                        | \$ (672)               | \$ 24,328                        |
| Sale of 5,200,000 Units, net of underwriting discount and offering expenses | 5,200,000    | 520    | —                     | —      | 48,160,700                       | —                      | 48,161,220                       |
| Sale of 261,500 Private Units   | 261,500      | 26     | —                     | —      | 2,614,974                        | —                      | 2,615,000                        |
| Issuance of shares to underwriter   | 52,000       | 5      | —                     | —      | 499,995                          | —                      | 500,000                          |
| Common Stock Subject to Redemption  | (4,560,757)  | (456)  | —                     | —      | (46,291,229)                     | —                      | (46,291,685)                     |
| Common Stock Forfeited by Sponsor   | (137,500)    | (14)   | —                     | —      | 14                               | —                      | —                                |
| Net loss  | —            | —      | —                     | —      | —                                | (8,862)                | (8,862)                          |
| <b>Balance - May 31, 2018</b>   | 2,252,743    | \$ 225 | —                     | —      | \$ 5,009,310                     | \$ (9,534)             | \$ 5,000,001                     |
| Common Stock Subject to Redemption  | 112,497      | 11     | —                     | —      | (6,635,671)                      | —                      | (6,635,660)                      |
| Shares issued for advisory services   | 208,000      | 21     | —                     | —      | 2,124,979                        | —                      | 2,125,000                        |
| Common stock issued to Smaaash Founders                                     | 2,000,000    | 200    | —                     | —      | —                                | —                      | 200                              |
| Rights shares   | 546,150      | 55     | —                     | —      | 383,393                          | —                      | 383,448                          |
| Common Shares Issued in Acquisition   | 1,000,000    | 100    | —                     | —      | 6,089,900                        | —                      | 6,090,000                        |
| Common Shares Issuable from Acquisition                                     | —            | —      | 2,000,000             | 200    | —                                | —                      | 200                              |
| Common Shares Issuable from Employment Agreements                           | —            | —      | 30,000                | 3      | 43,650                           | —                      | 43,653                           |
| Common Shares issued for convertible note                                   | 193,648      | 20     | —                     | —      | 499,980                          | —                      | 500,000                          |
| Net loss  | —            | —      | —                     | —      | —                                | (3,095,960)            | (3,095,960)                      |
| <b>Balance - February 28, 2019</b>  | 6,313,038    | \$ 632 | 2,030,000             | \$ 203 | \$ 7,515,541                     | \$ (3,105,494)         | \$ 4,410,882                     |

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

**SIMPLICITY ESPORTS AND GAMING COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**UNAUDITED**

|  | Nine Months<br>Ended<br>February 28,<br>2019 | Nine Months<br>Ended<br>February 28,<br>2018 |
|--|--|--|
| <b>Cash flows from operating activities:</b>   |  |  |
| Net (loss) income  | \$ (3,095,960)                               | \$ 4,165                                     |
| Adjustments to reconcile net (loss) income to net cash (used in) operating activities: |  |  |
| Interest earned on marketable securities held in trust account                         | (401,582)                                    | (94,359)                                     |
| Impairment of cost method investment   | 150,000                                      | —  |
| Debt forgiveness income  | (300,000)                                    | —  |
| Issuance of shares for services  | 2,169,143                                    | —  |
| Changes in operating assets and liabilities:   |  |  |
| Prepaid expenses   | 3,114  | —  |
| Deferred legal fees  | (100,000)                                    | —  |
| Accrued expenses   | 751,438                                      | 49,750                                       |
| Income taxes payable   | —  | 2,145  |
| <b>Net cash used in operating activities</b>   | <b>(823,847)</b>                             | <b>(38,299)</b>                              |
| <b>Cash flows from investing activities:</b>   |  |  |
| Investment of cash in Trust Account  | —  | (52,780,000)                                 |
| Cash purchased in acquisition  | 75,930                                       | —  |
| Investment at cost   | (150,000)                                    | —  |
| Purchase of property and equipment   | (51,350)                                     | —  |
| <b>Net cash provided by (used in) investing activities</b>                             | <b>(125,420)</b>                             | <b>(52,780,000)</b>                          |
| <b>Cash flows from financing activities:</b>   |  |  |
| Gross proceeds from sale of Units, net of commissions                                  | —  | 50,860,100                                   |
| Proceeds from sale of Private Units  | —  | 2,615,000                                    |
| Proceeds from note payable - related party, net  | 3,620  | 171,035                                      |
| Repayment of note payable - related party, net   | —  | (120,089)                                    |
| Settlement of redeemable common stock  | (46,291,685)                                 | —  |
| Cash held in trust account used to settle common stock redemption obligation           | (7,620,432)                                  | —  |
| Cash in trust  | 54,645,364                                   | —  |
| Private placement funds received   | 1,000,003                                    | —  |
| Repayment of offering costs  | —  | (253,880)                                    |
| <b>Net cash provided provided by financing activities</b>                              | <b>1,736,870</b>                             | <b>53,272,166</b>                            |
| Net change in cash   | 787,603                                      | 453,867                                      |
| Cash - beginning of period   | 458,063                                      | 30,000                                       |
| Cash - end of period   | <u>\$ 1,245,666</u>                          | <u>\$ 483,867</u>                            |
| <b>Supplemental Disclosures of Cash Flow Information:</b>                              |  |  |
| Cash paid for interest   | \$ —   | \$ —   |
| Cash paid for income taxes   | \$ —   | \$ —   |
| <b>Supplemental Non-Cash Investing and Financing Information</b>                       |  |  |
| Deferred underwriting fees charged to additional paid in capital                       | \$ —   | \$ 1,820,000                                 |
| Deferred legal fees charged to additional paid in capital                              | \$ —   | \$ 100,000                                   |
| Issuance of common stock issued to underwriters charged to additional paid in capital  | \$ —   | \$ 44,327,271                                |
| Change in value of common stock subject to possible redemption                         | \$ —   | \$ 1,967,441                                 |
| Offering costs charged to additional paid capital                                      | \$ —   | \$ 25,000                                    |
| Common stock issued for consideration in an acquisition                                | \$ 6,090,000                                 | \$ —   |

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

**SIMPLICITY ESPORTS AND GAMING COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2019**  
**(UNAUDITED)**

**NOTE 1 — DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS**

Simplicity Esports and Gaming Company F/K/A Smaaash Entertainment Inc. (the “Company,” “we,” or “our”), was a newly organized blank check company organized under the laws of the State of Delaware on April 17, 2017. The Company was formed under the name I-AM Capital Acquisition Company for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses (“Business Combination”). On November 20, 2018, the Company changed its name from I-AM Capital Acquisition Company to Smaaash Entertainment Inc. On January 2, 2019, the Company changed its name from Smaaash Entertainment Inc. to Simplicity Esports and Gaming Company.

Through our wholly subsidiary, Simplicity Esports, LLC, acquired on January 2, 2019 (see Note 4). The Company has begun to implement a unique approach to ensure the ultimate fan friendly esports experience. Our intention is to have gamers involved at the grassroots level and feel a sense of unity as we compete with top class talent. Our management and players are known within the esports community and we plan to use their skills to create a seamless content creation plan helping gamers feel closer to our brand than any other in the industry. Simplicity is an established brand in the Esports industry with an engaged fan base competing in popular games across different genres, including PUBG, Gears of War, Smite, Guns of Boom, and multiple EA Sports titles. Additionally, the Simplicity stream team encompasses a unique group of casters, influencers, and personalities all of whom connect to Simplicity’s dedicated fan base. Simplicity also plans to open and operate esports gaming centers that will provide the public an opportunity to experience and enjoy gaming and Esports in a social setting, regardless of skill or experience.

The Company’s sponsor was I-AM Capital Partners LLC (the “Sponsor”). The Company selected May 31 as its fiscal year end.

On November 20, 2018, the Company and Smaaash Entertainment Private Limited, a private limited company incorporated under the laws of India (“Smaaash”), consummated the initial Business Combination (the “Closing”) as contemplated by a share subscription agreement dated as of May 3, 2018 (as amended by the Amendment Cum Addendum dated June 22, 2018, the Second Amendment Cum Addendum dated August 2, 2018, the Third Amendment Cum Addendum dated November 1, 2018 and the Fourth Amendment Cum Addendum dated November 15, 2018, the “Subscription Agreement”), following the approval at the special meeting of the stockholders of I-AM Capital held on November 9, 2018 (the “Special Meeting”).

In connection with the Closing, the Company changed its name from I-AM Capital Acquisition Company to Smaaash Entertainment Inc.

***Financing***

The registration statement for the Company’s initial public offering (as described in Note 3) was declared effective by the United States Securities and Exchange Commission (the “SEC”) on August 16, 2017. The Company financed the Business Combination with the net proceeds from the sale of \$50,000,000 of units in the initial public offering (the “Public Units”) and the sale of \$2,545,000 of units (the “Private Units” and, together with the Public Units, the “Units”) in the simultaneous private placement (the “Private Placement” as described in Note 3). Upon the closing of the Initial Public Offering and the Private Placement on August 22, 2017, \$50,750,000 was deposited in a trust account with Continental Stock Transfer and Trust Company acting as trustee (the “Trust Account”) as discussed below.

Contained in the underwriting agreement for the Initial Public Offering was an over-allotment option allowing the underwriters to purchase from the Company up to an additional 750,000 Public Units (the “Over-Allotment Units”) and, in addition, the Company received a commitment from the Sponsor to purchase up to an additional 26,250 Private Units in order to maintain the amount of cash in the Trust Account equal to \$10.15 per Public Unit sold in the Initial Public Offering. On September 13, 2017, the underwriters partially exercised their option and purchased 200,000 Over-Allotment Units, which were sold at an offering price of \$10.00 per Unit, generating gross proceeds of \$2,000,000. Also on September 13, 2017, simultaneously with the sale of the Over-Allotment Units, the Company consummated the sale of an additional 7,000 Placement Units (the “Over-Allotment Placement Units”), generating gross proceeds of \$70,000.

***Trust Account***

The Trust Account was invested only in U.S. government treasury bills with a maturity of one hundred and eighty (180) days or less or in money market funds meeting certain conditions under Rule 2a-7 under the Investment Company Act of 1940, which invested only in direct U.S. government obligations. Funds were to remain in the Trust Account until the earlier of (i) the consummation of its first Business Combination or (ii) the distribution of the Trust Account as described below. The remaining proceeds outside the Trust Account were allowed to be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

**SIMPLICITY ESPORTS AND GAMING COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2019**  
**(UNAUDITED)**

***Business Combination***

The Company's management had broad discretion with respect to the specific application of the net proceeds of the Initial Public Offering.

On August 21, 2018, the Company deposited into the Trust Account an aggregate of \$303,610 (including interest earned on the funds in the Trust Account available for withdrawal), representing \$0.058 per public share. As a result of such payment, the Company extended the period of time it had to consummate a Business Combination by three months to November 21, 2018.

On November 20, 2018, the parties consummated the initial Business Combination.

Upon consummation of the Business Combination, the Company issued 208,000 restricted shares to Chardan Capital Markets in consideration for advisory services provided. These restricted shares are valued at \$10.21 per share totaling \$2,125,000 and are on the statement of operations included in general and administrative expenses.

At the special meeting of stockholders held on November 9, 2018, holders of 4,448,260 shares of the Company's common stock sold in its Initial Public Offering ("Public Shares") exercised their right to redeem those shares for cash at a price of \$10.2187363 per share, for an aggregate of approximately \$45,455,596. Immediately after giving effect to the initial Business Combination (including as a result of the redemptions described above) the issuance of 2,000,000 shares of common stock to the Smaaash founders, the issuance of 520,000 shares of common stock upon conversion of the rights at the Closing and the issuance of 208,000 shares of common stock to Chardan Capital Markets as consideration for services, there were 5,119,390 shares of common stock and warrants to purchase approximately 5,461,500 shares of common stock issued and outstanding. Upon the Closing, the Company's rights ceased to exist, and its common stock and warrants began trading on The Nasdaq Stock Market ("Nasdaq").

On the Closing Date, the Company entered into a master franchise agreement ("Master Franchise Agreement") and a master license and distribution agreement ("Master Distribution Agreement") with Smaaash, as of February 28, 2019 this master franchise agreement and master distribution agreement are no longer in effect.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the consolidated financial position, operating results and cash flows for the periods presented.

The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K as filed with the SEC on July 24, 2018. The interim results for the three and nine months ended February 28, 2019 are not necessarily indicative of the results to be expected for the year ending May 31, 2019 or for any future interim periods.

**SIMPLICITY ESPORTS AND GAMING COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2019**  
**(UNAUDITED)**

***Emerging Growth Company***

Section 102(b)(1) of the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”) exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a registration statement under the Securities Act of 1933, as amended (the “Securities Act”), declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard.

***Basis of Consolidation***

The consolidated financial statements include the operations of the Company and its wholly-owned subsidiary, Simplicity Esports, LLC.

All significant intercompany accounts and transactions have been eliminated in consolidation.

***Cash and cash equivalents***

The Company considers short-term interest bearing investments with initial maturities of three months or less to be cash equivalents. The Company has no cash equivalents.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times, may exceed the Federal depository insurance coverage of \$250,000. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

***Financial Instruments***

The fair value of the Company’s assets and liabilities, which qualify as financial instruments under FASB ASC 820, “Fair Value Measurements and Disclosures,” approximates the carrying amounts represented in the consolidated balance sheet.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Revenue Recognition***

As of January 1, 2018, the Company adopted Revenue from Contracts with Customers (Topic 606) (“ASC 606”). The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects to receive in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The Company adopted the standard using the modified retrospective method and the adoption did not have a material impact on its financial statements.

**SIMPLICITY ESPORTS AND GAMING COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2019**  
**(UNAUDITED)**

The Company recognizes revenue when performance obligations under the terms of a contract with the customer are satisfied. Product sales occur once control is transferred upon delivery to the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods and services. Our revenue is derived from two sources, the first is from the sale of the rights to our players to third parties and second from participation and prize money awarded at gaming tournaments.

***Property, plant and equipment***

Property, plant and equipment and leasehold improvements are recorded at its historical cost. The cost of property, plant, and equipment is depreciated over the estimated useful lives, when placed in service, (ranging from 5 -39 years) of the related assets utilizing the straight-line method of depreciation. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. Ordinary repairs and maintenance are expensed when incurred and major repairs will be capitalized and expensed if it benefits future periods.

During the three months ended February 29, 2019, the Company paid approximately \$50,000 for the construction of their first gaming center. These amounts have been capitalized and are on the balance sheet under the caption property and equipment, net. This asset has not been placed into service as of February 28, 2019 so no depreciation expense has been recorded.

***Intangible Assets and impairment***

Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. The Company had intangible assets subject to amortization related to its asset purchase of a team logo and name. These costs were included in intangible assets on our balance sheet and amortized on a straight-line basis when placed into service over the estimated useful lives of the costs, which is 5 years.

The Company periodically reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value.

***Goodwill***

Goodwill is the excess of our purchase cost over the fair value of the net assets of acquired businesses. We do not amortize goodwill, but we assess our goodwill for impairment at least annually. Our assessment date was January 31, 2019 and qualitative considerations indicated no impairment.

***Restricted Cash Held in Escrow and Common Stock Redemption Obligations***

This amount is held in escrow with respect to a certain stock purchase agreement with Polar Asset Management Partners Inc. ("Polar"), pursuant to which Polar agreed to sell up to 490,000 shares of the Company's common stock to the Company thirty days after the consummation of the transactions and a separate certain stock purchase agreement with the K2 Principal Fund L.P. ("K2"), pursuant to which K2 agreed to sell up to 220,000 shares of the Company's common stock to the Company thirty days after the consummation of the Transactions. These purchase agreements were subsequently amended as of December 20, 2018, pursuant to which, among other things, the Company distributed to Polar and K2 an aggregate of \$5,133,300 out of the escrow. See Note 8 to the consolidated financial statements – "Amendments to Forward Purchase Agreements and Warrants," for a more detailed description of the amendment. Under the terms of the purchase agreements, as amended, the Company will use the funds held in escrow to pay for such shares; however, the Company is only required to repurchase shares that were not previously sold by Polar and K2. Therefore, if the investors had already sold such shares by the determination date, then the Company would be able to keep a portion of the remaining funds held in escrow, depending on the prices at which the shares were sold by the investors.

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**Amendments to Forward Purchase Agreements and Warrants**

On December 20, 2018, the Company, Polar, K2 and the Escrow Agent, entered into an Amendment (the "Amendment"), pursuant to which, among other things, the stock purchase agreements with Polar and K2 were amended to (x) reduce the purchase price per share payable by the Company at the closing of the Stock Sales from \$11.23 per share to (1) first \$6.00 per share up to 20% of the original number of Shares (as defined in the respective Purchase Agreement), (2) then \$5.00 per remaining share up to 20% of the original number of Shares, (3) then \$4.00 per remaining share up to 20% of the original number of Shares, (4) then \$3.00 per remaining Share up to 20% of the original number of Shares, and (5) then \$2.00 per remaining Share up to 20% of the original number of Shares, (y) to extend the outside date of the closing of the Stock Sales until January 18, 2019, and (z) to authorize the issuance of \$3,542,700 and \$1,590,600 from the Escrow Account to Polar and K2, respectively, as partial payment for the Shares prior to the final closing of the Stock Sales.

***Investments***

Investments in non-consolidated entities are accounted for using the equity method or cost basis depending upon the level of ownership and/or the Company's ability to exercise significant influence over the operating and financial policies of the investee. When the equity method is used, investments are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the investees' net income or losses after the date of investment. When net losses from an investment accounted for under the equity method exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for. The Company resumes accounting for the investment under the equity method if the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended. Investments are written down only when there is clear evidence that a decline in value that is other than temporary has occurred.

Investments in equity securities that do not have readily determinable fair values and do not qualify for consolidation or the equity method are carried at cost. Dividends received from those companies are included in other income. Dividends received in excess of the Company's proportionate share of accumulated earnings are applied as a reduction of the cost of the investment. Other than temporary impairments to fair value are charged against current period income. Our investments in privately held entities are accounted for under the cost method. During the quarter ended February 28, 2019 the Company recognized \$150,000 of impairment expense related to the Smaaash acquisition.

***Offering Costs***

The Company complies with the requirements of ASC 340-10-S99-1 and SEC Staff Accounting Bulletin (SAB) Topic 5A — "Expenses of Offering". Offering costs of approximately \$3,728,000 consisting principally of underwriter discounts of \$3,250,000 (including approximately \$1,800,000 of which payment was deferred until the Company issued the underwriter a secured demand promissory note in the amount of \$1,800,000) and approximately \$478,000 of professional, printing, filing, regulatory and other costs have been charged to additional paid in capital upon completion of the Initial Public Offering.

***Common stock subject to possible redemption***

The Company accounts for its common stock subject to possible redemption in accordance with the guidance in Accounting Standards Codification ("ASC") Topic 480 "Distinguishing Liabilities from Equity." Common stock subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value. Conditionally redeemable common stock (including common stock that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) are classified as temporary equity. At all other times, common stock are classified as stockholders' equity. The Company's common stock features certain redemption rights that are considered to be outside of the Company's control and subject to occurrence of uncertain future events.

***Net income (loss) per share***

The Company complies with accounting and disclosure requirements ASC Topic 260, "Earnings Per Share." Net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period. Shares of common stock subject to possible redemption at February 28, 2019 have been excluded from the calculation of basic income (loss) per share and diluted loss per share for the three and nine months ended February 28, 2019 since such shares, if redeemed, only participate in their pro rata share of the Trust Account earnings. The Company has not considered the effect of (1) warrants sold in the Initial Public Offering and Private Placement to purchase shares of common stock (2) rights sold in the Initial Public Offering and Private Placement that convert into shares of common stock, and (3) the unit purchase option granted to the underwriter in the calculation of diluted income (loss) per share, since the exercise of the warrants and the conversion of the rights into shares of common stock is contingent upon the occurrence of future events.

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***Income Taxes***

The Company complies with the accounting and reporting requirements of ASC Topic 740, “*Income Taxes*,” which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statements and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC Topic 740 prescribes a recognition threshold and a measurement attribute for the financial statements recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act of 2017 (“*Tax Reform*”) was signed into law. As a result of Tax Reform, the U.S. statutory tax rate was lowered from 35% to 21% effective January 1, 2018, among other changes. ASC Topic 740 requires companies to recognize the effect of tax law changes in the period of enactment; therefore, the Company was required to revalue its deferred tax assets and liabilities at the new rate. The SEC issued Staff Accounting Bulletin No. 118 (“*SAB 118*”) to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain tax effects of Tax Reform. The ultimate impact may differ from this provisional amount, possibly materially, as a result of additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of Tax Reform.

***Recent Accounting Pronouncements***

Accounting standards promulgated by the FASB are subject to change. Changes in such standards may have an impact on the Company’s future financial statements. The following are a summary of recent accounting developments.

In February 2016, the FASB issued authoritative guidance, which is included in ASC 842, “*Leases*.” This guidance requires lessees to recognize most leases on the balance sheet by recording a right-of-use asset and a lease liability. This guidance is effective for the Company as of January 1, 2019. Based on the completed analysis, the Company has determined the adjustment will not have a material impact on the financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which aligns accounting for share-based payments issued to nonemployees to that of employees under the existing guidance of Topic 718, with certain exceptions. This update supersedes previous guidance for equity-based payments to nonemployees under *Subtopic 505-50, Equity—Equity-Based Payments to Non-Employees*. This guidance is effective for the Company as of January 1, 2019. Based on the completed analysis, the Company has determined the adjustment will not have a material impact on the financial statements.

The Company periodically reviews new accounting standards that are issued. Although some of these accounting standards may be applicable to the Company, the Company has not identified any other new standards that it believes merit further discussion, and the Company expects that none would have a significant impact on its financial statements.

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***Going Concern***

The Company's consolidated financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the consolidated financial statements, the Company has an accumulated deficit at February 28, 2019, a net loss and net cash used in operating activities for the reporting period then ended. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company is attempting to commence operations and generate sufficient revenue; however, the Company's cash position may not be sufficient to support the Company's daily operations. Management intends to raise additional funds by way of a private or public offering. While the Company believes in the viability of its strategy to commence operations and generate sufficient revenue and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds by way of a public or private offering.

The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**NOTE 3 — INITIAL PUBLIC OFFERING AND PRIVATE PLACEMENT**

***Initial Public Offering***

On August 22, 2017, the Company sold 5,000,000 Public Units at a purchase price of \$10.00 per Public Unit in the Initial Public Offering, generating gross proceeds of \$50.0 million. The Company incurred offering costs of approximately \$3.7 million, inclusive of approximately \$3.2 million of underwriting fees. The Company paid \$1 million of underwriting fees upon the closing of the Initial Public Offering, issued 50,000 shares of common stock for underwriting fees, and deferred \$1.82 million of underwriting fees until the consummation of the initial Business Combination.

Each Unit consisted of one share of the Company's common stock, one right to receive one-tenth of one share of the Company's common stock upon consummation of the Company's initial Business Combination ("Right"), and one redeemable warrant ("Warrant"). Each Warrant entitles the holder to purchase one share of common stock at an exercise price of \$11.50 per share, subject to adjustment. No fractional shares will be issued upon exercise of the Warrants. The Warrants became exercisable 30 days after the completion of the initial Business Combination and will expire five years after the completion of the initial Business Combination or earlier upon redemption or liquidation.

The Company may redeem the Warrants, in whole and not in part, at a price of \$0.01 per Warrant upon 30 days' notice ("30-day redemption period"), only in the event that the last sale price of the common stock equals or exceeds \$21.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which notice of redemption is given, provided there is an effective registration statement with respect to the shares of common stock underlying such Warrants and a current prospectus relating to those shares of common stock is available throughout the 30-day redemption period. If the Company calls the Warrants for redemption as described above, the Company's management will have the option to require all holders that wish to exercise Warrants to do so on a "cashless basis." In determining whether to require all holders to exercise their warrants on a "cashless basis," management will consider, among other factors, the Company's cash position, the number of Warrants that are outstanding and the dilutive effect on the Company's stockholders of issuing the maximum number of shares of common stock issuable upon the exercise of the Warrants.

Each holder of a Right received one-tenth (1/10) of one share of common stock upon consummation of the Business Combination. No fractional shares were issued upon exchange of the Rights. No additional consideration was paid by a holder of Rights in order to receive its additional shares upon consummation of the Business Combination as the consideration related thereto has been included in the Unit purchase price paid for by investors in the Initial Public Offering.

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The Company granted the underwriters a 45-day option to purchase up to 750,000 additional Public Units to cover any over-allotment, at the initial public offering price less any underwriting discounts and commissions. On September 13, 2017 the underwriters purchased 200,000 additional Public Units for gross proceeds of \$2,000,000 less commissions of 110,000, of which \$70,000 are deferred.

The Company issued Maxim Group LLC (“Maxim”), as compensation for the Initial Public Offering, an aggregate of 52,000 shares, including 2,000 shares issued in connection with the partial exercise of the over-allotment option. The Company accounted for the fair value of these shares as an expense of the Initial Public Offering resulting in a charge directly to stockholders’ equity.

***Settlement Agreement***

On November 20, 2018, the Company entered into a settlement and release agreement (“Settlement Agreement”) with Maxim. Pursuant to the Settlement Agreement, the Company made a cash payment of \$20,000 to Maxim and issued the Note in favor of Maxim in order to settle the payment obligations of the Company under the underwriting agreement dated August 16, 2017, by and between the Company and Maxim. The Company also agreed to remove the restrictive legends on an aggregate of 52,000 shares of its common stock held by Maxim and its affiliate. See “Note Payable” under Note 2 above.

***Unit Purchase Option***

At the time of the closing of the Initial Public Offering, the Company sold to Maxim, for an aggregate of \$100, an option (the “UPO”) to purchase 250,000 Units (which increased to 260,000 units upon the partial exercise of the underwriters’ over-allotment option) (See Note 5). The Company has accounted for the fair value of the UPO, inclusive of the receipt of the \$100 cash payment, as an expense of the Initial Public Offering resulting in a charge directly to shareholders’ equity. The Company estimates that the fair value of this UPO is approximately \$743,600 (or \$2.86 per Unit) using the Black-Scholes option-pricing model. The fair value of the UPO is estimated as of the date of grant using the following assumptions: (1) expected volatility of 35%, (2) risk-free interest rate of 1.73% and (3) expected life of five years. The UPO may be exercised for cash or on a “cashless” basis, at the holder’s option (except in the case of a forced cashless exercise upon the Company’s redemption of the Warrants, as described above), such that the holder may use the appreciated value of the UPO (the difference between the exercise prices of the UPO and the underlying Warrants and Rights, and the market price of the Units and underlying shares of common stock) to exercise the UPO without the payment of any cash. The Company will have no obligation to net cash settle the exercise of the UPO or the Warrants or Rights underlying the UPO. The holder of the UPO will not be entitled to exercise the UPO or the Warrants or Rights underlying the UPO unless a registration statement covering the securities underlying the UPO is effective or an exemption from registration is available. If the holder is unable to exercise the UPO or underlying Warrants or Rights, the UPO, Warrants or Rights, as applicable, will expire worthless.

The Company granted the holders of the UPO, demand and “piggy back” registration rights for periods of five and seven years, respectively, from the effective date of the registration statement relating to the Initial Public Offering, including securities directly and indirectly issuable upon exercise of the UPO.

***Private Placement***

Concurrently with the closing of the Initial Public Offering, the Sponsor purchased an aggregate of 254,500 Private Units at \$10.00 per Private Unit, generated gross proceeds of \$2,545,000 in a Private Placement. The proceeds from the Private Units was added to the proceeds from the Initial Public Offering held in the Trust Account. The Private Units (including their component securities) were not transferable, assignable or salable until 30 days after the completion of the initial Business Combination and the warrants included in the Private Units (the “Private Placement Warrants”) will be non-redeemable so long as they are held by the Sponsor or their permitted transferees. If the Private Placement Warrants are held by someone other than the Sponsor or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Warrants included in the Public Units sold in the Initial Public Offering. Otherwise, the Private Placement Warrants and the Rights underlying the Private Units have terms and provisions that are identical to those of the Warrants and Rights, respectively, sold as part of the Public Units in the Initial Public Offering and have no net cash settlement provisions.

On September 13, 2017 the Sponsor purchased 7,000 additional Private Units for gross proceeds of \$70,000 upon the partial exercise of the over-allotment option.

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**NOTE 4 - ACQUISITIONS**

The Simplicity Esports, LLC Acquisition

On January 4, 2019, the Company consummated the transactions contemplated by the share exchange agreement, dated December 21, 2018 (as amended by Amendment No. 1 to Share Exchange Agreement, dated December 28, 2018 and by Amendment No. 2 to Share Exchange Agreement, dated December 30, 2018, the "Share Exchange Agreement") by and among the Company, Smaaash Entertainment, Inc. ("Smaaash"), each of the equity holders of Simplicity ("Simplicity Owners") and Jed Kaplan, in the capacity as the representative of the Simplicity Owners (the "Representative"). Pursuant to the Share Exchange Agreement the Simplicity Owners transferred all the issued and outstanding equity interests of Simplicity to the Company in exchange for newly issued shares of common stock of the Company (the "Acquisition").

The Simplicity Owners received an aggregate of 300,000 shares of common stock at the closing of the Acquisition and an additional aggregate of 700,000 shares of common stock on January 7, 2019. The Simplicity Owners are entitled to receive an additional 2,000,000 shares upon the Company's receipt of the approval of its stockholders to such issuance. This provision was removed as the stockholder approval was only necessary due to the Company's stock being listed on NASDAQ. Upon completion of the Simplicity Esports LLC acquisition, the Company decided that moving off the NASDAQ was appropriate and, the 2,000,000 shares are included on the balance sheet as common stock issuable at February 28, 2019.

The acquisition of Simplicity, in an all-stock deal, creates a pure play esports team and entertainment platform opportunity, which we believe will increase shareholder value and boost our growth strategy as we endeavor the build out of our brick and mortar esports centers.

The acquisition was accounted for by the Company using the acquisition method under business combination accounting. Under this method, the purchase price paid by the acquirer is allocated to the assets acquired and liabilities assumed as of the acquisition date based on the fair value. Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions. Certain amounts below are provisional based on our best estimates using information available as of the reporting date. The Company is waiting for information to become available to finalize its valuation of certain elements of this transaction. Specifically, the assigned values for intellectual property, trade names and trademarks, customer relationships, and goodwill are provisional in nature and subject to change upon the completion of the final valuation of such elements. All fair value measurements of acquired assets and liabilities assumed are non-recurring in nature and classified as level 3 on the fair value hierarchy.

The aggregate purchase price consisted of the following:

|                                |                     |
|--------------------------------|---------------------|
| Restricted stock consideration | 6,090,000           |
| Total                          | <u>\$ 6,090,000</u> |

As noted in the table above, the Company issued 3,000,000 restricted shares of common stock as consideration which was valued at market at the date of the closing, fair value of approximately \$6,090,000.

The following table summarizes the estimated fair value of The Simplicity Esports, LLC assets acquired and liabilities assumed at the date of acquisition:

|   |                     |
|---|---------------------|
| Cash  | 76,000              |
| Property, plant and equipment (provisional) | 0                   |
| Trade names and trademarks (provisional)    | 0                   |
| Customer relationships (provisional)        | 0                   |
| Accounts payable and accrued liabilities    | (56,000)            |
| Goodwill (provisional)                      | 6,070,000           |
| Total                                       | <u>\$ 6,090,000</u> |

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Revenue and net loss included in the nine months ended February 28, 2019 consolidated financial statements attributable to Simplicity Esports, LLC is approximately \$14,000 and \$100,000, respectively.

The following unaudited pro forma information below presents the consolidated results operations data as if the acquisition of Simplicity Esports, LLC took place on June 1, 2017:

|                          | <b>Nine<br/>Months<br/>Ended<br/>February 28<br/>2019</b> | <b>Nine<br/>Months<br/>Ended<br/>February 28,<br/>2018</b> |
|--------------------------|---|--|
| Total Revenue            | \$ 45,883   | \$ —   |
| Net (Loss) Income        | \$ (3,330,960)  | \$ 4,165   |
| Basic Net Loss Per Share | \$ (0.93)   | \$ 0.00  |

**NOTE 5 — RELATED PARTY TRANSACTIONS**

***Founder Shares***

On May 31, 2017, the Company issued 1,437,500 shares of the Company’s common stock to the Sponsor (the “Founder Shares”) in exchange for a capital contribution of \$25,000. 137,500 of the Founder Shares were forfeited by the Sponsor upon the partial exercise of the underwriters’ over-allotment option.

The Founder Shares are identical to the shares of common stock included in the Units and holders of Founder Shares have the same stockholder rights as public stockholders, except that (i) the Founder Shares and the shares of common stock underlying the Private Units are subject to certain transfer restrictions, and (ii) the Sponsor has entered into a letter agreement, pursuant to which it has agreed (A) to waive its redemption rights with respect to the Founder Shares, and the shares of common stock underlying the Private Units and the Public Units in connection with the completion of a Business Combination and (B) to waive its rights to liquidating distributions from the Trust Account with respect to the Founder Shares and the shares of common stock underlying the Private Units if the Company fails to complete a Business Combination within 12 months from the closing of the Initial Public Offering (or up to 21 months from the closing of the Initial Public Offering if the Company extends the period of time to consummate a Business Combination).

With certain limited exceptions, the Founder Shares are not transferable, assignable or salable (except to the Company’s officers and directors and other persons or entities affiliated with the Sponsor, each of whom will be subject to the same transfer restrictions) until the earlier of one year after the completion of an initial Business Combination or earlier of (i) subsequent to the Company’s Business Combination, the last sale price of the common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after an initial Business Combination, or (ii) the date following the completion of an Initial Business Combination on which the Company completes a liquidation, merger, stock exchange or other similar transaction that results in all stockholders having the right to exchange their shares of common stock for cash, securities or other property.

***Private Units***

In addition, the Sponsor purchased an aggregate of 254,500 Private Units at \$10.00 per Private Unit for proceeds of \$2,545,000 in the aggregate in the Private Placement. This purchase took place on a private placement basis simultaneously with the completion of the Initial Public Offering. This issuance was made pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act.

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The Sponsor committed to purchase from the Company up to an additional 26,250 Private Units if the underwriters' over-allotment option was exercised in full.

On September 13, 2017, 7,000 additional Private Units were purchased by the Sponsor at \$10.00 per Private Unit upon the partial exercise of the over-allotment option.

***Administrative Service Fee***

The Company agreed, commencing on the effective date of the Initial Public Offering through the earlier of the Company's consummation of a Business Combination or its liquidation, to pay the Sponsor a monthly fee of \$10,000 for office space, utilities and secretarial and administrative support. For the three months ended November 30, 2018, the Company has paid \$30,080 which is presented as general and administrative expense on the accompanying statement of operations. In December 2018, this monthly administrative service fee agreement was terminated.

***Loan***

The Sponsor loaned the Company \$201,707 in the aggregate, to be used for a portion of the expenses of the Initial Public Offering and working capital purposes. The loan is non-interest bearing, unsecured and due at the earlier of December 31, 2017 or the closing of the Initial Public Offering. As of November 30, 2018, \$120,089 of the Sponsor's loan has been repaid. As of February 28, 2019, the balance of the Sponsor loan is \$85,238.

The Company maintains its cash balance at a financial services company that is owned by an officer of the Company.

**NOTE 6 — COMMITMENTS AND CONTINGENCIES**

***Nasdaq Delisting***

On December 10, 2018, the Company received a written notice (the "Notice") from the Listing Qualifications Division of The Nasdaq Stock Market LLC ("Nasdaq") indicating that the Company has not complied with the requirements of IM-5101-2 of the listing rules of Nasdaq (the "Listing Rules").

The Notice stated that after its Business Combination, the Company had not demonstrated that its common stock met Listing Rule 5505(b)(1) that requires a market value of publicly held shares of at least \$15 million. Additionally, the Company has not provided evidence that its common stock has at least 300 round lot holders as required by Listing Rule 5505(a)(3) and that its warrant has at least 400 round lot holders as required by Listing Rule 5515(a)(4). Finally, the Company does not comply with Listing Rule 5515(a)(2) which requires that for initial listing of a warrant the underlying security must be listed on Nasdaq.

On January 7, 2019, the Company received a second written notice from Nasdaq informing it that the Company failed to comply with Listing Rule 5250(e)(2) which requires companies listed on Nasdaq to timely file notification forms for the Listing of Additional Shares (the "LAS Notification").

The Company was required to submit the LAS Notification 15 days prior to the issuance of the securities, however, the Company filed the LAS Notification for the issuance of the Series A-1 Note and Series A-2 Note and for the share exchange under our Share Exchange Agreement after such 15-day periods. Nasdaq notified the Company that each of these matters serves as an additional and separate basis for delisting the Company's securities and that the review panel will consider these matters in rendering a determination regarding the Company's continued listing on Nasdaq.

Management of Simplicity Esports and Gamely Company has decided that moving from The Nasdaq Stock Market ("Nasdaq") to the OTCQB is more appropriate for the Company at this time, while the Company builds out its planned network of retail esport centers.

On April 1, 2019, the Company was notified by Nasdaq that it would delist the Company's common stock and warrants. The Company's common stock and warrants were previously suspended from trading on Nasdaq, effective January 25, 2019.

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On April 2, 2019, Nasdaq filed a Notification of Removal from Listing and/or Registration under Section 12(b) of the Securities and Exchange Act of 1934 on Form 25 with the Securities and Exchange Commission relating to the Company's common stock and warrants. As a result, the Company's common stock and warrants were delisted from Nasdaq effective April 2, 2019.

The Company's common stock and warrants currently have been quoted on the OTCQB under the symbols "WINR" and "WINRW," respectively.

***Registration Rights***

Pursuant to a registration rights agreement the Company entered into with its initial stockholders and initial purchasers of the Private Units (and constituent securities) at the closing of the Initial Public Offering, the Company is required to register certain securities for sale under the Securities Act. These holders are entitled under the registration rights agreement to make up to three demands that the Company register certain of its securities held by them for sale under the Securities Act and to have the securities covered thereby registered for resale pursuant to Rule 415 under the Securities Act. In addition, these holders have the right to include their securities in other registration statements filed by the Company. The Company will bear the costs and expenses of filing any such registration statements.

***Unit Purchase Option***

The Company sold to the underwriters (and/or their designees), for \$100, an option to purchase up to a total of 250,000 Units (which increased to 260,000 Units upon the partial exercise of the underwriters' over-allotment option), exercisable at \$11.50 per Unit (or an aggregate exercise price of \$2,990,000) upon the closing of the Initial Public Offering. The UPO may be exercised for cash or on a cashless basis, at the holder's option, at any time during the period commencing on the later of the first anniversary of the effective date of the registration statement relating to the Initial Public Offering and the closing of the Company's initial Business Combination and terminating on the fifth anniversary of such effectiveness date. The Units issuable upon exercise of this UPO are identical to those offered in the Initial Public Offering, except that the exercise price of the warrants underlying the Units sold to the underwriters is \$13.00 per share.

***Note Payable***

On November 20, 2018, the Company paid its underwriter \$20,000 and issued its underwriter a secured demand promissory note (the "Note") in the amount of \$1,800,000. The Note accrued interest at 8% per annum from the date of the Note through and including May 20, 2019, 12% per annum from and including May 21, 2019 through and including August 20, 2019, and 15% per annum from and including August 21, 2019, through and including November 20, 2019. If a late payment had occurred and continued, the interest rate would have increased to 12% per annum from the date of the Note through and including August 20, 2019 and 18% per annum from after August 21, 2019. If a late payment had remained outstanding for over 48 hours, Maxim could have required the Company to redeem all or any part of the Note at a redemption price equal to 125% of the Alternate Payment Amount.

The principal and interest of the Note was payable upon demand by Maxim or from time to time, in accordance the following schedule:

- (i) one third of the principal, accrued and unpaid interest and any late charges on May 20, 2019;
- (ii) one third of the principal, accrued and unpaid interest and any late charges on August 20, 2019; and
- (iii) one third of the principal, accrued and unpaid interest and any late charges on November 20, 2019.

The Note was secured by a first priority security interest in all personal property and assets of the Company excluding the assets held in escrow with respect to (i) that certain stock purchase agreement with Polar, pursuant to which Polar agreed to sell up to 490,000 shares of the Company's common stock to the Company thirty days after the consummation of the Business Combination and (ii) that certain stock purchase agreement with K2, pursuant to which K2 agreed to sell up to 220,000 shares of the Company's common stock to the Company thirty days after the consummation of the Business Combination.

The amount payable under the Note could also have been paid in shares of common stock of the Company or securities convertible or exercisable into shares of common stock of the Company (the "Alternate Equity Payment") if and only if the Company and Maxim mutually agree on both the purchase price and, if applicable, the conversion and/or exercise price of each security of the Company issued in such Alternative Equity Payment. Otherwise, the payment should be made in cash only.

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So long as any amount under the Note remained outstanding, all cash proceeds received by the Company from any sales of its securities was to be used to repay this Note.

**Convertible Note Payable**

On December 20, 2018, the Company entered into a securities exchange agreement (“Exchange Agreement”) with Maxim Group LLC (the “Holder”). Pursuant to the terms of the Exchange Agreement, the Holder agreed to surrender and exchange the Note. In exchange, the Company issued to the Holder a Series A-1 Exchange Convertible Note in the principal amount of \$500,000 (the “Series A-1 Note”) and a Series A-2 Exchange Convertible Note in the principal amount of \$1,000,000 (the “Series A-2 Note,” and collectively with Series A-1 Note, the “Exchange Notes”).

The original amount of the promissory note was \$1,800,000, the total amount of the two exchange notes is \$1,500,000, and the difference of \$300,000 has been recorded as debt forgiveness income.

The Series A-1 Note bears interest at 2.67% per annum, payable quarterly and has a maturity date of the earlier of the closing date of the Acquisition (as defined below) or June 20, 2020 (the “Maturity Date”). The Company may pay the interest in cash or at its sole discretion, in shares of its common stock or a combination of cash and common stock. However, the Company may only pay the interest in shares of its common stock if (i) all the equity conditions specified in the note (“Equity Conditions”) have been met (unless waived by the Holder in writing) during the 20 trading days immediately prior to the interest payment date (“Interest Notice Period”), (ii) the Company has provided proper notice pursuant to the terms of the note and (iii) the Company has delivered to the Holder’s account certain number of shares of its common stock to be applied against such interest payment prior to (but no more than five trading days before) the Interest Notice Period.

The Series A-1 Note is convertible into shares of the Company’s common stock (“Conversion Shares”) at an initial conversion price of \$1.93 per share, subject to adjustment for any stock dividends and splits, rights offerings, distributions, combinations or similar transactions. Upon the closing of the Acquisition, the conversion price will be automatically adjusted to equal the arithmetic average of the volume weighted average price (“VWAP”) of the Company’s common stock in the five trading days prior to the closing date of the Acquisition. The Holder may convert the Series A-1 Note at any time, in whole or in part, provided that upon receipt of a notice of conversion from the Holder, the Company has the right to repay all or any portion of the Series A-1 Note included in the notice of conversion.

Additionally, the Series A-1 Note will automatically convert into shares of the Company’s common stock on the earlier of the Maturity Date or the closing date of the Acquisition provided that (i) no event of default then exists, and (ii) solely if such automatic conversion date is also the Maturity Date, each of the Equity Conditions have been met (unless waived in writing by the Holder) on each trading day during the 20 trading day period ending on the trading day immediately prior to the automatic conversion date.

At any time prior to the Maturity Date, the Company may also elect to redeem some or all of the outstanding principal amount for cash in an amount (the “Optional Redemption Amount”) equal to the sum of (a) 100% of the then outstanding principal amount of the note, (b) accrued but unpaid interest and (c) all liquidated damages and other amounts due in respect of the note (the “Optional Redemption”). The Company may only effect an Optional Redemption if each of the Equity Conditions have been met (unless waived in writing by the Holder) on each trading day during the period commencing on the date when the notice of the Optional Redemption is delivered to the date of the Optional Redemption and through and including the date payment of the Optional Redemption Amount is actually made in full.

Except as otherwise provided in the Series A-1 Note, including, without limitation, an Option Redemption, the Company may not prepay any portion of the principal amount of the note without the prior written consent of the Holder.

The Company is not permitted to convert any portion of the Series A-1 Note if doing so results in the Holder beneficially owning more than 4.99% of the outstanding common stock of the Company after giving effect to such conversion, provided that on 61 days’ prior written notice from the Holder to the Company, that percentage may increase to 9.99%. However, if there is an automatic conversion, and the conversion would result in the Company issuing a number of shares in excess of the beneficial ownership limitation, then any such shares in excess of the beneficial ownership limitation will be held in abeyance for the benefit of the Holder until such time or times, if ever, as its right thereto would not result in the Holder exceeding the beneficial ownership limitation, at which time or times the Holder will be issued such shares to the same extent as if there had been no such limitation.

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The Series A-1 Note contains restrictive covenants which, among other things, restrict the Company's ability to repay or repurchase any indebtedness, make distributions on or repurchase its common stock or enter into transactions with its affiliates.

The Series A-2 Note has terms substantially similar to those of the Series A-1 Note except that the Series A-2 Note has a maturity date of June 20, 2020 and an initial conversion price of \$1.93 which will be automatically adjusted to the lower of (i) the conversion price then in effect and (ii) the greater of the arithmetic average of the VWAP of the Company's common stock in the five trading days prior to the notice of conversion and \$0.50.

As of December 31, 2018, upon the closing of the Acquisition, the Series A-1 Note automatically converted into 193,648 shares of the Company's common stock.

**Private Placement**

During the quarter ended February 28, 2019, the Company raised \$1,000,003 in a Private Placement. As of February 28, 2019 this offering was not closed and the \$1,000,003 is included on the Balance Sheet under Current Liabilities as Private Placement funds received.

**NOTE 7 — STOCKHOLDERS' EQUITY**

*Common Stock*

The Company is authorized to issue 20,000,000 shares of common stock with a par value of \$0.0001 per share. Holders of the shares of the Company's common stock are entitled to one vote for each share. At February 28, 2019, there were 6,313,038 shares of common stock issued and outstanding.

*Preferred Stock*

The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.0001 per share. At November 30, 2018, there were no shares of preferred stock issued or outstanding.

**NOTE 8 — TRUST ACCOUNT AND FAIR VALUE MEASUREMENTS**

The Trust Account was invested in U.S. government securities, within the meaning set forth in the Investment Company Act, had a maturity of 180 days or less or in any open-ended investment company that held itself out as a money market fund selected by the Company meeting the conditions of Rule 2a-7 of the Investment Company Act.

The Company's amended and restated certificate of incorporation provided that, other than the withdrawal of interest to pay income taxes and up to \$600,000 of interest to pay working capital expenses if any, none of the funds held in the Trust Account would be released until the earlier of: (i) the completion of the Business Combination; (ii) the redemption of 100% of the shares of common stock included in the Public Units sold in the Initial Public Offering if the Company was unable to complete its initial Business Combination within 12 months (or 21 months if extended) from the closing of the Initial Public Offering (subject to the requirements of law). The funds were released from the Trust Account on November 20, 2018 upon the Closing of the initial Business Combination.

The Company followed the guidance in ASC 820 for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually.

**SIMPLICITY ESPORTS AND GAMING COMPANY**  
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The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company sought to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities). The following fair value hierarchy was used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

- Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs based on our assessment of the assumptions that market participants would use in pricing the asset or liability.

The following table presents information about the Company's assets that are measured at fair value on a recurring basis at November 30, 2018 and May 31, 2018, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

| Description  | Level | February 28, 2019 | May 31, 2018  |
|--|-------|-------------------|---------------|
| <b>Assets:</b>                                       |       |                   |               |
| Cash and marketable securities held in Trust Account | 1     | \$ -0-            | \$ 52,895,652 |

**NOTE 9 — SUBSEQUENT EVENTS**

On March 27, 2019, the Company sold an aggregate of 812,500 units (the "Units") at a purchase price of \$2.00 per Unit to 11 accredited investors in exchange for receipt of \$1,625,000. Each unit consists of (i) one share of common stock, and (ii) a 5-year warrant to purchase one share of common stock at a purchase price of \$4.00. The Company sold the Units in reliance on the exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 of Regulation D promulgated under the Securities Act.

In March of 2019, the Company entered into a settlement agreement with its prior attorney. As of February 28, 2019, the Company owed this attorney approximately \$900,000. The settlement agreement called for \$200,000 to be paid upon signing the settlement agreement and then another approximate \$525,000 to be paid over time.

On March 27, 2019, pursuant to a Restricted Stock Award, the Company granted Jed Kaplan, the Company's Chief Executive Officer and interim Chief Financial Officer and a member of the Company's board of directors, 120,000 shares of Company restricted stock. Such shares vest over the next nine months. Also on March 27, 2019, pursuant to a Restricted Stock Award, the Company granted Roman Franklin, the Company President and a member of the Company's board of directors, 36,000 shares of Company restricted stock. Such shares vest over the next nine months also. Lastly, on March 27, 2019, pursuant to a Restricted Stock Award and collectively with the Kaplan Restricted Stock Award and the Franklin Restricted Stock Award, the Company granted Steve Grossman, President of Simplicity Esports LLC, a wholly owned subsidiary of the Company, 24,000 shares of Company restricted stock. Such shares also vest over the next nine months.

Each of the Restricted Stock Awards was entered into in connection with entry into employment agreements with each of Messrs. Kaplan, Franklin and Grossman on December 31, 2018

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

References in this report (the “Quarterly Report”) to “we,” “us” or the “Company” refer to Simplicity Esports and Gaming Company, formerly known as Smaaash Entertainment Inc. and prior to that as I-AM Capital Acquisition Company. The following discussion and analysis of the Company’s financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this Quarterly Report.

### Special Note Regarding Forward-Looking Statements

This Quarterly Report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Quarterly Report including, without limitation, statements in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding the Company’s financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as “expect,” “believe,” “anticipate,” “intend,” “estimate,” “seek” and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management’s current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors sections of the Company’s definitive proxy statement filed with the SEC on September 19, 2018 and the Company’s Registration Statement on Form S-1 filed with the Securities and Exchange Commission (the “SEC”) on December 19, 2018. The Company’s securities filings can be accessed on the EDGAR section of the SEC’s website at [www.sec.gov](http://www.sec.gov). Except as expressly required by applicable securities law, 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.

### Overview

On December 31, 2018, the Company consummated the transactions contemplated by the share exchange agreement, dated December 21, 2018 (as amended, the “Share Exchange Agreement”) by and among the Company, Simplicity Esports LLC, (“Simplicity”), each of the equity holders of Simplicity (“Simplicity Owners”) and Jed Kaplan, in the capacity as the representative of the Simplicity Owners (the “Representative”). Pursuant to the Share Exchange Agreement the Simplicity Owners transferred all the issued and outstanding equity interests of Simplicity to the Company in exchange for newly issued shares of common stock of the Company (the “Acquisition”).

The Simplicity Owners received an aggregate of 300,000 shares of common stock (“Initial Payment”) at the closing of the Acquisition and an additional aggregate of 700,000 shares of common stock on January 7, 2019. The Simplicity Owners shall also be entitled to receive an addition 2,000,000 shares upon the Company’s receipt of the approval of its stockholders to such issuance. In the event that the Company does not receive stockholder approval for the issuance of the additional shares by September 30, 2019, the Company and the other parties to the Share Exchange Agreement agree to promptly take all action reasonably necessary so that the name “Simplicity” and any trademarks and copyright and similar rights are transferred to the Representative, and the Company and its affiliates shall thereafter cease to use the name “Simplicity” in any of its operations. The additional 2,000,000 shares were issued in March of 2019.

As of December 31, 2018, upon the completion of the acquisition of Simplicity, the business of Simplicity has now become the primary business of the Company. Simplicity is an established brand in the esports industry with an engaged fan base competing in popular games across various genres and titles, including PUBG, Gears of War, Injustice 2, SMITE, Shadowverse, NHL 19, and Madden NFL. Founded in 2016, Simplicity is committed to growing and enhancing the esports industry, fostering the development of amateurs to compete professionally, and partnering with established professional gamers to support their paths to greater success. Our continued accomplishments in various games is a driving force behind the growth of our fan base including viewership of our content.

The Simplicity stream team encompasses over 50 casters, influencers and personalities who connect to a dedicated fan base. Simplicity’s notoriety in the industry is evidenced by its audience that views millions of minutes of Simplicity content monthly, via various social media outlets including YouTube, Twitter and Twitch.

The following table shows our potential revenue capacity, per location, from game play.

We also expect opportunities for revenue from parties, tournaments, classes, gaming gear, apparel, advertising and sponsorship sales.

**ANNUAL REVENUE CAPACITY FROM GAME PLAY PER CENTER\***

|            |                  |
|------------|------------------|
| <b>20%</b> | <b>\$157,248</b> |
| <b>40%</b> | <b>\$314,496</b> |
| <b>60%</b> | <b>\$471,744</b> |
| <b>80%</b> | <b>\$628,992</b> |

\*Assumes 2,808 operational hours, 28 gaming stations, \$10/hour price. Represents capacity only, and is not an indication of expected future revenues. There can be no assurance that we will operate at any of the indicated levels of capacity, or at all.

**Results of Operations**

Our only activities from April 17, 2017 (date of inception) through November 20, 2018 were organizational activities, those necessary to prepare for the Initial Public Offering, which was consummated on August 22, 2017, and identifying a target company for a business combination. Following the Initial Public Offering through and after our business combination, we had not generated any operating revenues.

Following the acquisition of Simplicity Esports and Gaming, LLC the Company began generating revenue and incurring additional expenses.

**Summary of Statement of Operations for the Three Months Ended February 28, 2019 and 2018:**

*Other Income*

We have generated \$164 of non-operating income in the form of interest income for the three months ended February 28, 2019 as compared to \$158,712 for the three months ended February 28, 2018. The change is attributable to the decrease in the cash held in trust account.

For the three months ended February 28, 2019, the Company had debt forgiveness income of \$300,000 due to the exchange notes with Maxim. The original Maxim promissory note was \$1,800,000 and this was exchanged for two convertible notes totaling \$1,500,000. Also, in December of 2018, one of the convertible notes was converted into 193,648 shares of common stock.

*Revenue*

The Company's revenue for the three months ended February 28, 2019 was \$14,070, a 100% increase over the February 28, 2018 revenue of \$-0-. This increase is due to the acquisition of Simplicity Esports, LLC.

*General and Administrative Expenses*

General and administrative expenses for the three months ended February 28, 2019 was \$430,011 as compared to \$114,465 for the three months ended February 28, 2018 and increase of \$315,546 or approximately 276%. The change is primarily attributable to the acquisition of Simplicity Esports, LLC. The selling, general and administrative expenses of this new acquisition consist primarily of payroll and related costs, stock based compensation and professional services.

#### *Net Loss*

Net loss for the three months ended February 28, 2019 was \$115,776, as compared to net income of \$29,203, for the three months ended February 28, 2018.

#### **Summary of Statement of Operations for the Nine Months Ended February 28, 2019 and 2018:**

##### *Other Income*

We have generated \$401,582 of non-operating income in the form of interest income for the nine months ended February 28, 2019 as compared to \$312,000 for the three months ended February 28, 2018.

For the nine months ended February 28, 2019, the Company had debt forgiveness income of \$300,000 due to the exchange notes with Maxim. The original Maxim promissory note was \$1,800,000 and this was exchanged for two convertible notes totaling \$1,500,000. Also, in December of 2018 one of the convertible notes was converted into 193,648 shares of common stock.

##### *Revenue*

The Company's revenue for the nine months ended February 28, 2019 was \$14,070, a 100% increase over the February 28, 2018 revenue of \$-0-. This increase is due to the acquisition of Simplicity Esports, LLC.

##### *General and Administrative Expenses*

General and administrative expenses for the nine months ended February 28, 2019 was \$3,811,613 as compared to \$305,690 for the nine months ended February 28, 2018 and increase of \$3,505,923. The change is primarily attributable to two events, first the acquisition of Simplicity Esports, LLC. The selling, general and administrative expenses of this new acquisition consist primarily of payroll and related costs, stock based compensation and professional services. Second the issuance of shares for services in November of 2018.

#### *Net Loss*

Net loss for the nine months ended February 28, 2019 was \$3,095,960, as compared to net income of \$4,165, for the nine months ended February 28, 2018.

#### **Liquidity and Capital Resources**

The completion of the Initial Public Offering and simultaneous Private Placement, inclusive of the underwriters' exercise of their over-allotment option, generated gross proceeds to the Company of \$54,615,000. Related transaction costs amounted to approximately \$3,838,000, consisting of \$3,360,000 of underwriting fees, including \$1,820,000 of deferred underwriting commissions payable (which was held in the Trust Account) and \$478,000 of Initial Public Offering costs.

Following the Initial Public Offering and the underwriter's partial exercise of the over-allotment option, a total of \$52,780,000 was placed in the Trust Account and we had \$552,190 of cash held outside of the Trust Account, after payment of all costs related to the Initial Public Offering.

On November 20, 2018, in connection with the closing of our initial Business Combination, the funds in the Trust Account were used for, among other things, the following:

- \$45,455,596 to redeem 4,448,260 shares
- \$7,255,306 to fund the escrow agreement for Polar and K2
- \$150,000 to fund our investment in Smaaash

As of February 28, 2019, we had no cash and marketable securities held in the Trust Account.

As of February 28, 2019, we had cash of \$1,245,666 held outside the Trust Account, which is available for use by us to cover the costs associated with due diligence procedures and other general corporate purposes. In addition, as of February 28, 2019, we had accrued expenses of \$871,315.

For the nine months ended February 28, 2019, cash used in operating activities amounted to \$823,847, mainly resulting from net loss of \$3,095,960, offset by stock issued for services of \$2,169,143. Changes in our operating liabilities and assets generated cash of \$654,552.

We will need to raise additional funds in order to meet the expenditures required for operating our business.

#### **Off-balance sheet financing arrangements**

We have no obligations, assets or liabilities which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets.

#### ***Going Concern***

The Company's consolidated financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the consolidated financial statements, the Company has an accumulated deficit at February 28, 2019, a net loss and net cash used in operating activities for the reporting period then ended. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company is attempting to commence operations and generate sufficient revenue; however, the Company's cash position may not be sufficient to support the Company's daily operations. Management intends to raise additional funds by way of a private or public offering. While the Company believes in the viability of its strategy to commence operations and generate sufficient revenue and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds by way of a public or private offering.

The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

#### **Contractual obligations**

We do not have any long-term capital lease obligations, operating lease obligations or long-term liabilities, except as follows:

On November 20, 2018, the Company entered into a settlement and release agreement with Maxim Group, LLC, the underwriter for the Company's initial public offering. Pursuant to the Settlement Agreement, the Company made a cash payment of \$20,000 to Maxim and issued a demand secured promissory note in favor of Maxim in the amount of \$1.8 million to settle the payment obligations of the Company under the underwriting agreement dated August 16, 2017, by and between the Company and Maxim. The Company also agreed to remove the restrictive legends on an aggregate of 52,000 shares of its common stock held by Maxim and its affiliate.

#### **Critical Accounting Policies**

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates.

### ***Revenue Recognition***

As of January 1, 2018, the Company adopted Revenue from Contracts with Customers (Topic 606) (“ASC 606”). The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects to receive in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The Company adopted the standard using the modified retrospective method and the adoption did not have a material impact on its financial statements.

The Company recognizes revenue when performance obligations under the terms of a contract with the customer are satisfied. Product sales occur once control is transferred upon delivery to the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods and services. Our revenue is derived from two sources, the first is from the sale of the rights to our players to third parties and second from participation and prize money awarded at gaming tournaments.

### ***Goodwill***

Goodwill is the excess of our purchase cost over the fair value of the net assets of acquired businesses. We do not amortize goodwill, but we assess our goodwill for impairment at least annually. Our assessment date was January 31, 2019 and qualitative considerations indicated no impairment.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for smaller reporting companies.

## **ITEM 4. CONTROLS AND PROCEDURES**

### ***Evaluation of Disclosure Controls and Procedures***

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

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our principal executive officer and principal financial officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of February 28, 2019. Based upon their evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective.

### ***Changes in Internal Control Over Financial Reporting***

In our second quarter of fiscal year 2019, management discovered deficiencies in its accounting and financial reporting process. These deficiencies did not have a material impact on the Company’s financial results reported herein. Management has concluded that the presence of the deficiencies within the accounting and financial reporting process rose to a level of material weakness in our internal control over financial reporting as of February 28, 2019.

The Company expects to implement changes to design controls to enhance the evaluation of accounting transactions and its financial reporting process over the next quarter.

## **PART II — OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

## ITEM 1A. RISK FACTORS

As of the date of this Quarterly Report, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K filed with the SEC on July 24, 2018, other than those risks included in the Company's definitive Proxy Statement filed by the Company on September 19, 2018 and as amended from time to time and as set forth below in this Item 1A.

### Risks Relating to Our Esports Business

#### *Our esports business faces intense and wide-ranging competition, which may have a material negative effect on our business and results of operations*

The success of an esports business, like our Simplicity esports business, is dependent upon the performance and/or popularity of its teams. Our Simplicity teams compete, in varying respects and degrees, with other live sporting events, and with sporting events delivered over television networks, radio, the Internet and online services, mobile applications and other alternative sources. For example, our esports teams compete for attendance, viewership and advertising with a wide range of alternatives available in major metropolitan areas. During some or all of the esports season, our teams face competition, in varying respects and degrees, from professional and collegiate basketball, hockey, baseball, football, and soccer, among others.

As a result of the large number of options available, we face strong competition for the sports and gaming fan. We must compete with other esports teams, traditional sports teams and sporting events, in varying respects and degrees, including on the basis of the quality of the teams we field, their success in the leagues, tournaments and genres in which they compete, our ability to provide an entertaining environment at any esports games that we host at our centers, prices charged for tickets and the viewing availability of our teams on multiple media alternatives. Given the nature of esports and sports in general, there can be no assurance that we will be able to compete effectively, including with companies that may have greater resources than we have, and as a consequence, our business and results of operations may be materially negatively affected by competition.

#### *Our businesses are substantially dependent on the continued popularity and/or competitive success of the Simplicity teams, which cannot be assured.*

Our future financial results will be dependent on the Simplicity teams becoming and remaining popular with our fan base and, in varying degrees, on the team achieving in-game success, which can generate fan enthusiasm, resulting in sustained ticket and merchandise sales during the season. Furthermore, success in the regular season at certain tournaments may qualify one or more of our esports teams for participation in post-season playoffs, which provides us with additional revenue from prize money by increasing the number of games played by our sports teams and, more importantly, by generating increased excitement and interest in our esports teams, which can improve attendance in subsequent seasons. There can be no assurance that any of our esports teams, will develop a significant fan base, maintain continued popularity or compete in post-season play in the future.

#### *The actions of the various esports leagues and tournaments may have a material negative effect on our business and results of operations.*

The governing bodies of the various esports leagues and tournaments, under certain circumstances, can take actions that they deem to be in the best interests of their respective leagues or tournaments, which may not necessarily be consistent with maximizing our results of operations and which could affect our esports teams in ways that are different than the impact on other esports teams. For example they can take actions relating to the rights to telecast the games of league members or tournament participants, including the Simplicity team, licensing of the rights to produce and sell merchandise bearing the logos and/or other intellectual property of our esports teams and the leagues or tournaments, and the internet-based activities of our esports teams. Certain of these decisions by the esports leagues and tournaments could have a material negative effect on our business and results of operations. From time to time, we may disagree with or challenge actions that the leagues or tournaments take or the power and authority they assert.

#### *We may be unable to effectively manage the growth in the scope and complexity of our business, including our expansion into the esports business which is untested and into adjacent business opportunities.*

Our future success depends, in part, on our ability to manage our expanded business, including through the acquisition of Simplicity, and our aspirations for continued expansion. We intend to dedicate resources to a new business model that is largely untested, as is the case with esports. We do not know to what extent our future expansions will be successful. Further, even if successful, the growth of our business could create significant challenges for our management, operational, and financial resources, and could increase existing strain on, and divert focus from, our core businesses. If not managed effectively, this growth could result in the over-extension of our operating infrastructure, and our management systems, information technology systems, and internal controls and procedures may not be adequate to support this growth. Failure to adequately manage our growth in any of these ways may cause damage to our brand, damage our reputation or otherwise negatively impact our business.

***Our industry is subject to rapid technological change, and if we do not adapt to, and appropriately allocate our resources among, emerging technologies and business models, our business may be negatively impacted.***

Technology changes rapidly in the interactive entertainment industry. We must continually anticipate and adapt our products, services and business models to emerging technologies and delivery platforms in order to stay competitive. Forecasting our revenues and profitability for these new products, services and business models is inherently uncertain and volatile, and if we invest in the development of interactive entertainment products or services incorporating a new technology or for a new platform that does not achieve significant commercial success, whether because of competition or otherwise, we may not recover the often substantial “up front” costs of developing and marketing those products and services, or recover the opportunity cost of diverting management and financial resources away from other products or services. Further, our competitors may adapt to an emerging technology or business model more quickly or effectively than we do, creating products that are technologically superior to ours, more appealing to consumers, or both.

If, on the other hand, we elect not to pursue the development of products or services incorporating a new technology or for new platforms, or otherwise elect not to pursue new business models, that achieve significant commercial success, it may have adverse consequences. It may take significant time and resources to shift product development resources to that technology, platform or business model, as the case may be, and may be more difficult to compete against existing products and services incorporating that technology or for that platform or against companies using that business model.

***We may encounter difficulties in integrating the Simplicity esports businesses or otherwise realizing the anticipated benefits of the transaction.***

As part of our business strategy, from time to time, we acquire, make investments in, or enter into strategic alliances and joint ventures with, complementary businesses, such as the acquisition of the Simplicity esports business. The acquisition of Simplicity involves significant risks and uncertainties, including: (i) the potential for the Simplicity business to underperform relative to our expectations and the acquisition price, (ii) the potential for the Simplicity business to cause our financial results to differ from expectations in any given period, or over the longer-term, (iii) unexpected tax consequences from the acquisition, or the tax treatment of the Simplicity business’s operations going forward, giving rise to incremental tax liabilities that are difficult to predict, (iv) difficulty in integrating the Simplicity business, its operations and its employees in an efficient and effective manner, (v) any unknown liabilities or internal control deficiencies assumed as part of the acquisition, and (vi) the potential loss of key employees of the Simplicity businesses. Further, the transaction may involve the risk that our senior management’s attention will be excessively diverted from our other operations, the risk that the gaming industry does not evolve as anticipated and that any intellectual property or personnel skills acquired do not prove to be those needed for our future success, and the risk that our strategic objectives, cost savings or other anticipated benefits are otherwise not achieved.

***Our business may be harmed if our licensing partners, or other third parties with whom we do business, act in ways that put our brand at risk.***

We anticipate that our business partners shall be given access to sensitive and proprietary information or control over our intellectual property in order to provide services and support to our teams. These third parties may misappropriate our information or intellectual property and engage in unauthorized use of it or otherwise act in a way that places our brand at risk. The failure of these third parties to provide adequate services and technologies, the failure of third parties to adequately maintain or update their services and technologies or the misappropriation or misuse of this information or intellectual property could result in a disruption to our business operations or an adverse effect on our reputation, and may negatively impact our business.

***Our business is highly dependent on the success and availability of video game platforms manufactured by third parties.***

We expect to derive a substantial portion of our revenues from esports games played on game platforms manufactured by third parties, such as Sony’s PS4, Microsoft’s Xbox One, and Nintendo’s Wii U and Switch, and PCs. The success of our business will be driven in large part by our ability to accurately predict which platforms will be successful in the marketplace. We also rely on the availability of an adequate supply of these video game consoles and the continued support for these consoles by their manufacturers. We may be required to commit significant resources well in advance of the anticipated introduction of a new platform. If increased costs are not offset by higher revenues and other cost efficiencies, our business could be negatively impacted. If the platforms for which we invested resources do not attain significant market acceptance, we may not be able to recover our costs, which could be significant.

*The games we support are subject to scrutiny regarding the appropriateness of their content. If the publishers and distributors we partner with fail to receive their target ratings for certain titles, or if retailers refuse to sell such titles due to what they perceive to be objectionable content, it could have a negative impact on our business.*

Console and PC games are subject to ratings by the Entertainment Software Rating Board (the “ESRB”), a self-regulatory body based in the U.S. that provides U.S. and Canadian consumers of interactive entertainment software with ratings information, including information on the content in such software, such as violence, nudity or sexual content, along with an assessment of the suitability of the content for certain age groups. Certain other countries have also established content rating systems as prerequisites for product sales in those countries. In addition, certain stores use other ratings systems, such as Apple’s use of its proprietary “App Rating System” and Google Play’s use of the International Age Rating Coalition (IARC) rating system. If the software publishers that supply our games are unable to obtain the ratings they have targeted for their products, it could have a negative impact on our business. In some instances, the software publishers and developers may be required to modify their products to comply with the requirements of the rating systems, which could delay or disrupt the release of any given product, or may prevent its sale altogether in certain territories, which would limited its availability for use in the games that our teams play.

*We will depend on servers to operate our games with online features. If we were to lose server functionality for any reason, our business may be negatively impacted.*

Our business at our game centers will rely on the continuous operation of servers, some of which are owned and operated by third parties. Although we shall strive to maintain more than sufficient server capacity, and provide for active redundancy in the event of limited hardware failure, any broad-based catastrophic server malfunction, a significant service-disrupting attack or intrusion by hackers that circumvents security measures, a failure of disaster recovery service or the failure of a company on which we are relying for server capacity to provide that capacity for whatever reason would likely degrade or interrupt the functionality of our games with online features, and could prevent the operation of such games altogether, any of which could result in the loss of sales for, or in, such games.

We also rely on networks operated by third parties, such as the PlayStation Network, Xbox Live and Steam, for the functionality of the games we use which have online features. An extended interruption to any of these services could adversely affect our ability to operate our games with online features, negatively impacting our business.

Further, insufficient server capacity could also negatively impact our business. Conversely, if we overestimate the amount of server capacity required by our business, we may incur unnecessary additional operating costs.

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

The Company did not sell any equity securities during the period covered by this Quarterly Report that were not registered under the Securities Act, except as previously disclosed in our Current Reports on Form 8-K.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **ITEM 5. OTHER INFORMATION**

(a) None.

- (b) There have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors since the filing of our Quarterly Report on Form 10-Q for the quarter ended November 30, 2018.

## ITEM 6. EXHIBITS

| Exhibit Number         | Description   |
|------------------------|---|
| <a href="#">2.1</a>    | <a href="#">Third Amendment Cum Addendum to the Share Subscription Agreement Dated May 03, 2018, dated as of November 2, 2018 (1)</a>   |
| <a href="#">2.2</a>    | <a href="#">Fourth Amendment Cum Addendum to the Share Subscription Agreement Dated May 03, 2018, dated as of November 15, 2018 (2)</a>   |
| <a href="#">3.1</a>    | <a href="#">Third Amended and Restated Certificate of Incorporation (3)</a>   |
| <a href="#">10.1</a>   | <a href="#">Stock Purchase Agreement, dated as of November 2, 2018, by and between the Company and Polar Asset Management Partners Inc. (4)</a>   |
| <a href="#">10.2</a>   | <a href="#">Stock Purchase Agreement, dated as of November 5, 2018, by and between the Company and the K2 Principal Fund L.P. (5)</a>   |
| <a href="#">10.3</a>   | <a href="#">Master Franchise Agreement, dated November 20, 2018, by and between the Company and Smaaash (6)</a>   |
| <a href="#">10.4</a>   | <a href="#">Master License and Distribution Agreement, dated November 20, 2018, by and between the Company and Smaaash (7)</a>  |
| <a href="#">10.5</a>   | <a href="#">Settlement and Release Agreement, dated November 20, 2018, by and between the Company and Maxim Group LLC (8)</a>   |
| <a href="#">10.6</a>   | <a href="#">Demand Secured Promissory Note, dated November 20, 2018, issued to Maxim Group LLC (9)</a>  |
| <a href="#">10.7</a>   | <a href="#">Escrow Agreement, dated November 19, 2018, by and among the Company, Ellenoff Grossman and Schole LLP and Shripal Morakhia (10)</a>   |
| <a href="#">10.8</a>   | <a href="#">Smaaash Entertainment Inc. 2018 Equity Incentive Plan (11)</a>  |
| <a href="#">10.9</a>   | <a href="#">Side Letter, dated November 16, 2018, by and between the Company and Chardan (12)</a>   |
| <a href="#">10.10</a>  | <a href="#">Letter of Undertaking, dated November 16, 2018, by Smaaash and Smaaash Founders (13)</a>  |
| <a href="#">10.11</a>  | <a href="#">Addendum to Master Franchise Agreement, dated November 20, 2018, by and between the Company and Smaaash (14)</a>  |
| <a href="#">31.1*</a>  | <a href="#">Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</a> |
| <a href="#">32.1**</a> | <a href="#">Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.</a>  |
| 101.INS*               | XBRL Instance Document  |
| 101.SCH*               | XBRL Taxonomy Extension Schema Document   |
| 101.CAL*               | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.DEF*               | XBRL Taxonomy Extension Definition Linkbase Document  |
| 101.LAB*               | XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE*               | XBRL Taxonomy Extension Presentation Linkbase Document  |

\* Filed herewith

\*\* Furnished herewith

- (1) Previously filed as Annex A to the Company's Proxy Statement Supplement, which was filed with the SEC on November 5, 2018, and is incorporated herein by reference thereto.
- (2) Previously filed as Exhibit 2.5 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 30, 2018, and is incorporated herein by reference thereto.
- (3) Previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 30, 2018, and is incorporated herein by reference thereto.
- (4) Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 7, 2018, and is incorporated herein by reference thereto.
- (5) Previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 7, 2018, and is incorporated herein by reference thereto.
- (6) Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 30, 2018, and is incorporated herein by reference thereto.
- (7) Previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 30, 2018, and is incorporated herein by reference thereto.
- (8) Previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 30, 2018, and is incorporated herein by reference thereto.
- (9) Previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 30, 2018, and is incorporated herein by reference thereto.
- (10) Previously filed as Exhibit 10.5 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 30, 2018, and is incorporated herein by reference thereto.
- (11) Previously filed as Annex F to the Company's Proxy Statement, which was filed with the SEC on September 19, 2018, and is incorporated herein by reference thereto.
- (12) Previously filed as Exhibit 10.7 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 30, 2018, and is incorporated herein by reference thereto.
- (13) Previously filed as Exhibit 10.8 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 30, 2018, and is incorporated herein by reference thereto.
- (14) Previously filed as Exhibit 10.9 to the Company's Current Report on Form 8-K, which was filed with the SEC on November 30, 2018, and is incorporated herein by reference thereto.

**SIGNATURES**

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.

**SIMPLICITY ESPORTS AND GAMING COMPANY**

Dated: April 15, 2019

/s/ Jed Kaplan

Jed Kaplan

Chief Executive Officer and interim Chief Financial Officer  
(principal executive officer and principal financial officer)

## CERTIFICATIONS

I, Jed Kaplan, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended February 28, 2019 of Simplicity Esports and Gaming Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2019

/s/ Jed Kaplan

Chief Executive Officer and interim Chief Financial Officer  
(principal executive officer and principal financial officer)

**CERTIFICATION**  
**PURSUANT TO 18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Simplicity Esports and Gaming Company (the "Company") on Form 10-Q for the period ended February 28, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jed Kaplan, Chief Executive Officer and interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 15, 2019

*/s/ Jed Kaplan*

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Jed Kaplan  
Chief Executive Officer and interim Chief Financial Officer  
(principal executive officer and principal financial officer)