LottoGopher Holdings Inc.

Consolidated Financial Statements

DECEMBER 31, 2018

Zeifmans

INDEPENDENT AUDITORS' REPORT

To the Shareholders of LottoGopher Holdings Inc.

Opinion
We have audited the accompanying consolidated financial statements of LottoGopher Holdings Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018, the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of Opinion
We conduced our audit in accordance with Canadian generally accepted auditing standards ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to note 1 to the consolidated financial statements, which indicates that the Company incurred a net loss of $16,736,689 for the year ended December 31, 2018 and, as of that date, had a cumulative deficit of $28,944,915 and a working capital deficiency of $1,772,885. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter
The consolidated financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2018.

Other information
Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis ("MD&A"), but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be misstated.

We obtained the MD&A prior to the date of this auditors' report. If based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the consolidated financial statements, management is responsible for accessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Ahmad Aslam, CPA, CA.

Zeifmans LLP

October 28, 2019
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

LottoGopher Holdings Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at		**December 31, 2018**		December 31, 2017
ASSETS				
Current assets				
Cash	**$**	**599,725**	$	201,833
Accounts receivable		**135,255**		116,890
Deposits		**639,137**		-
Prepaid expenses		**67,794**		9,492
		1,441,911		328,215
Non-current assets				
Equipment (note 6)		**36,269**		76,032
Intangibles (note 7)		**-**		38,525
		36,269		114,557
TOTAL ASSETS	**$**	**1,478,180**	$	442,772
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 8)	**$**	**1,813,052**	$	510,984
Current portion of prize liability (note 12)		**1,285,019**		13,582
Deferred revenue (note 9)		**13,166**		11,412
Deferred Liabilities		**103,559**		-
Loan payable (note 10)		**-**		94,130
		3,214,796		630,108
Non-current liabilities				
Promissory notes (note 11)		**3,238,572**		20,917
Prize liability (note 12)		**5,213,964**		-
		8,452,536		20,917
TOTAL LIABILITIES	**$**	**11,667,332**	$	651,025
SHAREHOLDERS' DEFICIENCY				
Share capital (note 13)	**$**	**14,712,810**	$	10,357,984
Contributed surplus (note 13)		**1,431,765**		156,867
Equity portion of convertible debentures (note 11)		**896,713**		-
Options reserve (note 13)		**616,948**		1,324,734
Warrants reserve (note 13)		**2,567,906**		881,115
Performance shares reserve (note 13)		**51,945**		-
Accumulated deficit		**(28,944,915)**		(12,887,646)
Accumulated other comprehensive loss		**(764,040)**		(41,307)
TOTAL DEFICIENCY ATTRIBUTABLE TO LOTTOGOPHER SHAREHOLDERS		**(9,430,868)**		(208,253)
NON-CONTROLLING INTEREST		**(758,284)**		-
TOTAL SHAREHOLDERS' DEFICIENCY		**(10,189,152)**		(208,253)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**$**	**1,478,180**	$	442,772

Corporate information and continuance of operations (note 1)

Commitment (note 16)

Subsequent events (note 22)

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

LottoGopher Holdings Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		For the years ended December 31, 2018		December 31, 2017
SALES	$	**2,248,512**	$	39,901
COST OF GOODS SOLD		**(334,923)**		-
GROSS PROFIT		**1,913,589**		39,901
OPERATING EXPENSES				
Advertising and promotion		**1,163,689**		2,204,775
Amortization (note 7)		**-**		11,381
Bank charges		**247,488**		6,250
Consulting fees		**289,721**		670,469
Depreciation (note 7)		**31,415**		20,564
Directors' fees (note 14)		**12,990**		69,517
Investor relations		**106,613**		263,031
License		**41,007**		16,889
Office and general		**589,620**		290,216
Professional fees (note 14)		**465,004**		357,318
Salaries and benefits (note 14)		**923,801**		554,764
Share-based payments (note 13 and 14)		**605,843**		2,239,714
Transfer agent and regulatory		**47,477**		91,842
Travel		**218,963**		118,941
Website support and design		**667,424**		264,600
		(5,411,055)		(7,180,271)
OTHER INCOME (EXPENSES)				
Foreign exchange gain (loss)		**297,443**		(38,674)
Other income		**86,958**		-
Interest income		**312**		5,639
Interest expense (note 10)		**(66,071)**		(10,984)
Loss on investments		**(395,368)**		-
Accretion on convertible debt		**(159,570)**		-
Other expense		**(209,160)**		-
Listing expense		**-**		(4,744,249)
(Write off) recovery of asset		**(12,790,585)**		-
		(13,236,041)		**(4,788,268)**
NET LOSS BEFORE TAXES		**(16,733,507)**		**(11,928,638)**
INCOME TAX EXPENSE				
Current		**(3,182)**		-
		(3,182)		**-**
NET LOSS FOR THE YEAR	**$**	**(16,736,689)**	$	(11,928,638)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation differences for foreign operations	**$**	**(766,573)**	$	40,251
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**$**	**(17,503,262)**	$	(11,888,387)
LOSS FOR THE YEAR ATTRIBUTABLE TO:				
Shareholders of the Company	**$**	**(16,057,269)**	$	(11,928,638)
Non-controlling interest (NCI)		**(679,420)**		-
NET LOSS FOR THE YEAR	**$**	**(16,736,689)**	$	(11,928,638)
OTHER COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Company	**$**	**(17,459,422)**	$	(11,888,387)
Non-controlling interest (NCI)		**(43,840)**		-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**$**	**(17,503,262)**	$	(11,888,387)
Basic and diluted loss per share for the period attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)	**$**	**(0.16)**	$	(0.26)
Weighted average number of common shares outstanding - basic and diluted		**110,288,198**		45,756,496

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

LottoGopher Holdings Inc.
Consolidated Statement of Changes in Shareholders’ Deficiency
(Expressed in Canadian Dollars)

		Share capital		Reserves									
	Note	**Number of shares**	**Amount**	**Warrants**	**Options**	**Performance shares**	**Equity portion of convertible debentures**	**Contributed Surplus**	**Total**	**Accumulated deficit**	**Accumulated other comprehensive income (loss)**	**Non-controlling interest**	**Total**
Balance at December 31, 2016		**18,483,110**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (959,008)**	**$ (81,558)**	**$ -**	**$ (1,040,566)**
Shares of LottoGopher Holdings Inc.		15,962,251	3,990,562	-	-	-		-	-	-	-	-	**3,990,562**
Shares issued for cash - private placement		20,534,229	3,919,556	145,077	-	-		-	145,077	-	-	-	**4,064,633**
Shares issued for convertible debentures		10,240,000	988,965	-	-	-		-	-	-	-	-	**988,965**
Shares issued for debt settlement of Galaxy Group LA, LLC		1,516,890	379,223	-	-	-		-	-	-	-	-	**379,223**
Shares issued for settlement of accounts payable		1,226,250	306,563	-	-	-		-	-	-	-	-	**306,563**
Shares issued for bonus payments		695,360	173,840	-	-	-		-	-	-	-	-	**173,840**
Shares issued for services received		100,000	20,500	-	-	-		-	-	-	-	-	**20,500**
Shares issued for cash - warrant exercise		1,443,000	577,200	-	-	-		-	-	-	-	-	**577,200**
Reclassification of grant date fair value on exercise of warrants		-	1,575	(1,575)	-	-		-	(1,575)	-	-	-	**-**
Reclassification of grant date fair value on expired warrants		-	-	(156,867)	-	-		156,867	-	-	-	-	**-**
Share-based payments		-	-	894,480	1,324,734			-	2,219,214	-	-	-	**2,219,214**
Net loss for the year		-	-	-	-	-		-	-	(11,928,638)	-	-	**(11,928,638)**
Other comprehensive income for the year		-	-	-	-	-		-	-	-	40,251	-	**40,251**
Balance at December 31, 2017		**70,201,090**	**$ 10,357,984**	**$ 881,115**	**$ 1,324,734**	**$ -**	**$ -**	**$ 156,867**	**$ 2,362,716**	**$ (12,887,646)**	**$ (41,307)**	**$ -**	**$ (208,253)**
Balance at December 31, 2017		**70,201,090**	**$ 10,357,984**	**$ 881,115**	**$ 1,324,734**	**$ -**	**$ -**	**$ 156,867**	**$ 2,362,716**	**$ (12,887,646)**	**$ (41,307)**	**$ -**	**$ (208,253)**
Shares issued for cash - private placement		42,258,049	3,340,745	-	-	-		-	-	-	-	-	**3,340,745**
Warrants issued with Shares - private placement		-		1,039,139	-	-	-	-	1,039,139	-	-	-	**1,039,139**
Share issue costs		-	(150,660)	-	-	-		-	-	-	-	-	**(150,660)**
Shares issued for bonus payments		550,000	66,250	-	-	51,945	-	27,250	79,195	-	-	-	**145,445**
Shares issued for services received		348,985	40,691	-	-	-	-	-	-	-	-	-	**40,691**
Shares issued to FamCom for acquisition	7	3,000,000	240,000	-	-	-	-	-	-	-	-	-	**240,000**
Equity portion of convertible debentures	11	-	-	-	-	-	896,713	-	896,713	-	-	-	**896,713**
Shares and warrants issued for acquisition of Plasmanet	13	11,600,000	817,800	767,807	-	-	-	-	767,807	-	-	-	**1,585,607**
Reclassification of grant date fair value on expired warrants	13	-	-	(120,155)	-	-	-	120,155	-	-	-	-	**-**
Reclassification of grant-date fair value on expired, forfeited or cancelled options	13	-	-	-	(1,127,493)	-	-	1,127,493	-	-	-	-	**-**
Share-based payments	13	-	-	-	419,707		-		419,707	-	-	-	**419,707**
Net loss for the period		-	-	-	-	-	-	-	-	(16,057,269)	-	(679,420)	**(16,736,689)**
Other comprehensive Loss for the period		-	-	-	-	-	-	-	-		(722,733)	(43,840)	**(766,573)**
Non-controlling interest on acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	(35,024)	**(35,024)**
Balance at December 31, 2018		**127,958,124**	**$ 14,712,810**	**$ 2,567,906**	**$ 616,948**	**$ 51,945**	**$ 896,713**	**$ 1,431,765**	**$ 5,565,277**	**$ (28,944,915)**	**$ (764,040)**	**$ (758,284)**	**$ (10,189,152)**

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

LottoGopher Holdings Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the years ended December 31, 2018	December 31, 2017
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the year	**$ (16,736,689)**	$ (11,928,638)
Adjustments for items not affecting cash:		
Amortization	**-**	11,381
Depreciation	**31,413**	20,564
Share-based payments	**40,691**	2,239,714
Share-based compensation	**565,153**	-
Interest expense - promissory notes payable	**1,787**	10,984
Accretion on convertible debt	**159,570**	-
Accretion of Prize liability	**213,021**	-
Write off of assets	**11,709,184**	-
Listing expense	**-**	4,744,249
	(4,015,870)	(4,901,746)
Net changes in non-cash working capital items:		
Accounts receivable	**43,036**	(99,329)
Prepaid expenses	**59,401**	192,125
Deposits	**24,837**	-
Accounts payable and accrued liabilities	**(20,037)**	8,478
Prize liabilities	**(308,314)**	13,582
Deferred revenue	**764**	11,800
Net cash flows used in operating activities	**(4,216,183)**	(4,775,090)
FINANCING ACTIVITIES		
Shares issued for cash - private placement	**4,229,223**	4,352,210
Share issue costs (cash)	**-**	(287,577)
Shares issued for cash - warrant exercise	**-**	577,200
Loan payable, net of repayments	**(102,315)**	418,129
Net cash flows from financing activities	**4,126,908**	5,059,962
INVESTING ACTIVITIES		
Purchase of equipment	**-**	(102,335)
Purchases of intangible assets	**(5,646)**	-
Cash assumed on acquisition	**455,492**	-
Net cash flows from (used in) investing activities	**449,846**	(102,335)
Effects of exchange rate changes on cash	**37,321**	8,358
Change in cash	**397,892**	190,895
Cash, beginning of period	**201,833**	10,938
Cash, end of period	**$ 599,725**	$ 201,833

Supplemental cash flow information (note 15)

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

LottoGopher Holdings Inc. (the "Company" and "LottoGopher"), formerly Red Hat Investments, Inc., was incorporated under the Business Corporations Act (British Columbia) on February 10, 2016.

The Company's head office, principal address and registered address and records office is 1055 West Georgia Street, 1500 Royal Centre, Vancouver, BC, V6E 4N7, Canada. The Company's common shares (the "Common Shares") trade on the Canadian Securities Exchange (the "CSE") under the ticker symbol "LOTO", on the Frankfurt Stock exchange (Die Frankfurter Wertpapierbörse – "FWB") under the ticker symbol "2LG" and through the OTCQB under the ticker symbol "LTTGF".

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company incurred a net loss for the year ended December 31, 2018 of $16,736,689 and at that date the Company had a cumulative deficit of $28,944,915 and a working capital deficiency of $1,772,885. The Company's ability to continue as a going concern and fund future business activities is dependent on obtaining additional financing through the issuance of debt or common shares, and to generate profit through its operations. Management is working diligently to complete a reverse takeover and an offering of common shares (see note 5). There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the company. These consolidated financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company was unable to continue operations. Management believes that with the support of Bravio the Company has sufficient working capital to continue operations on a going concern business for at least the next twelve months.

On July 18, 2018 the Company completed an acquisition of 88% of the controlling shares of PlasmaNet Inc. ("PlasmaNet"). PlasmaNet is global online database company providing a direct marketing model that offers both free membership as well as a paid subscription service to conduct its online sweepstakes games. These consolidated financial statements include the financial position, results of operations and cash flows of PlasmaNet subsequent to its acquisition.

On November 2 2018 LottoGopher and the subsidiary Galaxy Group LA, LLC halted its operations of online lottery ticket sales (see note 22).

These consolidated financial statements for the year ended December 31, 2018 were approved by the Board of Directors on October 28, 2019, at which date the consolidated financial statement was approved and authorized for issue.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance

These audited consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries of the Company:

- LottoGopher US Holdings Inc. (“LottoGopher US”) - wholly owned
- Galaxy Group LA, LLC (“Galaxy”) - wholly owned
- LottoJar Inc. - wholly owned
- PlasmaNet - 88% owned

All subsidiaries have a reporting date of December 31.

Subsidiaries

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Acquisitions and disposals

The results of businesses acquired during the reporting period are included in the consolidated financial statements from the date the control is transferred.

A subsidiary is the entity over which the Company has control, whereby control is defined as the power to direct activities of an entity that significantly affect the entity’s returns so as to obtain benefit from its activities. Control is presumed to exist where the Company has ownership of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiary is fully consolidated from the date control is transferred to the Company, and de-consolidated from the date at which control ceases.

On acquisition of a subsidiary that meets the definition of a business, the acquisition method of accounting is used to account for the acquisition as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- directly attributable transaction costs are expensed rather than included in the acquisition purchase price;
- identifiable assets acquired and liabilities assumed are measured at their fair values as at the acquisition date;
- if the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in the statements of loss and comprehensive loss as bargain price gain, and in case acquisition cost is in excess, goodwill is recognized.

All material intercompany transactions between the Company and its subsidiaries are eliminated in consolidation.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit and highly liquid short-term interest-bearing variable rate investments with an original maturity of three months or less, or which are readily convertible into a known amount of cash with no significant changes. As at December 31, 2018 and December 31, 2017, there were no cash equivalents.

Financial instruments

Effective January 1, 2018 the Company adopted IFRS 9, *Financial Instruments ("IFRS 9").*

Classification
The Company determines the classification of financial instruments at initial recognition and classifies its financial instruments in the following measurement categories:

- Those to be measured subsequently at fair value (either through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI");
- Those to be measured at amortized cost.

The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Measurement
Financial instruments at amortized cost
Financial instruments at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Currently, the Company classifies accounts receivable, deposits, accounts payable and accrued liabilities, prize liability, loan payable and promissory notes as financial liabilities at amortized cost.

Financial instruments at fair value
Financial instruments are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. The effective portion of gains and losses on financial instruments designed as hedges is included in the statements of comprehensive loss in the period in which it arise. When management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Currently, the Company classifies cash as FVTPL.

Financial instruments (continued)

Impairment
An expected credit loss ("ECL") model is applied to the assessment of financial assets. Under the ECL mode, the Company has to record an allowance for ECL either based on a 12-month ECL or on a lifetime ECL. ECLs are recognized on the following basis:

- A maximum 12 month allowance for ECL is recognized from initial recognition reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.

- A lifetime ECL allowance is recognized if a significant increase in credit risk is detected subsequent to the instruments initial recognition reflecting lifetime cash shortfalls that would result over the expected life of a financial instrument.
- A lifetime ECL allowance is recognized for credit impaired financial instruments.

Accounts receivable and accruals are subject to the ECL model.

Definition of default
For internal credit risk management purposes, the company considers a financial asset not recoverable if the customer balance owing is 120 days past due and information obtained from the customer and other external factors indicate that the customer is unlikely to pay its creditors in full.

Write off policy
A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Derecognition
Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement of loss and comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligation under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

<u>Taxation</u>

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are presented as non-current.

Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if they are dilutive.

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share-based payments

Share-based payment transactions
Employees (including directors and senior executives) of the Company, and individuals providing similar services to those performed by direct employees, receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments issued to non-employees are measured at the fair value of goods or services received.

Equity-settled transactions
The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the year in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or recovery for a year represents the movement in cumulative expense recognized as at the beginning and end of that year and the corresponding amount is represented in stock option reserve. No expense is recognized for awards that do not ultimately vest. For those awards that expire after vesting, the recorded value is transferred to contributed surplus.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share unless it is considered to be anti-dilutive.

Warrants reserve
The warrants reserve records the grant date fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to contributed surplus.

Stock options reserve
The stock options reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to contributed surplus.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

Currency translation

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined the functional currency of the Company and its subsidiaries based on the currency of the primary economic environment in which the Company operates. Following is the summary of the functional currency of the Company and its subsidiaries:

LottoGopher	Canadian dollars ("CAD")
LottoGopher US	United States dollars ("USD")
Galaxy	("USD")
LottoJar Inc.	("USD")
PlasmaNet	("USD")

The presentation currency of the Company is CAD.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the functional currency spot rate of exchange at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation of monetary assets and liabilities not denominated in the functional currency of the subsidiary are recognized in the consolidated statement of loss.

Group Companies

Assets and liabilities of entities with functional currencies other than the Canadian dollar are translated at the reporting date rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The exchange differences arising from translation are recognized in cumulative exchange differences in accumulated other comprehensive loss in equity. On disposal of an interest, the exchange difference component relating to that particular interest is recognized in the consolidated statement of loss.

Equipment

Equipment is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment to write off the carrying value of items over their expected useful lives. Depreciation is provided on a straight-line basis over the estimated useful lives of the equipment at the following annual rates:

- Equipment – 30%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Intangible assets

Intangible assets acquired separately are carried at cost at the time of initial recognition. Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Internally-generated intangible assets arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b) the intention to complete the intangible asset and use or sell it;

c) the ability to use or sell the intangible asset;
d) how the intangible asset will generate probable future economic benefits;
e) the availability of adequate technical, financial and other resources to complete the development and to use
f) or sell the intangible asset; and
g) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenses incurred from the date when the intangible assets first meet the recognition criteria listed above. If no future economic benefit is expected before the end of the life of assets, the residual book value is expensed. Subsequent to initial recognition, internally-generated intangible assets are reported at cost, net of accumulated amortization and impairment losses.

Where no internally-generated intangible asset can be recognized, development costs are recognized as an expense in the period in which it is incurred.

The Company's intangible assets were acquired through the acquisitions of LottoJar Galaxy and PlasmaNet (Note 7). The intangible assets have finite life and were amortized using the straight line method over five years.

The impairment test for intangible assets is based on internal estimates of fair value less costs of disposal and uses valuation models such as the discounted cash flow model. Key assumptions on which management has based its determination of fair value less costs of disposal include estimated growth rates, discount rates and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any intangible asset impairment.

Whenever property and equipment and intangible assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

Prize Liabilities

Prizes are paid out over set periods depending on lottery game played and amount won. Prizes up to $50,000 paid over 3 months, Prizes of $100,000 are paid over 5 years, prizes of $1,000,000 are paid over 25 years and prizes of $10,000,000 are paid over 40 years. Prizes paid over a period of one year are discounted at 12%.

Promissory notes

The components of the compound financial instruments (promissory notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and equity instrument. The conversion option that will be settled by the exchange of a fixed amount in cash for a fixed number of equity instruments of the Company is classified as an equity instrument. At the issue date, the liability component is recognized at fair value, which is estimated using the effective interest rate on the market for similar nonconvertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest rate until it is extinguished or conversion or maturity.

The value of the conversion option classified as equity is determined at the issued date, by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of tax effects, and is not revised subsequently. When the conversion option is exercised, the equity component of the promissory notes will be transferred to share capital. No profit or gain is recognized to the conversion of expiration of the conversion option.

Transaction costs related to the issuance of the convertible debentures are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying value of the liability component and amortized over the estimated useful life of the debentures using the effective interest rate method.

Revenue recognition

Revenue consists primarily of membership fees charged to members for usage of the Company's platform to purchase lottery tickets online.

The Company previously recognized revenue under IAS 18 *Revenue* when persuasive evidence of an arrangement existed, significant risk and benefits of ownership were transferred, the sale price to the customer was fixed or was determined, and collection of the resulting receivable was reasonably assured.
Under IFRS 15 *Revenue from Contracts with Customers,* revenue is recognized when a customer obtains control of the goods or services. The Company determines revenue recognition through the following steps:

- identification of the contract with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue with the Company satisfies a performance obligation.

The Company does not recognize revenue arising from the sale of lottery tickets as it is acting as an agent on these transactions, collecting amounts on behalf of a third party.

Determining whether revenue of the Company should be reported gross or net is based on a continuing assessment of various factors, the primary factors being whether the Company is acting as the principal in offering services to the customer or whether the Company is acting as an agent in the transaction. The Company has determined that it is acting as agent on the sale of lottery tickets as the Company:

- is not the primary obligor in the arrangement;
- does not have latitude in establishing the selling price;
- does not have discretion in supplier's selection; and
- does not have involvement in the determination of product specifications.

Revenue from yearly memberships are deferred and allocated evenly over the contract term including portions relating to the following fiscal year.

Payments received in advance of the satisfaction of the Company's revenue recognition criteria are recorded as deferred revenue.

Leases

Leases where substantially all the risks and rewards of ownership of the asset are not transferred to the Company are classified as operating leases. Operating lease payments are recognized as an expense on straight-line basis over the related lease term.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle, a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

3. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Expected credit losses
The Company's accounts receivable are short-term in nature and the Company recognizes an amount equal to the lifetime ECL on receivables for which there has been a significant increase in credit risk since recognition. The Company measures loss allowances based on historical experience and including forecasted economic conditions. The amount of ECL is sensitive to changes in circumstances of forecasted economic conditions.

Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized.

Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset exceeds it recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Depreciation and Amortization
The Company's equipment and intangibles are depreciated and amortized on a straight-line basis, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net loss, and comprehensive income (loss) in future periods.

Functional currency
In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company and its subsidiaries is the Canadian dollar and United States dollar, respectively (see further details under "currency translation"), as this is the currency of the primary economic environment in which the Company operates.

Revenue recognition
Management makes judgements with regards to revenue as to whether the Company in an agency relationship as defined by IFRS 15. When it is determined that the Company is acting in the role of agent on behalf of a principal, the amounts collected on behalf of the principal are not included in revenue.

The assessment of the asset acquisitions
Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset requires the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. If an acquired set of assets and liabilities includes goodwill, the set is presumed to be a business. Based on an assessment of relevant facts and circumstances, the Company concluded that the acquisitions disclosed in Note 7 are as follows: The SMS gaming Engine is an acquisition of an asset. PlasmaNet is an acquisition of a business.

Going concern
The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

4. ADOPTION OF NEW ACCOUNTING STANDARDS AND UPCOMING CHANGES ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Adoption of new and amended accounting standards

Impact of initial application of IFRS 9, Financial Instruments

IFRS 9 Financial Instruments ("IFRS 9") became effective for effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 and the related consequential amendments to other IFRS on January 1, 2018. IFRS 9 introduced new requirements for:

1. Classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

The following table summarizes the classification of the Company's financial instruments under both standards:

	Original classification IAS 39	New Classification IFRS 9
Financial assets		
Cash	FVTPL	FVTLP
Accounts receivable	Loans and receivables, measured at amortized cost	Amortized cost
Deposit	Financial assets, measured at amortizaed cost	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Financial liabilities, measured at amortized cost	Amortized cost
Loan payable	Financial liabilities, measured at amortized cost	Amortized cost
Prize liabilitiy	Financial liabilities, measured at amortized cost	Amortized cost
Promissory notes	Financial liabilities, measured at amortized cost	Amortized cost

The above changes in classification of the Company's financial instruments had no impact on the carrying amounts.

Measurement

Due to the nature of the financial instruments, the adoption of IFRS 9 had no impact on the opening retained earnings balance as at January 1, 2018. The Company continues to measure accounts cash at FVTPL and accounts receivable, accounts payable and accrued liabilities and advances at amortized costs.

Impairment

IFRS 9 requires an ECL model as opposed to an incurred credit loss model under IAS 39. The ECL model requires the Company to account for ECLs and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

IFRS 9 requires the Company to recognize a loss allowance for ECLs on financial assets that are subsequently measured at amortized cost or fair value through other comprehensive income (FVTOCI").

The Company has performed an assessment of the ECLs on its accounts receivable on January 1, 2018. The application of IFRS 9 requirements on impairment of financial assets had no impact on the Company's allowance for credit losses on the date of the initial application of IFRS 9.

General hedge accounting

The Company does not use hedge accounting, as such the new requirement of IFRS 9 as it relates to hedge accounting had no impact on the Company's consolidated financial statements.

Impact of initial application of IFRS 15, Revenue from contracts with customers

IFRS 15, Revenue from contracts with customers ("IFRS 15") became effective for annual periods beginning on or after January 1, 2018. There was no impact on comparatives.

New accounting standards not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2018. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company:

IFRS 16 Leases

In 2016, the IASB issued IFRS 16, Leases, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The standard replaces IAS 17, Leases and related interpretations. This standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively, using either a retrospective approach or a modified retrospective approach. The Company will not adopt the standard early. Leases will be recorded on the Statement of Financial Position, except short-term leases and leases of low-value items. This will result in a material increase to both assets and liabilities upon adoption of the standard in 2019.

5. PENDING ACQUISITION OF BRAVIO TECHNOLOGIES LIMITED (THE "BRAVIO TRANSACTION")

On September 28, 2018, the Company entered a Definitive Agreement (the "Definitive Agreement") with Bravio. The Definitive Agreement proposes to combine the Bravio with the Company. If the Bravio Transaction is completed as contemplated by the Definitive Agreement, the Company would acquire all of the issued and outstanding shares of Bravio in exchange for shares of Company, which would result in the shareholders of Bravio holding approximately 79.33% of the issued and outstanding shares of the Company, calculated on a non-diluted basis, following the completion of the Bravio Transaction. Completion of the Bravio Transaction would result in the operations of the Company and Bravio combining to create a newly formed enterprise.

To facilitate the Bravio Transaction, among other things, the Company is to incorporate a new wholly-owned subsidiary ("LottoGopher Subco"), is to complete a 10:1 share consolidation and is to create preferred shares of the Company (the "LottoGopher Pref Shares"). Pursuant to the Definitive Agreement, the following transactions are to occur sequentially on the closing date of the Bravio Transaction (the "Effective Date") in the following order:

(Expressed in Canadian Dollars)

1. LottoGopher Subco and Bravio are to amalgamate under the provisions of the Business Corporations Act (British Columbia) (the "Amalgamation").
2. Because of the Amalgamation, each of the issued and outstanding shares of Bravio (other than those held by dissenting Bravio shareholders, each of whom will be entitled to fair value) are to be exchanged for 0.457505011 LottoGopher common shares and 0.027536918 LottoGopher Pref Shares.
3. Each issued and outstanding share of LottoGopher Subco is to be exchange for one share of the amalgamated entity.

Following the completion of the Bravio Transaction, all outstanding Bravio options and common share purchase warrants are to be exchange for options or common share purchase warrants to acquire the applicable number of the Company's shares in accordance with their terms. In addition, following the completion of the Bravio Transaction and subject to meeting the listing requirements of the CSE, the Company's shares are to continue to be listed on the CSE.

The Completion of the Bravio Transaction is subject to a number of conditions as set forth in the Definitive Agreement, including (without limitation), the approval of the shareholders of the Company and Bravio, the completion of a proposed financing of $1,500,000 by Bravio, and the receipt of all requisite regulatory, court and CSE approvals, including the approval of the Bravio Transaction as a "Fundamental Change" (as defined in the policies of the CSE). Shareholder approval was obtained at a meeting of the shareholders of the Company on April 30, 2019.

The Company is to issue 730,560 options to its financial advisors upon completion of the Bravio Transaction. Each option is to entitle the holder thereof to subscribe for one common share of the Company at an exercise price of $0.3525 per common share until March 8, 2023.

6. EQUIPMENT

Equipment is comprised of the following:

		2018		2017
Cost				
Opening Balance	$	95,919	$	-
Additions		39,445		102,335
Asset write-off		(104,260)		-
Effect of movements in exchange rates		9,124		(6,416)
Balance as at December 31	**$**	**40,228**	**$**	**95,919**
Depreciation				
Opening Balance	$	(19,887)	$	-
Charged for the year		(27,566)		(20,564)
Eliminated on write-off		46,410		-
Effect of movements in exchange rates		(2,916)		677
Balance as at December 31	**$**	**(3,959)**	**$**	**(19,887)**
Net book value				
Balance as at December 31	**$**	**36,269**	**$**	**76,032**

(Expressed in Canadian Dollars)

7. INTANGIBLES

Intangibles are comprised of the following:

		Goodwill		SMS Gaming engine		Total
Opening Balance Jan 1, 2017	$	58,848	$	-	$	58,848
Effect of movements in exchange rates		(3,868)		-		(3,868)
Balance as at December 31, 2017		54,980		-		54,980
Additions		11,204,234		432,642		11,636,876
Asset write-off		(11,340,570)		(438,289)		(11,778,859)
Effect of movements in exchange rates		81,356		5,647		87,003
Balance as at December 31, 2018		-		-		-
Accumulated Amortization						
Opening Balance Jan 1, 2017		(5,812)		-		(5,812)
Amortization		(11,381)		-		(11,381)
Effect of movements in exchange rates		738		-		738
Balance as at December 31, 2017		(16,455)		-		(16,455)
Amortization		-		-		-
Impairment		16,498		-		16,498
Effect of movements in exchange rates		(43)		-		(43)
Balance as at December 31, 2018		-		-		-
Net Book Value December 31, 2017		38,525		-		38,525
Net Book Value December 31, 2018	$	-	$	-	$	-

SMS-Based Gaming Software

On May 22, 2018, the Company acquired a SMS-ENGINE, a text-based gaming engine for use in lottery, sports betting and sweepstakes from FamCom Inc. (“FamCom”).

In consideration for the acquisition, the Company was to:

i. Pay Famcom US$150,000 (equivalent to $204,630 as of December 31,2018), following the closing date and within five days of the Company completing a financing or financings for aggregate gross proceeds of at least C$1,000,000, provided that such payment must be made within 10 days of the closing date of the acquisition; and
ii. issue 3,000,000 common shares to Famcom. (Issued May 29th, 2018 with a fair value of $240,000)

The Company incurred legal fees of $5,646 which were capitalized as the cost of the intangible asset.

During the year ended December 31, 2018, the carrying value of intangible asset was deemed to be zero and $438,289 has been written off. (December 31, 2017 – $nil).

(Expressed in Canadian Dollars)

Goodwill

The subsidiary PlasmaNet was acquired July 18th 2018. On consolidation Goodwill comes from a PlasmaNet prior acquisition on August 29th, 2014. This represents the excess purchase price over the fair value of net assets acquired subsequent to the allocation of fair values to all assets and Liabilities of the Company.

It was determined Goodwill was impaired as at December 31, 2018 and $5,693,496 was written off (December 31, 2017 – $nil).

PlasmaNet Acquisition

On July 18, 2018 the Company acquired 88% of the common shares of PlasmaNet. In consideration for the acquisition, the Company issued the following to PlasmaNet Shareholders:

i. 11,600,000 common shares of LottoGopher at a deemed price of CAD $0.0705 per share.
ii. Convertible note in the aggregate principal amount of CAD$1,496,655 convertible into LottoGopher Common shares at a deemed price of CAD$0.0705 per share.
iii. Secured promissory note in the aggregate principal amount of US$1,760,000 million (CAD $2,324,478)
iv. Warrants to purchase 16,413,071 LottoGopher common shares, with each warrant entitling the holder to acquire one common share for CAD$0.141 per share.

The purchase price was based on the value of PlasmaNet's Database as it contributed to operations less its net deficit asset position. This attributes all of the value paid for the PlasmaNet shares to the Database intangible asset. The consolidated intangible asset was calculated at $5,647,074 (December 31, 2017 – $nil) and the intangible asset was written off as of December 31, 2018.

The Company performed its annual asset impairment tests as at December 31, 2018. Management determined that the carrying amount of the cash-generating operations did not support their value. The asset value exceeded its recoverable amount, which was based on its (fair value less disposal costs or value in use). Accordingly, a total goodwill/intangible asset impairment charge of $11,778,859 was recognized for the year ended December 31, 2018 (December 31, 2017 – $nil).

Additional impairments to assets totaled $1,011,726 (December 31, 2017 – $nil). The total asset impairment charge of $12,790,585(December 31, 2017 – $nil) is included in the consolidated statement of loss and details are provided in this table.

		2018		2017
Goodwill	$	**5,647,074**	$	-
LottoGopher SMS gaming engine		**438,289**		**-**
PlasmaNet intangible asset		**5,693,496**		**-**
LottoGopher impaired assets		**684,332**		**-**
Galaxy impaired assets		**327,394**		**-**
Net Asset Write off	**$**	**12,790,585**	$	-

The recoverable amounts of the Company's cash generating units (CGUs are based on their future expected cash flows. The projected cash flows used in impairment testing are significantly affected by changes in assumptions. The Company's impairment testing was based on current future operational income.

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised as follows:

	2018	2017
Trade payables	**$ 1,159,590**	$ 378,354
Due to related parties	**547,193**	74,929
Accrued liabilities	**75,787**	27,219
Interest payable	**30,482**	30,482
Total	**$ 1,813,052**	$ 510,984

Included in trade payables is the outstanding amount payable to FamCom of $204,630 as at Dec 31st,2018.

9. DEFERRED REVENUE

	2018	2017
Opening Balance	**$ 11,412**	$ -
Add: Yearly membership subscriptions	**23,859**	20,382
Less: Recognized as revenue	**(23,300)**	(8,581)
Effect of movements in exchange rates	**1,195**	(389)
Balance as at December 31	**$ 13,166**	$ 11,412

10. LOAN PAYABLE

	2018	2017
Opening Balance	**$ 94,130**	$ 550,903
Add: Issuance	**-**	90,843
Add: Loan from LottoGopher prior to acquisition	**-**	364,295
Less: Shares issued for settlement	**-**	(131,004)
Less: Elimination of intercompany loan due to LottoGopher	**-**	(778,425)
Less: Repayment	**(94,819)**	**-**
Effect of movements in exchange rates	**689**	(2,482)
Balance as at December 31	**$ -**	$ 94,130

11. PROMISSORY NOTES

In 2016 three promissory notes were issued in USD for $5,000 accruing interest at 8%. The outstanding balance is $24,621 (December 31, 2017 – $20,917).

On July 18, 2018, as part of the Acquisition of PlasmaNet, the Company entered into the following two promissory note agreements:

An unsecured promissory note with a principal balance of CAD$1,496,655 convertible into the Company's common shares, at the option of the Company, at a price of CAD$0.0705 per share. The promissory note is non-interest bearing and has a maturity date of July 18, 2021.

(Expressed in Canadian Dollars)

A secured promissory note with a principal balance of US$1,760,000 million convertible into the Company's common shares, at the option of the Company, calculated as the amount of the principal balance converted into Canadian, and divided by the 5-day volume weighted average trading price market price of the common shares on the Canadian Stock Exchange. The promissory note bears interest at 6% per annum, having a maturity date of July 18, 2021.

These convertible promissory notes are accounted for according to the substance of the transaction and include both a liability component and an equity component. The initial liability component of $2,923,846 was calculated at the present value of interest payments and expected return of capital of 12% representing the interest rate that would have been charged for a nonconvertible promissory note. The equity component of $896,713 was measured based on the residual value of the instrument taken as a whole after deducting the amount determined separately for the liability component.

The following table reconciles the recorded value of the equity components of the convertible note and secured note together as they are ultimately convertible into common shares in the same manner:

	Liability	Equity	Total
Balance, December 31, 2016	$ 235,207	$ -	$ 235,207
Interest expense	10,984	-	10,984
Shares issued for settlment	(205,319)	-	(205,319)
Effect of movements in exchange rates	(19,955)	-	(19,955)
Balance, December 31, 2017	**20,917**	**-**	**20,917**
Issued	**2,923,846**	**896,713**	**3,820,559**
Interest expense	**64,793**	**-**	**64,793**
Accretion expense	**159,970**	**-**	**159,970**
Effect of movements in exchange rates	**69,046**	**-**	**69,046**
Balance, December 31, 2018	**$ 3,238,572**	**$ 896,713**	**$ 4,135,285**

12. PRIZE LIABILITIES

The Company records a liability and related prize expense at the present value of the sweepstakes prizes to the $100,000, $1,000,000, and $10,000,000 winners upon authentication. All other prizes are accrued at full value when the winners are identified. The Company discounts the Liability at a rate of 12.0%.

	2018	2017
Current prize liability	**$ 1,285,019**	$ 13,582
Prize Liability 1-3 years	**656,581**	-
Prize Liability 3-5 years	**722,995**	-
Prize Liability + 5 years	**3,834,387**	-
Long term prize liability	**5,213,964**	-
Total Prize Liability	**$ 6,498,983**	$ 13,582

13. SHARE CAPITAL

a) Authorized share capital
Unlimited number of common shares without par value.

b) Issued share capital
At December 31, 2018, the Company had 127,958,124 (December 31, 2017 – 70,201,090) common shares issued and outstanding.

During the year ended December 31, 2018

- On January 22, 2018, the Company completed a private placement and issued 22,009,649 units ("Units") at a price of $0.13 per share for gross proceeds of $2,861,254. Each Unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional share at a price of $0.25 per share for a period of 5 years from January 22, 2018.

  In connection with the private placement, the Company paid a cash commission of $150,068 and issued 883,916 finder's warrants ("Finder's Warrants") to the agents. Each Finder's Warrant will entitle the holder thereof to subscribe for one common share of the Company at an exercise price of 0.25 per common share of the Company until January 22, 2023.

- On February 4th, March 10th, and May 7th 2018, the Company issued 50,000 common shares on each date with a net fair value of $23,750 to the Company's investor relations consultant.

- On March 13, 2018, the Company issued 350,000 common shares with a fair value of $54,250 to the Company's CEO. (see note 14).

- On May 29, 2018, the Company issued 3,000,000 common shares to FamCom with a fair value of $240,000 (see note 6).

- On June 5, 2018, the Company completed a private placement and issued 17,000,000 common shares at a price of $0.075 per share for gross proceeds of $1,275,000.

  In connection with the private placement, the Company incurred shares issue costs of $3,824.

- On July 11, 2018, the Company issued 3,248,400 common shares at a price of $0.075 per share for gross proceeds of $243,630.

- On July 18, 2018 the Company completed the acquisition of PlasmaNet issuing 11,600,000 common shares at a price of $0.0705 per share with a fair value of $817,800.

- On August 1, 2018, the Company issued 198,985 common shares with a fair value of $16,941 to the Company's investor relations consultant.

- On August 2, 2018, the Company issued 200,000 common shares with a fair value of $12,000 to the Company's CEO (see note 15).

(Expressed in Canadian Dollars)

During the year ended December 31, 2017

- On May 18, 2017, the the reverse acquisition of LottoGopher was completed. The Company acquired all of the issued and outstanding shares of Galaxy in exchange for an aggregate of 20,000,000 common shares of the Company, including 1,516,890 common shares issued to settle debts of Galaxy in the amount of $379,223.

- On May 18, 2017, the Company issued 171,600 common shares to LottoJar to settle the consideration payable of $42,900.

- On May 18, 2017, the Company issued 524,014 common shares to settle the loan payable of Galaxy of $131,004 (see note 10).

- On May 18, 2017, the Company issued 524,014 common shares to settle the promissory notes of Galaxy of $205,319 (see note 11).

- On May 18, 2017, the Company completed the private placement for an aggregate of 14,023,000 common shares and 7,011,500 common share purchase warrants. Each warrant entitles the holder to acquire one common share at an exercise price of $0.40 per share prior to May 18, 2018, subject to acceleration in the event that the common shares trade at a price greater than $0.50 for ten consecutive trading days.

  In connection with the private placement the Company paid aggregate finders' fees of $255,244 in cash and issued finders an aggregate of 1,150,200 share purchase warrants. Each finder's warrant entitles the holder to acquire on common share. The exercise price and expiry date of each finders' warrant are ranged from $0.25 to $0.40 per share and from November 15, 2017 to March 31, 2018 respectively. The Company estimated the fair value of finders' warrants using the Black Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate		0.66%
Expected annual volatility		150.00%
Expected life (in years)		0.764
Expected dividend yield		0%
Share price	$	0.28
Exercise price	$	0.41

  $127,756 was recorded as share issuance costs.

- On May 18, 2017, convertible debentures with a carrying value and principal value of $988,965 and $1,024,000, respectively, were converted into 10,240,000 common shares and reclassified to share capital.

- On May 18, 2017, the Company issued 695,360 common shares with a fair value of $173,84 to certain management and consultants of the Company as bonus payments. These amounts have been recognized as share-based payments in the statement of loss and comprehensive loss during the year ended December 31, 2017.

- On May 18, 2017, the Company issued 1,226,250 common shares to settle accounts payable of $305,563.

(Expressed in Canadian Dollars)

- On November 7, 2017, the Company issued 100,000 common shares with a fair value of $20,500 to the Company's investor relations consultant.

- On December 22, 2017, the Company completed a private placement and issued 6,511,229 units at a price of $0.13 per unit for gross proceeds of $846,460. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional share at a price of $0.25 per share for a period of 5 years from December 22, 2017.

  In connection with the private placement, the Company paid aggregate finders' fees of $32,333 in cash and issued finders an aggregate of 135,240 share purchase warrants. Each warrant entitles the holder to acquire an additional share at a price of $0.25 per share for a period of 5 years from December 22, 2017. The Company estimated the fair value of finders' warrants using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate		1.78%
Expected annual volatility		150.00%
Expected life (in years)		5.000
Expected dividend yield		0%
Share price	$	0.145
Exercise price	$	0.25

  $17,321 was recorded as share issuance costs.

c) Warrants

The changes in warrants during the year ended December 31, 2018 are as follows:

	2018			2017		
	Warrants outstanding		**Weighted average exercise price**	**Warrants outstanding**		**Weighted average exercise**
Opening Balance	**15,292,169**	**$**	**0.35**	-	**$**	-
Granted	**39,306,636**		**0.20**	17,805,169		0.37
Expired	**(6,795,700)**		**0.40**	(1,070,000)		0.57
Exercised	-		-	(1,443,000)		0.40
Balance, December 31	**47,803,105**	**$**	**0.22**	15,292,169	$	0.35

In addition to the warrants issued January 22, 2018 as disclosed in note 12(b), The Company estimated the fair value of the 22,893,565 warrants at $1,039,139 using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate		2.09%
Expected annual volatility		122.00%
Expected life (in years)		5.0000
Expected dividend yield		0.00%
Share price	$	0.22
Exercise price	$	0.25

(Expressed in Canadian Dollars)

On July 18, 2018 Company issued 16,413,071 warrants as part of the acquisition of PlasmaNet. The warrants have an exercise price of $0.141 and expiry date of July 18, 2021.

The Company estimated the fair value of the 16,413,071 warrants at $767,807 using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate		1.98%
Expected annual volatility		133.94%
Expected life (in years)		3.000
Expected dividend yield		0.00%
Share price	$	0.07
Exercise price	$	0.14

The total fair value of $ Nil, ($894,480 December 31 2017) was charged to statement of loss and comprehensive loss as share-based payments in connection with warrants during the year ended December 31, 2018.

The following summarizes information about warrants outstanding at December 31, 2018:

Expiry date	**Warrants outstanding**		**Exercise price**		**Estimated grant date fair value**	**Weighted average remaining contractual life (in years)**
June 20, 2019	1,400,000	$	0.630	$	629,547	0.47
September 12, 2020	450,000		0.385		114,092	1.70
December 22, 2022	6,646,469		0.250		17,321	3.98
January 22, 2023	22,893,565		0.250		1,039,139	4.06
July 18, 2021	16,413,071	$	0.141		767,807	2.55
	47,803,105			**$**	**2,567,906**	**3.40**

d) <u>Stock options</u>

Under the Company's stock option plan, the Board of Directors may grant options for the purchase of up to a total of 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan may vest over a period of time at the discretion of the board of directors. Under the plan, the exercise price of each option equals the market price of the Company's stock as determined on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value of the Company's common shares on the date of the grant.

(Expressed in Canadian Dollars)

The changes in options for the year ended December 31, 2018 are as follows:

	2018			2017		
	Number outstanding		Weighted average exercise price	Number outstanding		Weighted average exercise price
Opening Balance	**5,023,268**	**$**	**0.31**	-	$	-
Granted	2,850,000		0.20	5,023,268		0.31
Expired	(250,000)		0.47	-		-
Forfeited	(4,171,469)		0.29	-		-
Balance, December 31	**3,451,799**	**$**	**0.24**	5,023,268	$	0.31

During the year ended December 31, 2018, the Company granted 2,850,000 stock options to certain of its directors, officers, consultants and advisory board members with an exercise price of $0.20. The options are exercisable for a period of five years. The options are fully vested immediately at the date of grant.

During the year ended December 31, 2018, 4,421,469 options expired unexercised.

The following summarizes information about stock options outstanding and exercisable December 31, 2018:

Expiry date	Options outstanding	Options exercisable		Exercise price		Estimated grant date fair value	Weighted average remaining contractual life (in
May 18, 2022	2,451,799	2,295,549	$	0.25	$	556,796	3.38
March 14, 2023	1,000,000	1,000,000	$	0.20		123,632	4.20
	3,451,799	**3,295,549**			**$**	**680,428**	**3.62**

The estimated grant date fair value of the options granted during the year ended December 31, 2018 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the year ended			
		December 31, 2018		December 31, 2017
Risk-free interest rate		1.98%		0.91%
Expected annual volatility		126%		150%
Expected life (in years)		3.00		4.88
Expected dividend yield		0.00%		0%
Share price	$	0.15	$	0.31
Exercise price	$	0.20	$	0.31

For the year ended December 31, 2018, the Company recognized share-based payments expense related to the issuance of stock options of $419,807 ($1,324,734 – December 31, 2017)

e) <u>Performance shares</u>

On March 12, 2018, the Company entered into an amended employment agreement with its then CEO, James Morel, pursuant to which Mr. Morel was to receive an annual salary of USD $250,000 and share awards of an aggregate of up to 950,000 common shares, with 350,000 common shares being issued upon entering into the agreement (March 13, 2018) and an additional 200,000 common shares being issued on the dates that are 6 months (August 1, 2018), 12 months (February 1, 2019) and 18 months from the date of the agreement (August 1, 2019), subject to Mr. Morel remaining as an employee of the Company. Mr. Morel resigned Jan 28th, 2019 forgoing the remaining performance shares.

(Expressed in Canadian Dollars)

The Company determined the fair value of the bonus shares $161,500 based on the market value of the common shares at the date of approval. These amounts are recognized evenly over the eligibility period and adjusted to current market value when shares are issued.

For the year ended December 31, 2018, the Company recognized $186,036 as share-based payments for executives and consultants in the statement of loss and comprehensive loss.

For the year ended December 31, 2018, 550,000 common shares were issued pursuant to the agreement. In addition, the Company reclassified the market value of the shares of $66,250 from reserve to share capital.

14. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined its key management personnel to be executive and non-executive officers and directors of the Company.

The remuneration of key management personnel during the years ended December 31, 2018 and 2017 were as follows:

	For the years ended	
	December 31, 2018	December 31, 2017
Consulting fees	**$ -**	$ 103,338
Directors' fees	**12,990**	69,517
Professional fees	**204,512**	208,863
Salaries and benefits	**471,210**	279,017
Share-based payments		
- Shares	**145,445**	173,840
- Options	**-**	711,875
	$ 834,157	$ 1,546,450

The Company paid professional fees of $189,512 (December 31, 2017 – $198,863) to Quantum Advisory Partners LLP for accounting services, a company whose incorporated partner was the Company's Chief Financial Officer. At December 31, 2018, included in accounts payable is $76,166 (December 31, 2017 – $34,716) due to Quantum.

The Company paid professional fees of $15,000 (December 31, 2017 – $10,000) to the Corporate Secretary. At December 31, 2018, included in accounts payable is $6250, (December 31, 2017 – $2,625) due to the Corporate Secretary.

For the year ending December 31, 2018 the Company paid a salary of $312,554 (2017 – $279,017) to the Chief Executive Officer. In addition, the Company has issued a total of 550,000 common shares with a grant date fair value of $93,500 to the then CEO (2017 – 357,760 common shares with a fair value of $89,440). At December 31, 2018, included in accounts payable is $87,036 (December 31, 2017 – $80,607) payable to the then CEO.

(Expressed in Canadian Dollars)

During the year ended December 30, 2018, the Company repaid the loan payable of US$75,000 which was advanced by the Company's then CEO on November 20, 2017.

For the period July 18, 2018 to December 31, 2018 the Company's subsidiary PlasmaNet paid a salary of $158,656 (2017 – $Nil) to its Chief Executive Officer. At December 31, 2018, included in accounts payable is $377,428 (December 31, 2017 – $Nil) representing salaries payable to the CEO prior to the acquisition on July 18th 2018 and up to December 31, 2018 which the Company assumed on acquisition.

For the year ended December 31, 2018 the Company has paid directors' fees of $12,990 (December 31, 2017 – $69,517). At December 31, 2018, included in accounts payable and accrued liabilities is $nil (December 31, 2017 – $37,588) of accrued directors' fees.

15. SUPPLEMENTAL CASH FLOW INFORMATION

	For the years ended	
	December 31, 2018	December 31, 2017
Issuance of common shares for acquisition	**$ 817,800**	$ 3,990,562
Issuance of common shares in settlement of accounts payable	**-**	306,563
Issuance of common shares in settlement of consideration payable	**-**	42,900
Issuance of common shares in settlement of promissory notes payable	**-**	205,319
Issuance of common shares in settlement of loan payable	**-**	131,004
Issuance of common shares on conversion of convertible debentures	**-**	988,965
Fair value of finders' warrants	**40,121**	145,077
Fair value of warrants issued for acquisition	**767,807**	
Fair value of Warrants issued with Shares - private placement	**999,018**	
Shares issued for bonus payments	**66,250**	-
Shares issued to FamCom for acquisition	**240,000**	-
Reclassification of grant date fair value on exercise of warrants from reserves to share capital	**-**	1,575
Reclassification of grant-date fair value on expired of stock options from reserves to retained earnings	**1,127,493**	156,867
Reclassification of grant date fair value on expired warrants	**120,155**	-
Elimination of amounts due from Galaxy Group LA, LLC	**$ -**	$ 778,425

16. COMMITMENTS

Leases

PlasmaNet leased office space on a month to month basis, up to March 31st, 2018. PlasmaNet entered into a co-working space agreement, effective April 1st, 2018 and expiring March 2023. This agreement requires the company to pay all executor costs such as maintenance, insurance and real estate taxes. Rent expense, net of sublease for the period ending December 31st, 2018 $112,547 (December 31, 2017 $172,864 prior to acquisition).

PlasmaNet has pledged $15,347 in a restricted Cash account as security under its co-working space agreement.

The future minimum lease payments under the co-working space agreement are as follows:

(Expressed in Canadian Dollars)

Year		
2019	$	67,937
2020	$	71,211
2021	$	74,485
2022	$	77,760
2023	$	19,645
Net Lease Commitments	**$**	**311,038**

17. NON CONTROLING INTEREST

The Company owns a 88% controlling interest in PlasmaNet; the remaining 12% is held by FreeLotto Holdings LLC and accounted for as a non-controlling interest. Financial information related to PlasmaNet is as follows:

		December 31, 2018		December 31, 2017
Current assets	**$**	**153,804.48**	$	-
Long term assets		**4,352**		-
Current liabilities		**290,767**		-
Long term liabilities	**$**	**625,676**	$	-

		July 18, 2018 - December 31, 2018		2017
Loss for the period	**$**	**(679,420)**	$	-
Other comprehensive income (loss) for the period		**(43,840)**		-
Comprehensive loss for the period		**(723,260)**		-
Cash flows for the period:				
Cash flows from (used in) operating activities		**394**		-
Cash flows from financing activities		**-**		-
Net decrease in cash		**394**		
Cash, beginning of period		**54,659**		-
Effect of foreign exchange rates on cash		**2,059**		-
Cash, end of period	**$**	**57,113**	$	-

18. SEGMENTED INFORMATION

The Company operates in one reportable segment providing consumers a legally compliant option to play a free Lottery. All of the Company's non-current assets are located in the United States.

19. CAPITAL MANAGEMENT

The Company defines its components of deficiency as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

There were no changes to the Company's policy for capital management during the year ended December 31, 2018.

(Expressed in Canadian Dollars)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company and its subsidiaries are not subject to any externally imposed capital requirements.

20. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

Fair value

The Company has classified its financial instruments as follows:

		December 31, 2018		December 31, 2017
FVTPL, measured at fair value:				
Cash	**$**	**599,725**	$	201,833
Financial assets, measured at amortized cost:				
Accounts receivable and accruals		**98,835**		116,890
Deposits		**639,137**		-
Financial liabilities, measured at amortized cost:				
Accounts payable and accrued liabilities		**1,813,052**		510,984
Deferred liabilities		**103,559**		-
Loan payable		**-**		94,130
Prize liabilities		**6,498,983**		13,582
Promissory note payable	**$**	**3,238,572**	$	20,917

The carrying value of the Company's financial instruments approximate their fair value.

Fair value of Hierarchy of Financial Instruments

The Company has categorized its financial instruments that are carried at fair value, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. The types of assets and liabilities classified as Level 1 generally included cash.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs, or inputs that are derived principally from or corroborated with observable market data through correlation or other means. Currently, the Company has no financial instruments that would be classified as Level 2.

Level 3: Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs. These unobservable inputs reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability. Currently, the Company has no financial instruments that would be classified as Level 3.

Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash, accounts receivable (which comprises trade receivable of $98,835) and Security Deposits $639,137 are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at December 31, 2018, the Company's maximum exposure to credit risk is the carrying value of its financial assets.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

As at December 31, 2018, the Company had cash of $599,725 in order to meet current liabilities. Accounts payable and accrued liabilities include trade payables of $1,813,052 and current prize liabilities amount to $1,285,019. The Company is dependent on the Bravio Transaction to provide future liquidity.

Market Risk

The significant market risks to which the Company is exposed are interest rate risk and currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held mainly in interest bearing accounts.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash. A 1% change in interest rates on cash outstanding at December 31, 2018 would result in a less than $1,000 change to the Company's net loss for the year ended December 31, 2018.

The Company's promissory notes are not subject to interest rate risk as they do not contain a variable interest rate.

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by LottoGopher, which has functional currency of CAD, are not denominated in CAD and monetary assets and liabilities held by Galaxy, LottoJar and PlasmaNet, which have a functional currency of USD, are not denominated in USD. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company had the following balances in monetary assets and monetary liabilities which are subject to fluctuation against CAD:

(Expressed in Canadian Dollars)

Denominated in:		USD
Cash	$	**26,600**
Accounts payable and accrued liabilities		**(52,029)**
Loan payable		**(150,000)**
Promissory notes		**(1,808,316)**
		(1,983,745)
Foreign currency rate		1.3642
Equivalent to Canadian dollars	**$**	**(2,706,225)**

Based on the above net exposures as at September 30, 2018, and assuming that all other variables remain constant, a 10% change of the USD against the CAD would impact net loss by approximately by $270,600.

The Company had the following balances in monetary assets and monetary liabilities which are subject to fluctuation against USD:

Denominated in:		CAD
Accounts payable and accrued liabilities	$	**(6,500)**
		(6,500)
Foreign currency rate		0.7330
Equivalent to US dollars	**$**	**(4,765)**

Based on the above net exposures as at September 30, 2018, and assuming that all other variables remain constant, a 10% change of the CAD against the USD would impact net loss by approximately by $500.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk, or currency risk. The Company is not exposed to significant other price risk.

21. INCOME TAXES

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 27% (December 31, 2017 – 26%) are as follows:

	2018	2017
Loss for the Year	$ (16,733,507)	$ (11,928,638)
Expected income tax recovery at the statutory Tax rate	(4,518,000)	(3,101,000)
Variation in foreign tax rate	(183,000)	81,000
Writeoff of intangibles	3,653,000	1,841,000
Permanent differences	(13,818)	46,000
Share issue cost	(41,000)	(75,000)
Loss on unbooked deferred tax assets	1,106,000	1,208,000
Total income tax expense (recovery)	**$ 3,182.00**	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2018	Expiry date Range		2017	Expiry date Range
Temporary Differences						
Share issue Costs	$	367,000	2038 to 2042	$	247,000	2038 to 2041
Non-capital losses available for future periods		4,698,000	2024 to 2038		2,978,000	2024 to 2037
	$	5,065,000		$	3,225,000	

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company will be able to use these benefits.

Non-capital loss balance

As at December 31, 2018, the Company has non-capital losses in Canada, which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses, stated in Canadian dollars, expire as follows:

Year of expiration		
2036	$	308,000
2037		2,670,000
2038		1,720,000
	$	4,698,000

22. SUBSEQUENT EVENTS

Resignation of directors and executive staff -

- On January 9th 2019 Mr. Savneet Singh resigned as a director. On January 28th 2019 James Morel resigned as a director, and CEO. On Feb 13 2019, Edward J. Tobin was appointed to the Board of Directors and as interim Chief Executive Officer. On the same date Mr. Zamani relinquished the CFO role to Mr. Greg Cavers. On April 1, 2019 Wayne Welter was appointed to the Board of Directors.

Loss of credit card processor -

- In January 2019 PlasmaNet lost its main credit card processor and although PlasmaNet was able to continue operations through several secondary processors it was at a significantly reduced level of operations that is unsustainable in the future.