

E-Play Digital Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2019

(Expressed in Canadian dollars)

NOTICE TO READER

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

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

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

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2019 and December 31, 2018
(Expressed in Canadian dollars)

	Notes	March 31, 2019	December 31, 2018
		\$	\$
ASSETS			
Current Assets			
Cash		2,499	148,433
Amounts receivable	10	25,859	22,314
Prepaid expenses		20,000	-
		48,358	170,747
Licenses and marketing rights	4	1	1
Intangible assets	4	2,055,580	2,055,580
		2,103,939	2,226,328
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	10	198,218	213,897
Short-term loan	5	15,002	15,613
		213,220	229,510
Loans payable	6	1,242,325	1,242,325
		1,455,545	1,471,835
SHAREHOLDERS' EQUITY			
Share capital	7	6,512,267	6,451,848
Reserves	7	560,958	524,279
Deficit		(6,359,649)	(6,159,311)
Equity attributable to shareholders		713,576	816,816
Non-controlling interest		(65,182)	(62,323)
Total equity		648,394	754,493
		2,103,939	2,226,328
Nature of operations and going concerns	1		
Contingency	11		
Subsequent event	13		

Approved and authorized for issuance by the Board of Directors on May 30, 2019:

Approved on Behalf of the Board of Directors:

/s/ Manfred G von Nostitz
Director

/s/ Trevor Doerksen
Director

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

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

Notes	Three months ended March 31, 2019	Three months ended March 31, 2018
	\$	\$
Revenue	4,636	78,667
Cost of sales	(70)	(1,180)
	4,566	77,487
General and administrative expenses		
Consulting fees	10 34,868	8,381
Foreign exchange loss (gain)	(2,444)	284
Interest expense	1,108	1,108
Investor relations	7,860	9,000
Office and miscellaneous	1,400	2,765
Management fees	10 41,765	15,000
Professional fees	10 31,805	11,557
Regulatory and transfer fees	3,280	4,108
Research and development	10 58,524	72,681
Sales and marketing	9,467	21,483
Share-based compensation	7(d) & 10 36,679	16,704
Travel	4,676	9,994
Total expenses	(228,988)	(173,065)
Other item		
Gain or loss on settlement of debts	7(b) 21,225	-
Total other item	21,225	-
Net loss and comprehensive loss	(203,197)	(95,578)
Net loss attributable to:		
Shareholders of the Company	(200,338)	(94,381)
Non-controlling interest	(2,859)	(1,197)
	(203,197)	(95,578)
Basic and diluted loss per common share	(0.00)	(0.00)
Weighted average number of common shares outstanding	56,864,279	45,872,774

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

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Share Capital		Reserves	Accumulated Deficit	Non-controlling Interest	Total
	Number of Shares	Amount				
		\$	\$	\$	\$	\$
Balance, December 31, 2017	45,872,774	5,439,832	360,507	(5,712,269)	(62,767)	25,303
Share-based compensation (Note 7(d))	-	-	16,704	-	-	16,704
Comprehensive loss	-	-	-	(94,381)	(1,197)	(95,578)
Balance, March 31, 2018	45,872,774	5,439,832	377,211	(5,806,650)	(63,964)	(53,571)
Balance, December 31, 2018	56,547,795	6,451,848	524,279	(6,159,311)	(62,323)	754,493
Exercise of warrants (Note 7(b) and 7(e))	200,000	21,000	-	-	-	21,000
Shares issued to settle debts (Notes 7(b) and 10)	606,444	39,419	-	-	-	39,419
Share-based compensation (Note 7(d))	-	-	36,679	-	-	36,679
Comprehensive loss	-	-	-	(200,338)	(2,859)	(203,197)
Balance, March 31, 2019	57,354,239	6,512,267	560,958	(6,359,649)	(65,182)	648,394

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

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

	Three months ended March 31, 2019	Three months ended March 31, 2018
	\$	\$
Operating activities		
Net loss	(203,197)	(95,578)
Adjustments for non-cash items:		
Gain on settlement of debts	(21,225)	-
Share-based payments	36,679	16,704
Unrealized foreign exchange loss (gain)	(611)	3,352
Change in non-cash working capital components:		
Amounts receivable	2,943	4,065
Prepaid expenses	(20,000)	-
Accounts payable and accrued liabilities	44,965	47,829
Net cash used in operating activities	(160,446)	(23,628)
Financing activities		
Exercise of warrants	21,000	-
Loans received	5,609	11,935
Loans repaid	(12,097)	(16,520)
Net cash provided by (used in) financing activities	14,512	(4,585)
Decrease in cash	(145,934)	(28,213)
Cash, beginning	148,433	31,516
Cash, ending	2,499	3,303
Cash paid for interest expense	-	-
Cash paid for income taxes	-	-

Supplemental cash flow information (Note 12)

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

E-Play Digital Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERNS

E-Play Digital Inc. (the "Company"), was incorporated under the Business Corporations Act in British Columbia on September 19, 2013 under the name of Organach Beverage Acquisition Corp. On August 12, 2014, the Company changed its name to Network Oncology Inc. and on June 17, 2015, the name changed to Network Life Sciences Inc. On October 6, 2016, the Company changed its name to E-Play Digital Inc. in conjunction with its acquisitions of PokerVision Media Inc. ("PV") and Mobovivo Inc. ("MV") and change of its business to developing and operating broadcast and live video technologies. The address of the registered office is 246 – 2464 Stewart Green SW, Calgary, Alberta, Canada T3H 3C8.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At March 31, 2019, the Company had a working capital deficiency of \$164,862 (December 31, 2018 – deficiency of \$58,763) and had an accumulated deficit of \$6,359,649 (December 31, 2018 – \$6,159,311) which has been funded primarily by the issuance of equity and loans from related parties. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully raise the capital to carry out its business plan. If the Company is unable to fund its future plan, its business, financial condition or results of operations could be materially and adversely affected. The success of the Company depends on its ability to profitably penetrate its target market with its new products on a sustainable basis. The Company has never generated revenue, cash flows or profits from operations.

The Company's ability to launch its operations as intended is dependent on its ability to generate revenue and raise capital sufficient to cover its marketing and other costs. All of these factors indicate a material uncertainty that raise significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standards 34 - *Interim Financial Reporting* of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"). The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2018.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the reporting and functional currency of the Company, PV and MV. The functional currency of the Company's wholly-owned subsidiary Emerald Oncology Limited is the Euro (€). These condensed interim consolidated financial statements are prepared on a historical cost basis except for certain financial instruments as described at Note 3, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

E-Play Digital Inc.
Notes to Consolidated Financial Statements
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

Consolidated financial statements include the assets, liabilities and results of operations of all entities controlled by the Company. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the Company's the consolidated financial statements. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

Name	Incorporation / acquisition date	Disposition date	Ownership %	Jurisdiction
PokerVision Media Inc.	November 21, 2016	May 18, 2017	100%	Canada
Mobovivo Inc.	December 20, 2016	N/A	96.70%	Canada
Emerald Oncology Limited	September 29, 2014	N/A	100%	Ireland

As at and for the period ended March 31, 2019, Emerald Oncology Limited was inactive.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The consolidated financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgments

i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

ii) Accounts receivables

The Company assesses the collectability of receivables on an ongoing basis. A provision for the impairment of receivables involves significant management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.

E-Play Digital Inc.
Notes to Consolidated Financial Statements
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

iii) Acquisition of assets

The assessment of whether the acquisitions should be accounted and disclosed as an acquisition of assets or acquisition of a business involved significant judgement by management of the Company.

iv) Impairment

At the end of each reporting period, the Company's intangible assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 associated with the assets being considered. The amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

v) Intellectual property

The recoverability of the carrying value of the intellectual property is dependent on successful development and commercial stage to the point where revenue is possible. The carrying value of these assets is reviewed by management when events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

Estimates

vi) Fair value of financial instruments

Management uses valuation techniques, in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are provided in the notes regarding financial assets and liabilities.

In applying the valuation techniques, management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. Such estimates include liquidity risk, credit risk and volatility may vary from the actual results that would be achieved in an arm's length transaction at the reporting date. The assessment of the timing and extent of impairment of intangible assets involves both significant judgements by management about the current and future prospects for the intangible assets as well as estimates about the factors used to quantify the extent of any impairment that is recognized.

E-Play Digital Inc.
Notes to Consolidated Financial Statements
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies

i) IFRS 16 – Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted.

The adoption of IFRS 16 did not have a material impact on the Company's financial statements.

4. INTANGIBLE ASSETS

	Brands, trademarks and others	Licenses and marketing rights	Goodwill
Cost	\$	\$	\$
Balance at December 31, 2018			
and March 31, 2019	-	1	2,055,580

5. SHORT-TERM LOAN

During the year ended December 31, 2016, the Company received \$14,169 (€10,000) from a third party as a short-term loan. As at March 31, 2019, the loan was valued at \$15,002 (December 31, 2018: \$15,613) due to foreign currency fluctuation. The loan is non-interest bearing, unsecured and is due on demand.

E-Play Digital Inc.
Notes to Consolidated Financial Statements
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

6. LOANS PAYABLE

The Company has the following loans payable as at March 31, 2019 and December 31, 2018:

As at	March 31, 2019	December 31, 2018
	\$	\$
Canada Media Fund – Production Financing Agreement (Xtra)	485,906	485,906
Canada Media Fund – Sales and Marketing Loan (Previw)	203,808	203,808
Canada Media Fund – Production Financing Agreement (Previw)	387,653	387,653
Canada Media Fund – Sales and Marketing Loan (Xtra)	164,846	164,846
Due to related parties	112	112
Total	1,242,325	1,242,325
Presented as:		
Current	-	-
Non-current	1,242,325	1,242,325

On December 20, 2016, the Company acquired 96.7% of the issued and outstanding common shares of MV resulting in an assumption of the loans payable of MV.

On May 18, 2017, the Company sold its wholly owned subsidiary, PV resulting in a derecognition of its loans payable of \$31,191.

Canada Media Fund (“CMF”) – Production Financing Agreement (Xtra)

On September 29, 2011, the Company’s subsidiary, MV, entered into a Production Financing Agreement with CMF. Total amount to be invested by CMF was \$539,895 (the “Investment”), representing 75% of the production budget. Investment was made in three separate payments. Payments are made upon receipt of three progress and cost reports from MV.

During 2013, MV determined that Xtra was no longer financially feasible and therefore terminated the production progress. As a result, MV received a total of \$485,906 in two separate payments.

Should MV determine to complete Xtra in the future, CMF is entitled to recoupment. Recoupment is capped at a maximum of 50% of revenues from Xtra.

In the event of default, the CMF has the right, but not the obligation, to reduce the Investment and, if any portion of the reduced amount has previously been advanced to MV, require immediate repayment of such amount with interest at the rate of prime plus 1% per annum as set by the Bank of Canada.

As at March 31, 2019 and December 31, 2018, MV has not generated revenue from Xtra. CMF has not collected or accrued any recoupment amount.

The potential events of default, as per the agreement, that trigger repayment obligations, are not identifiable based upon current circumstances, and are unforeseeable in the near future.

E-Play Digital Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Expressed in Canadian dollars)

6. LOANS PAYABLE (continued)

Canada Media Fund – Sales and Marketing Loan (Previiv)

On October 3, 2012, MV entered into a Marketing Financing Agreement with CMF (“Marketing Agreement”). Total amount to be invested by CMF was \$203,808 (“Advance”), representing 75% of the sales and marketing budget to Previiv.

During 2013, MV determined that Previiv was no longer financially feasible and therefore terminated the production progress.

Should MV determine to complete Previiv in the future, CMF is entitled to recoupment. Recoupment is capped at a maximum of 50% of revenues from Previiv.

In the event of default, the CMF has the right, but not the obligation, to reduce the Investment and, if any portion of the reduced amount has previously been advanced to MV, require immediate repayment of such amount with interest at the rate of prime plus 1% per annum as set by the Bank of Canada.

As at March 31, 2019 and December 31, 2018, MV has not generated revenue from Xtra. CMF has not collected or accrued any recoupment amount.

The potential events of default, as per the agreement, that trigger repayment obligations, are not identifiable based upon current circumstances, and are unforeseeable in the near future.

Canada Media Fund – Production Financing Agreement (Previiv)

On January 26, 2011, MV entered into a Production Financing agreement with CMF. Total amount to be invested by CMF was \$430,725 (“Equity Investment”), representing 75% of the production budget. As at September 30, 2017, \$387,653 of the Equity Investment has been disbursed to MV.

Should MV determine to complete Previiv in the future, CMF is entitled to recoupment. Recoupment is capped at a maximum of 50% of revenues from Previiv.

In the event of default, the CMF has the right, but not the obligation, to reduce the Investment and, if any portion of the reduced amount has previously been advanced to MV, require immediate repayment of such amount with interest at the rate of prime plus 1% per annum.

As at March 31, 2019 and December 31, 2018, MV has not provided production revenues to CMF. CMF has not collected or accrued any recoupment amount.

The potential events of default, as per the agreement, that trigger repayment obligations, are not identifiable based upon current circumstances, and are unforeseeable in the near future.

Canada Media Fund – Sales and Marketing Loan (Xtra)

On October 3, 2012, MV entered into another Marketing Financing Agreement with CMF. Total amount to be advanced by CMF was \$206,058, representing 75% of the sales and marketing budget to Xtra. As at September 30, 2017, total advanced amount by CMF to the Company was \$164,846.

During 2013, MV determined that Xtra was no longer financially feasible and therefore terminated the production progress.

E-Play Digital Inc.
Notes to Consolidated Financial Statements
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

6. LOANS PAYABLE (continued)

Canada Media Fund – Sales and Marketing Loan (Xtra) (continued)

Should MV determine to complete Xtra in the future, CMF is entitled to recoupment. The CMF is entitled to receive 50% of Production Revenues until recoupment of the advance in full.

In the event of default, the CMF has the right, but not the obligation, to reduce the Investment and, if any portion of the reduced amount has previously been advanced to MV, require immediate repayment of such amount with interest at the rate of prime plus 1% per annum.

As at March 31, 2019 and December 31, 2018, MV has not provided any production revenues to the CMF. CMF has not collected or accrued any recoupment amount.

The potential events of default, as per the agreement, that trigger repayment obligations, are not identifiable based upon current circumstances, and are unforeseeable in the near future.

AVAC Ltd.

On November 6, 2008, and later amended on December 21, 2016, MV entered into an Investment Agreement with AVAC Ltd. (“AVAC”) for up to \$1,000,000. AVAC reduced the maximum investment amount from \$1,000,000 to \$600,000. The Company received a total of \$600,000 from AVAC. A 3% royalty on all gross revenues is to be paid quarterly in arrears until an aggregate return of two (2) times the gross amount invested by AVAC is remitted commencing with the quarter ending September 30, 2011. At the discretion of MV, MV has the option to prepay royalties by paying AVAC an amount equal to the amount of the Company actually advanced plus 20% compounded annually from the date each advance was received, to a maximum of two times the original advances by AVAC, less royalties paid to date. The advances are secured by the General Security Agreement dated November 7, 2008.

Should the Company choose to exercise the right to terminate the agreement, the total amount due and payable as at September 30, 2018 was \$1,141,350.

Pursuant to the Investment Agreement, the Company shall (1) pay the royalty within 45 days of the end of each fiscal quarter, (2) provide unaudited quarterly unconsolidated financial statements, and (3) the Company shall not, without the prior written consent of AVAC, permit any transfer of its securities which would result in an effective change of control of the Company.

As of December 31, 2017, the Company was in breach of its Investment Agreement for failing to provide the royalty payment within the prescribed due dates and not providing the unaudited unconsolidated financial statements of MV. As a result, the AVAC loan has been classified as a current liability for the year ended December 31, 2017.

On November 13, 2018, the Company entered into a Termination and Mutual Release Agreement with AVAC whereby the parties have agreed to settle the dispute and terminate the Investment Agreement in the amount of \$575,281. AVAC has agreed to fully discharge the security and terminate the Security Agreement and the Company agreed to issue to AVAC 1,568,628 units at a deemed price of \$0.145 per unit. Each unit consists of one common share and one-half share purchase warrant (Note 7). Each warrant can be exercised to purchase one additional common share at \$0.15 per share for a period of 12 months from the date of issuance. The weighted average fair value of the share purchase warrants of \$64,164 was determined using the Black-Scholes pricing model using the following assumptions: expected life of stock option of 1 year, volatility of 156.7%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 2.28%.

E-Play Digital Inc.
Notes to Consolidated Financial Statements
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

6. LOANS PAYABLE (continued)

Due to related parties and other loans payable

The loans are non-interest bearing, unsecured, and payable at the discretion of the Company.

On June 8, 2018, the Company issued 41,136 common shares at \$0.12 per common share to settle a loan payable balance of \$4,525 (Note 7(b)).

7. SHARE CAPITAL

(a) Authorized: unlimited common shares without par value.

(b) Issued and Outstanding:

On June 8, 2018, the Company issued 1,000,000 units at \$0.10 per unit for gross proceeds of \$100,000. Each unit consisted of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at \$0.15 per shares until June 9, 2019.

On June 8, 2018, the Company issued 41,136 common shares at \$0.12 per share to settle a loan payable balance of \$4,525. The Company recorded a loss on settlement in the amount of \$411 (Note 6).

On June 8, 2018, the Company issued a total of 936,909 common shares at \$0.12 per share to settle certain accounts payable with related parties in the amount of \$103,060. The Company recorded a loss on settlement in the amount of \$9,369 (Note 10).

On October 23, 2018, the Company closed a non-brokered private placement for 5,707,485 units at \$0.07 per unit for gross proceeds of \$399,524. Each unit consisted of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at \$0.105 per shares on or before October 31, 2019.

On November 13, 2018, the Company issued to AVAC 1,568,628 units at a deemed price of \$0.145 per unit related to entering into a Termination and Mutual Release Agreement with AVAC whereby the parties have agreed to settle the dispute and terminate the Investment Agreement in the amount of \$575,281 (Note 6). Each unit consists of one common share and one-half share purchase warrant. Each warrant can be exercised to purchase one additional common share at \$0.15 per share for a period of 12 months from the date of issuance. The weighted average fair value of the share purchase warrants of \$64,164 was determined using the Black-Scholes pricing model using the following assumptions: expected life of stock option of 1 year, volatility of 156.7%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 2.28%. The Company recorded a gain on settlement in the amount of \$283,666.

On November 13, 2018, the Company issued 147,843 common shares at \$0.145 per share to settle accounts payable balance of \$18,850. The Company recorded a loss on settlement in the amount of \$2,587.

On November 13, 2018, the Company issued a total of 773,020 common shares at \$0.145 to settle certain accounts payable with related parties in the amount of \$98,560. The Company recorded a loss on settlement in the amount of \$13,528. (Note 10).

E-Play Digital Inc.
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For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(b) Issued and Outstanding (continued):

On November 30, 2018, the Company closed the second tranche of a non-brokered private placement for 500,000 units at \$0.07 per unit for gross proceeds of \$35,000. Each unit consisted of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at \$0.105 per shares on or before November 30, 2019.

On February 15, 2019, the Company issued 189,500 common shares at \$0.065 per share to settle accounts payable balance of \$18,950. The Company recorded a gain on settlement in the amount of \$6,632.

On February 15, 2019, the Company issued a total of 416,944 common shares at \$0.065 to settle certain accounts payable with related parties in the amount of \$41,694. The Company recorded a gain on settlement in the amount of \$14,593 (Note 10).

On March 22, 2019, the Company issued 200,000 common shares upon exercise of warrants at \$0.105 per share for gross proceeds of \$21,000.

(c) Escrow Shares:

In relation to the acquisitions of PV and MV in November 2016 and December 2016, a total of 16,434,359 common shares were subject to escrow arrangements, whereby 10% were released on closing and the balance released on the basis of 15% every 6 months for the next 3 years. At March 31, 2019, 1,305,558 common shares remain in escrow.

(d) Stock Options:

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On November 14, 2017, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 707,267 common shares of the Company to certain directors, officers, and/or consultants of the Company. A total of 431,201 options vest over 3 years and a total of 276,066 options vest over 2 years. The options are exercisable at a price of \$0.19 per common share for a five year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 5 years, volatility of 100%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 1.68%. Total fair value was calculated to be \$100,425 of which \$61,704 was recorded as share-based compensation for the year ended December 31, 2018 and \$6,702 was recorded as share-based compensation for the three months ended March 31, 2019 based on the vesting provisions.

E-Play Digital Inc.**Notes to Consolidated Financial Statements**

For the three months ended March 31, 2019 and 2018

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(d) Stock Options (continued):

On November 7, 2018, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 1,211,823 common shares of the Company to certain directors, officers, and/or consultants of the Company. A total of 431,201 options vest over 3 years, a total of 280,622 options vest over 2 years, and a total of 500,000 options vest over one year. The options are exercisable at a price of \$0.15 per common share for a four year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 4 years, volatility of 100%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 2.42%. Total fair value was calculated to be \$126,842 of which \$37,904 was recorded as share-based compensation for the year ended December 31, 2018 and \$19,930 was recorded as share-based compensation for the three months ended March 31, 2019 based on the vesting provisions.

On February 15, 2019, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 500,000 common shares of the Company to a consultant of the Company. A total of 250,000 options vest immediately and a total of 250,000 options vest over one year. The options are exercisable at a price of \$0.15 per common share for a four year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 4 years, volatility of 100%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 1.79%. Total fair value was calculated to be \$17,950 of which \$10,047 was recorded as share-based compensation for the three months ended March 31, 2019 based on the vesting provisions.

	Three months ended March 31, 2019		Year ended December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening	2,363,685	\$0.19	1,151,862	\$0.24
Issued	500,000	0.15	1,211,823	0.15
Expired	-	-	-	-
Ending	2,863,685	\$0.19	2,363,685	\$0.19
Weighted average remaining life of stock options outstanding	3.21 years		3.32 years	

As at March 31, 2019, the following options remain outstanding:

Number of options	Number of options exercisable	Exercise price	Expiry date
444,595	444,595	\$0.32	December 20, 2019
707,267	-	\$0.19	November 14, 2022
1,211,823	250,000	\$0.15	November 7, 2022
500,000	250,000	\$0.15	February 14, 2023
2,863,685	944,595	\$0.19	

E-Play Digital Inc.
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7. SHARE CAPITAL (continued)

(e) Warrants:

	Three months ended March 31, 2019		Year ended December 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Opening	11,036,912	\$0.14	7,860,183	\$0.32
Issued	-	-	7,991,799	\$0.12
Exercised	(200,000)	\$0.105	-	-
Expired	-	-	(4,815,070)	\$0.40
Ending	10,836,912	\$0.14	11,036,912	\$0.14
Weighted average remaining life of warrants outstanding	1.15 years		1.39 years	

As at March 31, 2019, the following warrants remain outstanding:

Number of warrants	Exercise price	Expiry date
1,000,000	\$0.15	June 9, 2019
5,507,485	\$0.105	October 31, 2019
784,314	\$0.15	November 13, 2019
500,000	\$0.105	November 30, 2019
3,045,113 (1)	\$0.20	December 20, 2021
10,836,912		

(1) Subject to the vesting terms in relation to the Company acquiring all of the issued and outstanding shares of PV and 96.7% interest in MV pursuant to the Share Purchase Agreement and Amalgamation Agreement dated September 27, 2016 as follows:

Upon receiving a valuation report by a mutually agreeable party which state that the total asset value is \$100 Million or higher, the entire block of 29,670,759 performance warrants would become free for execution.

Or

Upon the Company's cumulative and recurring digital, event and television subscription revenues exceeding \$100,000 per month then 30% of the performance warrants are released;

Upon the Company's cumulative and recurring digital, event and television subscription revenues exceeding \$200,000 per month then additional 30% of the performance warrants are released;

The balance of the performance warrants would be released upon the recurring revenue exceeding \$300,000 per month.

Or

Upon a successful takeover of the Company, approved by the Board of Directors, all performance warrants are released.

E-Play Digital Inc.**Notes to Consolidated Financial Statements**

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(Expressed in Canadian dollars)

8. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

9. FINANCIAL INSTRUMENTS**Classification of financial instruments**

As at March 31, 2019	Financial assets – FVTPL	Financial assets – amortized cost	Financial liabilities – amortized cost
	\$	\$	\$
Cash	2,499	-	-
Amounts receivable	-	25,859	-
Accounts payable	-	-	198,218
Short-term loan	-	-	15,002
Loans payable	-	-	1,242,325
As at December 31, 2018	Financial assets – FVTPL	Financial assets – amortized cost	Financial liabilities – amortized cost
	\$	\$	\$
Cash	148,433	-	-
Amounts receivable	-	22,314	-
Accounts payable	-	-	213,897
Short-term loan	-	-	15,613
Loans payable	-	-	1,242,325

The fair value of the Company's financial assets and liabilities approximates the carrying amount because of their nature and relatively short maturity dates or durations.

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

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

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9. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company intends to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. As at March 31, 2019, the Company had cash of \$2,499 (December 31, 2018 - \$148,433) to settle the total current liabilities of \$213,220 (December 31, 2018 - \$229,510).

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

At March 31, 2019, the Company had nominal amounts of accounts payable and loans denominated in Euro. A 10% change in the currency exchange rates between the Canadian dollars relative to the Euro would have an immaterial effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

10. RELATED PARTY TRANSACTIONS

The key management personnel compensation for the three months ended March 31, 2019 and 2018 is as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
	\$	\$
Professional fees paid / accrued to CFO	22,430	7,500
Management fees paid / accrued to CEO	26,765	15,000
Consulting fees paid / accrued to CEO	7,143	5,381
Research and development paid / accrued to CEO	7,143	5,381
Share-based compensation	10,879	11,015
Total	74,360	44,277

- (a) Included in accounts payable and accrued liabilities as at March 31, 2019 is \$15,750 (December 31, 2018 - \$Nil) due to various related parties. During the year ended December 31, 2018, the Company issued 1,682,656 common shares with a fair value of \$221,244 to settle certain accounts payable with related parties in the amount of \$198,620 (Note 7(b)). During the three months ended March 31, 2019, the Company issued 416,944 common shares with a fair value of \$27,101 to settle certain accounts payable with related parties in the amount of \$41,694 (Note 7(b)).
- (b) Included in loans payable as at March 31, 2019 is \$112 (December 31, 2018 - \$112) due to various related parties (Note 6).
- (c) Included in amounts receivable as at March 31, 2019 is \$6,418 (December 31, 2018 - \$Nil) due from a related party.

E-Play Digital Inc.
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11. CONTINGENCY

In October 2017, the Company received an Originating Application and Affidavits filed to the Court of Queen's Bench of Alberta for the dissent procedure related to the acquisition of MV by the Company. The Applicants are seeking fair value payments for the common shares in the capital of MV and the costs of the proceedings. The Company intends to negotiate a settlement with the dissenting shareholders.

12. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

On June 8, 2018, the Company issued 41,136 common shares at \$0.12 per share to settle a loan payable balance of \$4,525. The Company recorded a loss on settlement in the amount of \$411 (Note 6).

On June 8, 2018, the Company issued a total of 936,909 common shares at \$0.12 per share to settle certain accounts payable with related parties in the amount of \$103,060. The Company recorded a loss on settlement in the amount of \$9,369 (Note 10).

On November 13, 2018, the Company issued to AVAC 1,568,628 units at a deemed price of \$0.145 per unit related to entering into a Termination and Mutual Release Agreement with AVAC whereby the parties have agreed to settle the dispute and terminate the Investment Agreement in the amount of \$575,281 (Note 6). Each unit consists of one common share and one-half share purchase warrant. Each warrant can be exercised to purchase one additional common share at \$0.15 per share for a period of 12 months from the date of issuance. The weighted average fair value of the share purchase warrants of \$64,164 was determined using the Black-Scholes pricing model using the following assumptions: expected life of stock option of 1 year, volatility of 156.7%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 2.28%. The Company recorded a gain on settlement in the amount of \$283,666.

On November 13, 2018, the Company issued 147,843 common shares at \$0.145 per share to settle accounts payable balance of \$18,850. The Company recorded a loss on settlement in the amount of \$2,587.

On November 13, 2018, the Company issued a total of 773,020 common shares at \$0.145 to settle certain accounts payable with related parties in the amount of \$98,560. The Company recorded a loss on settlement in the amount of \$13,528. (Note 10).

On February 15, 2019, the Company issued 189,500 common shares at \$0.065 per share to settle accounts payable balance of \$18,950. The Company recorded a gain on settlement in the amount of \$6,632.

On February 15, 2019, the Company issued a total of 416,944 common shares at \$0.065 to settle certain accounts payable with related parties in the amount of \$41,694. The Company recorded a gain on settlement in the amount of \$14,593 (Note 10).

13. SUBSEQUENT EVENT

On April 25, 2019, the Company issued a total of 500,000 common shares for the exercise of warrants at \$0.105 per share for gross proceeds of \$52,500.