

**E-Play Digital Inc.**

Consolidated Financial Statements

For the year ended December 31, 2018

(Expressed in Canadian dollars)

p | 604.683.3277  
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE  
555 BURRARD STREET  
BOX 243  
VANCOUVER, BC V7X 1M9



charlton & company  
CHARTERED PROFESSIONAL ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of  
**E-Play Digital Inc.**

### **Opinion**

We have audited the consolidated financial statements of E-Play Digital Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years 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 consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. 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 audit 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 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$446,598 during the year ended December 31, 2018. 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 Information**

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing 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.

### **Auditor's 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 auditor's 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 Canadian generally accepted auditing standards 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 Canadian generally accepted auditing standards, 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 the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness 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 cast 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert G. Charlton.

*Charlton & Company*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

1735-555 Burrard Street

Vancouver, BC

V7X 1M9

April 30, 2019

**E-Play Digital Inc.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As at December 31, 2018 and 2017**  
(Expressed in Canadian dollars)

	Notes	2018	2017
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		148,433	31,516
Amounts receivable		22,314	48,531
Prepaid expenses		-	4,010
		<b>170,747</b>	<b>84,057</b>
Licenses and marketing rights	6	1	1
Intangible assets	4 & 6	2,055,580	2,055,580
		<b>2,226,328</b>	<b>2,139,638</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	12	213,897	256,434
Short-term loan	7	15,613	15,052
Loans payable	8	-	573,528
		<b>229,510</b>	<b>845,014</b>
<b>Loans payable</b>	8	<b>1,242,325</b>	<b>1,269,321</b>
		<b>1,471,835</b>	<b>2,114,335</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	6,451,848	5,439,832
Reserves	9	524,279	360,507
Deficit		(6,159,311)	(5,712,269)
<b>Equity attributable to shareholders</b>		<b>816,816</b>	<b>88,070</b>
<b>Non-controlling interest</b>		<b>(62,323)</b>	<b>(62,767)</b>
<b>Total equity</b>		<b>754,493</b>	<b>25,303</b>
		<b>2,226,328</b>	<b>2,139,638</b>
<b>Nature of operations and going concerns</b>	1		
<b>Contingency</b>	14		
<b>Subsequent events</b>	17		

Approved and authorized for issuance by the Board of Directors on April 30, 2018:

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 consolidated financial statements

**E-Play Digital Inc.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**For the years ended December 31, 2018 and 2017**  
(Expressed in Canadian dollars)

	Notes	2018	2017
		\$	\$
<b>Revenue</b>		<b>204,990</b>	276,787
<b>Cost of sales</b>		<b>(3,075)</b>	(8,205)
		<b>201,915</b>	268,582
<b>General and administrative expenses</b>			
Bad debt		19,793	85,638
Consulting fees	12	77,509	225,585
Depreciation	6	-	12,693
Foreign exchange loss		1,185	12,666
Interest expense		4,430	3,526
Investor relations		111,480	27,017
Office and miscellaneous		12,952	44,432
Management fees	12	70,500	60,000
Professional fees	12	105,581	118,036
Regulatory and transfer fees		14,931	18,207
Research and development	12 & 13	290,871	149,145
Sales and marketing		67,650	78,495
Share-based compensation	9(d) & 12	99,608	8,537
Travel		34,899	116,735
<b>Total expenses</b>		<b>(911,389)</b>	(960,712)
<b>Other items</b>			
Gain or loss on settlement of debts	9(b)	257,771	17,026
Loss on deconsolidation	5	-	(360,557)
Write-off of debt		5,105	32,932
Write-off of loans	5	-	(615,379)
<b>Total other items</b>		<b>262,876</b>	(925,978)
<b>Net loss and comprehensive loss</b>		<b>(446,598)</b>	(1,618,108)
<b>Net income (loss) attributable to:</b>			
<b>Shareholders of the Company</b>		<b>(447,042)</b>	(1,616,796)
<b>Non-controlling interest</b>		<b>444</b>	(1,312)
		<b>(446,598)</b>	(1,618,108)
<b>Basic and diluted loss per common share</b>		<b>(0.01)</b>	(0.04)
<b>Weighted average number of common shares outstanding</b>		<b>48,437,950</b>	45,729,081

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

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

	Share Capital		Reserves	Accumulated Deficit	Non-controlling Interest	Total
	Number of Shares	Amount				
		\$	\$	\$	\$	\$
<b>Balance, December 31, 2016</b>	<b>44,770,691</b>	<b>4,927,686</b>	<b>351,970</b>	<b>(4,095,473)</b>	<b>(61,455)</b>	<b>1,122,728</b>
Shares issued for cash (Note 9(b))	670,000	100,500	-	-	-	100,500
Exercise of warrants (Notes 9(b) and 9(e))	6,863,333	411,800	-	-	-	411,800
Cancellation of shares issued for PokerVision (Notes 5 and 9(b))	(6,431,250)	-	-	-	-	-
Share issue costs	-	(154)	-	-	-	(154)
Share-based compensation (Note 9(d))	-	-	8,537	-	-	8,537
Comprehensive loss	-	-	-	(1,616,796)	(1,312)	(1,618,108)
<b>Balance, December 31, 2017</b>	<b>45,872,774</b>	<b>5,439,832</b>	<b>360,507</b>	<b>(5,712,269)</b>	<b>(62,767)</b>	<b>25,303</b>
Shares issued for cash (Note 9(b))	7,207,485	534,524	-	-	-	534,524
Share issue costs	-	(850)	-	-	-	(850)
Shares issued to settle debts (Notes 8, 9(b) and 12)	3,467,536	478,342	64,164	-	-	542,506
Share-based compensation (Note 9(d))	-	-	99,608	-	-	99,608
Comprehensive income (loss)	-	-	-	(447,042)	444	(446,598)
<b>Balance, December 31, 2018</b>	<b>56,547,795</b>	<b>6,451,848</b>	<b>524,279</b>	<b>(6,159,311)</b>	<b>(62,323)</b>	<b>754,493</b>

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

**E-Play Digital Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the year ended December 31, 2018 and 2017**  
(Expressed in Canadian dollars)

	2018	2017
	\$	\$
<b>Operating activities</b>		
Net loss	(446,598)	(1,618,108)
Adjustments for non-cash items:		
Bad debt	19,793	85,638
Depreciation	-	12,693
Gain or loss on settlement of debts	(257,771)	(17,026)
Loss on deconsolidation of PokerVision	-	360,557
Share-based payments	99,608	8,537
Unrealized foreign exchange gain	561	3,533
Write-off of debt	(5,105)	-
Write-off of loans	-	615,379
Change in non-cash working capital components:		
Amounts receivable	6,424	(54,732)
Prepaid expenses	4,010	(5,385)
Accounts payable and accrued liabilities	184,792	106,598
<b>Net cash used in operating activities</b>	<b>(394,286)</b>	<b>(502,316)</b>
<b>Investing activity</b>		
Cash derecognized on deconsolidation of PokerVision	-	(5,779)
<b>Net cash used in investing activity</b>	<b>-</b>	<b>(5,779)</b>
<b>Financing activities</b>		
Shares issued for cash	534,524	100,500
Share issue cost	(850)	(154)
Exercise of warrants	-	411,800
Share subscriptions received	-	8,200
Loans received	70,814	24,049
Loans repaid	(93,285)	(21,626)
<b>Net cash provided by financing activities</b>	<b>511,203</b>	<b>522,769</b>
<b>Increase in cash</b>	<b>116,917</b>	<b>14,674</b>
<b>Cash, beginning</b>	<b>31,516</b>	<b>16,842</b>
<b>Cash, ending</b>	<b>148,433</b>	<b>31,516</b>
<b>Cash paid for interest expense</b>	<b>-</b>	<b>-</b>
<b>Cash paid for income taxes</b>	<b>-</b>	<b>-</b>

Supplemental cash flow information (Note 16)

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

## **E-Play Digital Inc.**

### **Notes to Consolidated Financial Statements**

For the year ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

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#### **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 (Note 4). 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 December 31, 2018, the Company had a working capital deficiency of \$58,763 (2017 – deficiency of \$760,957) and had an accumulated deficit of \$6,159,311 (2017 – \$5,712,269) 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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

These 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 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 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 year ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

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## 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 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 year ended December 31, 2018 and 2017, Emerald Oncology Limited was inactive.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Use of estimates and judgments

The preparation of these 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 year ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Significant accounting judgments and estimates (continued)

##### iii) Acquisition of assets

The assessment of whether the acquisitions (Note 4) 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 year ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Amortization of Finite Life Intangible Assets**

Amortization of finite life intangible assets is based on the useful lives and residual values and is reviewed at least annually. Adjustments, if necessary, are recognized prospectively. Amortization is recognized on the straight-line basis based on 15 year useful life.

##### **Deferred finance costs**

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issuance costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

##### **Cash and cash equivalents**

Cash and cash equivalents are comprised of cash in banks, and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less.

##### **Foreign currency translation**

Transactions in foreign currencies are translated at the exchange rates in effect at the dates of the transactions. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows: assets and liabilities using the exchange rate at period end; and income, expenses and cash flow items using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). All resulting exchange differences arising from the translation of the entities with a functional currency other than the Canadian dollar are reported within accumulated other comprehensive income as a separate component of equity.

##### **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 can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

##### **Segment reporting**

A reportable segment, as defined by IFRS 8 – *Operating Segments*, is a distinguishable business or geographical component of the Company, which is subject to risks and rewards that are different from those of other segments. The Company considers that it has only one reportable segment.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Revenue recognition**

The Company's revenue consists of set-up of user experiences, data reporting and advertising.

Revenue associated with set-up of user experience is recognized by reference to the stage of completion of the transaction at the end of the reporting period when the outcome of rendering these services can be estimated reliably. The outcome of a transaction can be estimated reliably when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue associated with data reporting and advertising is recognized when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably and collection is reasonably ensured.

#### **Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are expensed in the period they are incurred.

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the Canadian Securities Exchange on the date of the agreement to issue the shares or the date of share issuance, whichever is more appropriate.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock, and any related amount recorded in warrants reserve is transferred to capital stock.

#### **Shared-based payments**

Pursuant to the Company's option plan ("Option Plan"), the Company may grant stock options to directors, officers and employees for the purchase of the capital stock of the Company. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. At the discretion of the Board of Directors 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.

The fair value of the options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

## **E-Play Digital Inc.**

### **Notes to Consolidated Financial Statements**

For the year ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Deferred income taxes**

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

##### **Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options, warrants and convertible instruments were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

##### **Financial instruments**

###### Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (“OCI”) or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

###### Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial instruments** (continued)

Measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

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

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

*Debt instruments*

Subsequent measurement of debt instrument depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of loss and comprehensive loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss and comprehensive loss.
- **FVTPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial instruments** (continued)

*Equity instruments*

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of loss and comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash	FVTPL
Amounts receivable	Amortized cost
Accounts payable	Amortized cost
Short-term loan	Amortized cost
Loans payable	Amortized cost

The three levels of the fair value hierarchy are as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or models inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The fair value of cash is determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. As at December 31, 2018 and 2017 the Company believes that the carrying values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and loans approximate the fair values because of their nature and relatively short maturity dates or durations..

Changes in accounting policies

i) IFRS 9 – Financial Instruments

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning January 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

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**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

Changes in accounting policies (continued)

ii) IFRS 9 – Financial Instruments (continued)

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and loss (“FVTPL”). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not have a material impact on the Company’s financial statements.

iii) IFRS 15 – Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The adoption of IFRS 15 did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

Future 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 Company is currently assessing the impact of the adoption of IFRS 16.

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

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**4. ACQUISITION OF SUBSIDIARIES**

During the year ended December 31, 2016, the Company acquired all of the issued and outstanding shares of PV and 96.70% interest in MV pursuant to the Share Purchase Agreement and Amalgamation Agreement dated September 27, 2016 (the "Agreement"). The Company issued 4,835,380 common shares and 9,670,759 performance warrants to acquire 96.7% of the issued and outstanding shares of MV, and the Company issued 15,000,000 common shares and 20,000,000 performance warrants to acquire all the issued and outstanding shares of PV. Each performance warrant is exercisable to acquire one common share of the Company at \$0.20 per share for a period of 5 years from the date of issuance, subject to certain vesting conditions as noted below.

As a result of the acquisition of both PV and MV, the Company changed its business focus to developing and operating broadcast and live video technologies.

The acquisition of PV and MV by the Company is considered to be business combination. Pursuant to the business combination transactions, the assets acquired and liabilities assumed from the acquisition of PokerVision and Mobovivo are to be recorded at their estimated fair values in accordance with IFRS 3 – *Business Combination*. These values are based on preliminary management estimates and are subject to final valuation adjustments. The allocation of the purchase consideration is as follows:

	Acquisition of PV \$ (Note 5)	Acquisition of MV \$	Total \$
<b>Purchase consideration</b>			
Cash advances	(239,167)	(50,982)	<b>(290,149)</b>
Fair value of shares	(750,000)	(241,769)	<b>(991,769)</b>
<b>Assets acquired:</b>			
Cash	3,638	9,504	<b>13,142</b>
Amounts receivable	58,335	151,171	<b>209,506</b>
Prepaid expenses	4,065	-	<b>4,065</b>
Brands, trademarks and others	468,973	-	<b>468,973</b>
<b>Liabilities assumed:</b>			
Accounts payable and accrued liabilities	(107,565)	(148,719)	<b>(256,284)</b>
Loans payable (Note 8)	(42,380)	(1,774,785)	<b>(1,817,165)</b>
<b>Net liabilities assumed</b>	<b>(604,101)</b>	<b>(2,055,580)</b>	<b>(2,659,681)</b>
Goodwill	604,101	2,055,580	<b>2,659,681</b>
	-	-	-

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**4. ACQUISITION OF SUBSIDIARIES** (continued)

**Vesting Terms of Performance Warrants**

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.

**5. DISPOSITION OF A SUBSIDIARY**

On May 18, 2017, the Company sold its wholly owned subsidiary, PV. The sale resulted in the cancellation and return to treasury of 6,431,250 common shares of the Company and 20,000,000 performance warrants previously issued to acquire PV as discussed in Note 4.

On May 18, 2017, the Company de-recognized the assets and liabilities of PV which resulted in a loss of \$360,557 summarized as follows:

	<b>Total</b>
	<b>\$</b>
<b>Proceeds from disposition</b>	
Amounts receivable from PV	573,379
<b>Total proceeds</b>	<b>573,379</b>
<b>Assets and liabilities derecognized</b>	
Cash	5,779
Amounts receivable	13,881
Prepaid expenses	3,000
Brands, trademarks and others	452,667
Intangible assets	604,101
Accounts payable and accrued liabilities	(114,301)
Loans payable	(31,191)
<b>Net assets derecognized</b>	<b>933,936</b>
<b>Loss on deconsolidation of PV</b>	<b>(360,557)</b>

The amounts receivable from PV were unsecured, non-interest bearing and payable on demand. During the year ended December 31, 2017, the Company recorded a write-down of loans receivable of \$615,379, of which \$573,379 relates to amounts due from PV.

**E-Play Digital Inc.**  
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**6. INTANGIBLE ASSETS**

<b>Cost</b>	Brands, trademarks and others \$	Licenses and marketing rights \$	Goodwill \$
Balance at December 31, 2016	465,360	1	2,659,681
Depreciation	(12,693)	-	
Sale of subsidiary (note 6)	(452,667)	-	(604,101)
Balance at December 31, 2017 and December 31, 2018	-	1	2,055,580

**7. 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 December 31, 2018, the loan was valued at \$15,613 (2017: \$15,052) due to foreign currency fluctuation. The loan is non-interest bearing, unsecured and is due on demand.

**8. LOANS PAYABLE**

The Company has the following loans payable as at December 31, 2018 and 2017:

<b>As at</b>	<b>December 31, 2018</b>	December 31, 2017
	\$	\$
Canada Media Fund – Production Financing Agreement (Xtra)	<b>485,906</b>	485,906
Canada Media Fund – Sales and Marketing Loan (Previw)	<b>203,808</b>	203,808
Canada Media Fund – Production Financing Agreement (Previw)	<b>387,653</b>	387,653
Canada Media Fund – Sales and Marketing Loan (Xtra)	<b>164,846</b>	164,846
AVAC Ltd.	-	573,528
Due to related parties	<b>112</b>	22,583
Others	-	4,525
<b>Total</b>	<b>1,242,325</b>	1,842,849
<b>Presented as:</b>		
Current	-	573,528
Non-current	<b>1,242,325</b>	1,269,321

## **E-Play Digital Inc.**

### **Notes to Consolidated Financial Statements**

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#### **8. LOANS PAYABLE** (continued)

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 (Note 4).

On May 18, 2017, the Company sold its wholly owned subsidiary, PV resulting in a derecognition of its loans payable of \$31,191 (Note 5).

##### 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 December 31, 2018 and 2017, 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 – Sales and Marketing Loan (Previw)

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 Previw.

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

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

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 December 31, 2018 and 2017, 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**

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#### **8. LOANS PAYABLE** (continued)

##### Canada Media Fund – Production Financing Agreement (Previw)

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 Previw in the future, CMF is entitled to recoupment. Recoupment is capped at a maximum of 50% of revenues from Previw.

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 December 31, 2018 and 2017, 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.

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 December 31, 2018 and 2017, 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.

## E-Play Digital Inc.

### Notes to Consolidated Financial Statements

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#### 8. LOANS PAYABLE (continued)

##### 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 9). 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%.

##### 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 9(b)).

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**9. SHARE CAPITAL**

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

(b) Issued and Outstanding:

On January 6, 2017, the Company issued 600,000 common shares upon exercise of warrants at \$0.06 per share for gross proceeds of \$36,000.

On March 7, 2017, the Company issued 1,171,000 common shares upon exercise of warrants at \$0.06 per share for gross proceeds of \$70,260.

On March 24, 2017, the Company issued 1,550,000 common shares upon exercise of warrants at \$0.06 per share for gross proceeds of \$93,000.

On May 9, 2017, the Company issued 2,279,000 common shares upon exercise of warrants at \$0.06 per share for gross proceeds of \$136,740.

On May 18, 2017, the Company sold its wholly owned subsidiary, PV, which resulted in a cancellation of 6,431,250 common shares that were previously issued on November 21, 2016.

On June 1, 2017, the Company issued 500,000 common shares upon exercise of warrants at \$0.06 per share for gross proceeds of \$30,000.

On June 21, 2017, the Company issued 763,333 common shares upon exercise of warrants at \$0.06 per share for gross proceeds of \$45,800.

On December 8, 2017, the Company issued 670,000 units at \$0.15 per unit for gross proceeds of \$100,500. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant can be exercised to purchase one additional common share at \$0.40 per shares until December 8, 2018.

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 8).

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 12).

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.

## **E-Play Digital Inc.**

### **Notes to Consolidated Financial Statements**

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#### **9. SHARE CAPITAL** (continued)

##### (b) Issued and Outstanding (continued):

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 8). 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 12).

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.

##### (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 December 31, 2018, 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.

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**9. SHARE CAPITAL** (continued)

(d) Stock Options (continued):

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 \$8,537 was recorded as share-based compensation for the year ended December 31, 2017 and \$61,704 was recorded as share-based compensation for the year ended December 31, 2018 based on the vesting provisions.

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 based on the vesting provisions.

	Year ended December 31, 2018		Year ended December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening	1,151,862	\$0.24	864,595	\$0.77
Issued	1,211,823	0.15	707,267	\$0.19
Expired	-	-	(420,000)	\$1.25
Ending	2,363,685	\$0.19	1,151,862	\$0.24
Weighted average remaining life of stock options outstanding	3.32 years		3.75 years	

As at December 31, 2018, 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
2,363,685	694,595	\$0.19	

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**9. SHARE CAPITAL** (continued)

(e) Warrants:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Opening	7,860,183	\$0.32	41,680,529	\$0.20
Issued	7,991,799	\$0.12	335,000	\$0.40
Exercised	-	-	(6,863,333)	\$0.06
Expired	(4,815,070)	\$0.40	(666,367)	\$0.23
Cancelled (1)	-	-	(26,625,646)	\$0.20
Ending	11,036,912	\$0.14	7,860,183	\$0.32
Weighted average remaining life of warrants outstanding	1.39 years		1.63 years	

(1) On June 1, 2017, the Company cancelled 6,625,646 performance warrants exercisable at \$0.20 per share previously held by the President and Chief Executive Officer of the Company.

As at December 31, 2018, the following warrants remain outstanding:

Number of warrants	Exercise price	Expiry date
1,000,000	\$0.15	June 9, 2019
5,707,485	\$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
11,036,912		

(1) Subject to the vesting terms as described in Note 5.

**10. 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.

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**11. FINANCIAL INSTRUMENTS**

**Classification of financial instruments**

<b>As at December 31, 2018</b>	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

  

As at December 31, 2017	Financial assets – FVTPL	Financial assets – amortized cost	Financial liabilities – amortized cost
	\$	\$	\$
Cash	31,516	-	-
Amounts receivable	-	48,531	-
Accounts payable	-	-	256,434
Short-term loan	-	-	588,580
Loans payable	-	-	1,269,321

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.

***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 December 31, 2018, the Company had cash of \$148,433 (2017 - \$31,516) to settle the total current liabilities of \$229,510 (2017 - \$845,014).

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**11. FINANCIAL INSTRUMENTS** (continued)

***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 December 31, 2018, 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.

**12. RELATED PARTY TRANSACTIONS**

The key management personnel compensation for the year ended December 31, 2018 and 2017 is as follows:

	2018	2017
	\$	\$
Professional fees paid / accrued to CFO	64,910	48,000
Management fees paid / accrued to CEO	70,500	60,000
Consulting fees paid / accrued to CEO	35,129	26,571
Consulting fees paid / accrued to family members of a former director	-	47,355
Research and development paid / accrued to CEO	35,129	26,571
Share-based compensation	44,493	5,630
<b>Total</b>	<b>250,161</b>	<b>214,127</b>

(a) Included in accounts payable and accrued liabilities as at December 31, 2018 is \$Nil (2017 - \$68,411) 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 9(b)).

(b) Included in loans payable as at December 31, 2018 is \$112 (2017 - \$22,471) due to various related parties (Note 8).

**13. GOVERNMENT GRANTS**

On March 1, 2017, the Company entered into a contribution agreement with the National Research Council Canada. The purpose of the agreement is to design, develop, and test a simple game that will be developed featuring animation, user interaction, and accuracy. The total federal contribution was \$57,372 for cost incurred by the Company during the project phase. The duration of the agreement was 2 months. During the year ended December 31, 2017, the Company used the proceeds of \$57,372 to pay salaries and contractor fees.

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

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**13. GOVERNMENT GRANTS** (continued)

The Company periodically receives financial assistance under Scientific Research and Experimental Development Tax Incentive ("SR&ED") Program, which provides support in the form of tax credits and/or refunds, to business who conduct scientific research or experimental development in Canada. During the year ended December 31, 2017, the Company received proceeds from the tax credit refund in the amount of \$99,181 of which \$17,171 and \$82,010 related to the fiscal 2015 and 2014, respectively.

**14. 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.

**15. INCOME TAXES**

The Company's provision for income taxes differs from amounts computed by applying the combined Canadian federal and provincial tax rates, as a result of the following:

<b>Year ended December 31,</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss for the year before income taxes	<b>(446,598)</b>	(1,618,108)
Expected income tax recovery at a combined federal and provincial rate of 27% (2017: 26%)	<b>(120,581)</b>	(420,708)
Tax effects of:		
Permanent and other differences	<b>24,527</b>	259,020
Other adjustments	<b>2,252</b>	2,305
Effect of change in tax rate	<b>(21,831)</b>	
Change in deferred assets not recognized	<b>115,633</b>	159,383
Recovery of (provision for) income taxes	-	-

The tax effects of temporary timing differences that give rise to significant components of the deferred tax assets are as follows:

<b>As at December 31,</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Non-capital loss carry forwards	<b>678,195</b>	560,580
Share issuance costs	<b>5,062</b>	7,043
Net deferred tax assets	<b>683,257</b>	567,623

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

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**15. INCOME TAXES** (continued)

As at December 31, 2018, the Company has unused non-capital loss carry forwards for tax purposes of approximately \$2,511,832 (2017 - \$2,156,076) that are available to offset future taxable income, which, if unutilized, will expire as follows:

Expiry	Amount
	\$
2034	85,824
2035	1,022,594
2036	425,782
2037	621,876
2038	355,756
<b>Total</b>	<b>2,511,832</b>

**16. 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 8).

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 12).

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 8). 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 12).

*During the year ended December 31, 2017 there were no non-cash transactions.*

**E-Play Digital Inc.**

**Notes to Consolidated Financial Statements**

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(Expressed in Canadian dollars)

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**17. SUBSEQUENT EVENTS**

On February 15, 2019, the Company issued 189,500 common shares to settle accounts payable balance of \$18,950.

On February 15, 2019, the Company issued a total of 416,944 common shares to settle certain accounts payable with related parties in the amount of \$41,694.

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 \$0.10 per common share for a four year term.

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

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.