

E-Play Digital Inc.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(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, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficiency 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 \$327,864 during the year ended December 31, 2020 and, as of that date, the Company's current liabilities exceeded its current assets by \$206,829 and the Company had a deficit of \$9,704,745. 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. We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of 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 financial information of the entities or business activities within the Company 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 Melyssa Charlton.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 30, 2021

E-Play Digital Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and 2019
(Expressed in Canadian dollars)

	Notes	December 31, 2020	December 31, 2019
		\$	\$
ASSETS			
Current Assets			
Cash		1,533	35,611
Amounts receivable		1,357	7,360
GST receivable		44,876	31,412
Due from related party	10	-	3,159
		47,766	77,542
Intangible assets	4	9,475	12,147
		57,241	89,689
LIABILITIES			
Current Liabilities			
Bank indebtedness		4,618	26,547
Accounts payable and accrued liabilities	10	229,017	317,385
Short-term loans	5	20,960	14,583
		254,595	358,515
Loans payable	6	1,275,386	1,242,325
		1,529,981	1,600,840
SHAREHOLDERS' DEFICIENCY			
Share capital	7	7,446,393	7,136,346
Reserves	7	863,340	807,112
Deficit		(9,704,745)	(9,378,548)
(Deficiency) attributable to shareholders of the Company		(1,395,012)	(1,435,090)
Non-controlling interest		(77,728)	(76,061)
		(1,472,740)	(1,511,151)
		57,241	89,689
Nature of operations and going concerns	1		
Contingency	11		
Subsequent events	16		

Approved and authorized for issuance by the Board of Directors on April 30, 2021:

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, 2020 and 2019
(Expressed in Canadian dollars)

	Notes	2020	2019
		\$	\$
Revenue	15	54,349	26,991
Operating expenses			
Accretion	6	2,129	-
Amortization	4	2,672	1,214
Bad debt		4,687	2,350
Consulting fees	10	24,818	81,630
Foreign exchange loss (gain)		4,939	(3,158)
Interest expense		4,572	4,348
Investor relations		43,157	246,640
Office and miscellaneous		6,350	9,504
Management fees	10	66,750	86,765
Professional fees	10	60,094	100,975
Regulatory and transfer fees		29,399	23,926
Research and development	10 & 12	38,161	272,540
Sales and marketing		37,015	88,213
Share-based compensation	7(c) & 10	106,515	282,833
Travel		8,088	30,420
Total operating expenses		(439,346)	(1,228,200)
Bad debt recovery		-	4,638
Gain on favourable interest rate	6	9,068	-
Gain on settlement of debts	7(b)	48,065	19,176
Write-off of goodwill	4	-	(2,055,580)
		57,133	(2,031,766)
Net loss and comprehensive loss		(327,864)	(3,232,975)
Net loss attributable to:			
Shareholders of the Company		(326,197)	(3,219,237)
Non-controlling interest		(1,667)	(13,738)
		(327,864)	(3,232,975)
Basic and diluted loss per common share		(0.00)	(0.05)
Weighted average number of common shares outstanding – basic and diluted		70,592,616	61,392,014

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

E-Play Digital Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	Share Capital				Subtotal	Non-Controlling Interest	Total
	Number of Shares	Amount	Reserves	Deficit			
		\$	\$	\$		\$	\$
Balance, December 31, 2018	56,547,795	6,451,848	524,279	(6,159,311)	816,816	(62,323)	754,493
Shares issued for cash (Note 7(b))	6,625,000	500,000	-	-	500,000	-	500,000
Share issue costs	-	(20,000)	-	-	(20,000)	-	(20,000)
Exercise of warrants (Notes 7(b) and 7(d))	700,000	73,500	-	-	73,500	-	73,500
Shares issued to settle debts (Notes 7(b), and 10)	1,936,744	130,998	-	-	130,998	-	130,998
Share-based compensation (Note 7(c))	-	-	282,833	-	282,833	-	282,833
Loss for the year	-	-	-	(3,219,237)	(3,219,237)	(13,738)	(3,232,975)
Balance, December 31, 2019	65,809,539	7,136,346	807,112	(9,378,548)	(1,435,090)	(76,061)	(1,511,151)
Exercise of options (Notes 7(b) and 7(c))	1,350,000	117,787	(50,287)	-	67,500	-	67,500
Shares issued to settle debts (Notes 7(b), and 10)	4,806,500	192,260	-	-	192,260	-	192,260
Share-based compensation (Note 7(c))	-	-	106,515	-	106,515	-	106,515
Loss for the year	-	-	-	(326,197)	(326,197)	(1,667)	(327,864)
Balance, December 31, 2020	71,966,039	7,446,393	863,340	(9,704,745)	(1,395,012)	(77,728)	(1,472,740)

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

E-Play Digital Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
	\$	\$
Operating activities		
Loss for the year	(327,864)	(3,232,975)
Adjustments for non-cash items:		
Accretion expense	2,129	-
Amortization	2,672	1,214
Bad debt	4,687	2,350
Gain on favourable interest rate	(9,068)	-
Gain on settlement of debts	(48,065)	(19,176)
Share-based compensation	106,515	282,833
Unrealized foreign exchange loss (gain)	1,025	(1,030)
Write-off of goodwill	-	2,055,580
Change in non-cash working capital components:		
Amounts receivable and GST receivable	(12,148)	(18,808)
Accounts payable and accrued liabilities	196,957	253,662
Net cash used in operating activities	(83,160)	(676,350)
Investing activities		
Due from related parties	3,159	(3,159)
Purchase of intangible assets	-	(13,360)
Net cash provided by (used in) investing activities	3,159	(16,519)
Financing activities		
Bank indebtedness	(21,929)	26,547
Shares issued for cash	-	500,000
Share issue costs	-	(20,000)
Exercise of warrants	-	73,500
Short-term loan received	27,852	-
Loans received	40,000	-
Net cash provided by financing activities	45,923	580,047
Decrease in cash	(34,078)	(112,822)
Cash, beginning of the year	35,611	148,433
Cash, end of the year	1,533	35,611
Cash paid for interest expense	-	-
Cash paid for income taxes	-	-

Supplemental cash flow information (Note 13)

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

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(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 Organach Beverage Acquisition Corp. On October 6, 2016, the Company changed its name to E-Play Digital Inc. 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 December 31, 2020, the Company had a working capital deficiency of \$206,829 (2019 – \$280,973) and had a deficit of \$9,704,745 (2019 – \$9,378,548) which has been funded primarily by the issuance of equity and loans from third 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’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 which may cast 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.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant effects on the world’s equity markets and the movement of people and goods has become restricted. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company’s financial position, results of operations and cash flows in future periods.

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, and its subsidiary Mobovivo Inc. (“Mobovivo” or “MV”) The functional currency of the Company’s wholly-owned subsidiary Emerald Oncology Limited (“Emerald”) 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 years ended December 31, 2020 and 2019
(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	Ownership %		Jurisdiction
		2020	2019	
Mobovivo Inc.	December 20, 2016	96.70%	96.70%	Canada
Emerald Oncology Limited	September 29, 2014	100%	100%	Ireland

As at and for the years ended December 31, 2020 and 2019, 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 revenue and 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.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgments (continued)

ii) Impairment indicators of intangible assets

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

i) Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumption about them.

ii) Recoverability of amounts 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.

iii) Deferred tax assets and liabilities

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected. Tax losses have been estimated and are subject to changes as a result of reviews from regulatory authorities.

iv) Useful life of intangible assets

The finite life intangible assets are depreciated over their useful lives. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, the potential for technological obsolescence, and regulations.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

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 of the list of Instagram influencers is recognized on the straight-line basis based on 5 years 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 then reclassified 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 and bank indebtedness are comprised of cash in banks, or cash overdrawn in bank accounts, and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at December 31, 2020 and 2019, the Company did not have any cash equivalents. Where bank debt occurs in separate entities, the Company will record cash and bank indebtedness on a gross basis on the statement of financial position.

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 ("AOCI") as a separate component of equity.

As at December 31, 2020 and 2019, the Company's subsidiary Emerald was inactive and there were no previous balances recorded in AOCI.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At the end of each reporting period, the Company's non-financial 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.

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.

Government assistance

The Company recognizes government grants and assistance when there is reasonable assurance that the grant will be received and any conditions associated with the grant have been met.

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.

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.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 share capital 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 share capital.

Shared-based payments

The Company has adopted a stock option plan whereby the Company may grant stock options to directors, officers and employees for the purchase of the capital stock of the Company (Note 7). The Company accounts for share-based payments using the fair value method.

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 reserves. 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. The corresponding amount is charged to reserves.

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. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The weighted average common shares presented on the statement of loss excludes the outstanding 8,670,113 (2019 – 10,670,113) warrants and 6,369,090 (2019 – 5,819,090) options as they are antidilutive.

Non-controlling interest

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interests. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

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.

Subsequent measurement of financial instruments depends on their classification and the Company's business model and cash flow characteristics. There are three measurement categories into which the Company classifies its financial assets:

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

- 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. The financial instrument is initially recognized at fair value plus or minus transaction costs and carried at amortized cost less impairment. 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.
- 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. The Company does not carry any of its financial assets at FVOCI.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

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. The Company recognizes the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date as impairment through profit or loss. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

During the year ended December 31, 2020, the Company recorded expected credit losses of \$4,687 (2019 - \$2,350) against its amounts receivable balances.

Derecognition

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

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash	FVTPL
Amounts receivable	Amortized cost
Due from related party	Amortized cost
Bank indebtedness	Amortized cost
Accounts payable and accrued liabilities	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, 2020 and 2019 the Company believes that the carrying values of cash, amounts receivable, accounts payable and accrued liabilities and short-term loans approximate the fair values because of their nature and relatively short maturity dates or durations.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and it has the right to direct the use of the asset. The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

The Company does not recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term. As at December 31, 2020 and 2019, the Company did not have any leases.

E-Play Digital Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**New accounting standards and interpretations issued but not yet adopted**

IAS 37–Provisions (“IAS 37”), has been amended to clarify the meaning of “costs to fulfil a contract”, which comprise the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. These amendments are effective for periods beginning on or after January 1, 2022, with early application permitted. The Company is currently assessing the impact of this amendment.

IAS 1 –Presentation of Financial Statements (“IAS 1”), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the impact of this amendment.

4. INTANGIBLE ASSETS

Cost	Licenses and marketing rights \$	Other \$	Goodwill \$	Total \$
Balance at December 31, 2018	1	-	2,055,580	2,055,581
Additions	-	13,360	-	13,360
Amortization	-	(1,214)	-	(1,214)
Impairment	-	-	(2,055,580)	(2,055,580)
Balance at December 31, 2019	1	12,146	-	12,147
Amortization	-	(2,672)	-	(2,672)
Balance at December 31, 2020	1	9,474	-	9,475

During the year ended December 31, 2019, the Company acquired a list of Instagram influencers to be utilized in new and existing Mobile games for total proceeds of \$13,360.

During the year ended December 31, 2016, the Company acquired all of the issued and outstanding shares of PokerVision Media Inc. and 96.70% interest in Mobovivo Inc. pursuant to a Share Purchase Agreement and Amalgamation Agreement dated September 27, 2016 (the “Acquisition”). The transaction was accounted for as a business combination under IFRS 3 – Business combination. As a result of the transaction, the Company recognized goodwill of \$2,055,580.

During the year ended December 31, 2019, the Company determined that the goodwill value attributable to the Acquisition was impaired and the full balance attributed to goodwill was reduced to \$Nil as the Company has begun the transition from 100% service revenue to direct consumer revenue.

5. SHORT-TERM LOANS

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, 2020, the loan was valued at \$15,608 (2019 - \$14,583) due to foreign currency fluctuation. The loan is non-interest bearing, unsecured and is due on demand.

During the year ended December 31, 2020, the Company received \$27,852 from a third party as a short-term loan and repaid \$22,500 through the issuance of 450,000 common shares at a fair value of \$0.05 per share on May 14, 2020 (Note 7). As at December 31, 2020, the loan balance was \$5,352 (2019 - \$Nil). The loan is non-interest bearing, unsecured and is due on demand.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

6. LOANS PAYABLE

The Company has the following loans payable as at December 31, 2020 and 2019:

As at	December 31, 2020	December 31, 2019
	\$	\$
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
Canada Emergency Business Account Loan	33,061	-
Due to related parties	112	112
Total	1,275,386	1,242,325

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, 2020, the CMF has not made revisions to the agreement and there have been notices of default.

As at December 31, 2020 and 2019, 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 (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 December 31, 2020, 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.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

6. LOANS PAYABLE (continued)

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, 2020, the CMF has not made revisions to the agreement and there have been notices of default.

As at December 31, 2020 and 2019, MV has not provided any marketing 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.

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. 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 at December 31, 2020, the CMF has not made revisions to the agreement and there have been notices of default.

As at December 31, 2020 and 2019, 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 (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, 2020, the CMF has not made revisions to the agreement and there have been notices of default.

As at December 31, 2020 and 2019, MV has not generated revenue from Previw CMF has not collected or accrued any recoupment amount.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

6. LOANS PAYABLE (continued)

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 Emergency Business Account Loan

On April 20, 2020, the Company received \$40,000 under the Canada Emergency Business Account ("CEBA"). The loan is non-interest bearing and no principal repayments are required up to December 31, 2022. If the principal balance of \$30,000 is repaid by December 31, 2022, then the remaining \$10,000 of the principal balance will be forgiven. It is uncertain whether the Company will be able to repay the \$30,000 by December 31, 2022, therefore no loan forgiveness is recognized at this point. Any remaining balance after January 1, 2023 will be converted into a 3 year term loan with a fixed interest of 5% per annum, monthly interest-only payments and the outstanding balance must be repaid in full by December 31, 2025. The loan was initially measured at its fair value of \$30,932 and is subsequently measured at amortized cost, using an effective interest rate of 10%. The difference of \$9,068 will be accredited to the loan liability over the term of the CEBA Loan and offset to other income on the statement of loss and comprehensive loss.

During the year ended December 31, 2020, \$2,129 (2019 - \$nil) of interest expense related to the CEBA loan was recognized and included in accretion expense in the consolidated statements of loss and comprehensive loss.

Due to related parties

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

7. SHARE CAPITAL

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

(b) Issued and Outstanding:

During the year ended December 31, 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 (Note 13).

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 (Notes 10 and 13).

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.

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

On May 31, 2019, the Company closed a non-brokered private placement for 5,625,000 units at \$0.08 per unit for gross proceeds of \$450,000. Each unit consisted of one common share and one share purchase warrant. The warrants have a residual value of \$nil. Each warrant can be exercised to purchase one additional common share at \$0.15 per share on or before May 31, 2021. Shares issuance costs totaled \$20,000.

E-Play Digital Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

On May 31, 2019, the Company issued 92,800 common shares at \$0.095 per share to settle accounts payable balance of \$9,280. The Company recorded a gain on settlement in the amount of \$464 (Note 13).

On May 31, 2019, the Company issued a total of 367,500 common shares at \$0.095 to settle certain accounts payable with related parties in the amount of \$36,750. The Company recorded a gain on settlement in the amount of \$1,837 (Notes 10 and 13).

On November 12, 2019, the Company issued 240,000 common shares at \$0.055 per share to settle accounts payable balance of \$12,000 to a consultant of the Company. The Company recorded a loss on settlement in the amount of \$1,200 (Note 13).

On November 12, 2019, the Company issued a total of 630,000 common shares at \$0.055 to settle certain accounts payable of \$31,500 with related parties. The Company recorded a loss on settlement in the amount of \$3,150 (Notes 10 and 13).

On November 13, 2019, the Company closed a non-brokered private placement for 1,000,000 units at \$0.05 per unit for gross proceeds of \$50,000. Each unit consisted of one common share and one share purchase warrant. The warrants have a residual value of \$nil. Each warrant can be exercised to purchase one additional common share at \$0.08 per share on or before November 13, 2020.

During the year ended December 31, 2020:

On February 13, 2020, the Company issued 3,000,000 common shares at \$0.04 to settle accounts payable balance of \$150,000 to a consultant of the Company. The Company recorded a gain on settlement in the amount of \$30,000 (Note 13).

On February 25, 2020, the Company issued 157,500 common shares at \$0.04 to settle accounts payable balance of \$7,875 to a consultant of the Company. The Company recorded a gain on settlement in the amount of \$1,575 (Note 13).

On February 25, 2020, the Company issued 420,000 common shares at \$0.04 to settle certain accounts payable balance of \$21,000 with related parties. The Company recorded a gain on settlement in the amount of \$4,200 (Notes 10 and 13).

On May 6, 2020, the Company issued 231,000 common shares at \$0.04 to settle accounts payable balance of \$11,550 to a consultant of the Company. The Company recorded a gain on settlement in the amount of \$2,310 (Note 13).

On May 6, 2020, the Company issued 998,000 common shares at \$0.04 to settle certain accounts payable balance of \$49,900 with related parties. The Company recorded a gain on settlement in the amount of \$9,980 (Notes 10 and 13).

On May 14, 2020, the Company issued 1,350,000 common shares to settle a \$22,500 loan payable (Note 5) and \$45,000 in accounts payable owed to a consultant of the Company. As per the settlement agreement, the Company agreed to exercise 1,350,000 stock options that were previously issued to the consultant in order to settle the debt. The stock options had an exercise price of \$0.05. The Company reclassified \$50,287 from reserves to share capital on the transaction.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(c) 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. The stock option plan limits the number of incentive stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Company in any 12-month period. The number of incentive stock options granted to any one consultant or a person employed to provide investor relations activities in any 12-month period must not exceed 2% of the total issued 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 \$24,251 was recorded as share-based compensation for the year ended December 31, 2019 and \$5,934 was recorded as share-based compensation for the year ended December 31, 2020 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, \$67,616 was recorded as share-based compensation for the year ended December 31, 2019 and \$17,046 was recorded as share-based compensation for the year ended December 31, 2020 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 \$16,778 was recorded as share-based compensation for the year ended December 31, 2019 and \$1,172 was recorded as share-based compensation for the year ended December 31, 2020 based on the vesting provisions.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(c) Stock Options (continued)

On April 17, 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. The options vested 100% on grant date. The options are exercisable at a price of \$0.10 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 1.66%. Total fair value was calculated to be \$32,540 and recorded as share-based compensation for the year ended December 31, 2019.

On August 12, 2019, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 2,100,000 common shares of the Company to certain directors and consultants of the Company. A total of 600,000 options vest immediately and a total of 1,500,000 options vest over four and a half months. The options are exercisable at a price of \$0.10 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 1.24%. Total fair value was calculated to be \$118,608 and recorded as share-based compensation for the year ended December 31, 2019.

On November 13, 2019, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 800,000 common shares of the Company to certain consultants of the Company. The options vested 100% on grant date. The options are exercisable at a price of \$0.10 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 1.55%. Total fair value was calculated to be \$23,040 and recorded as share-based compensation for the year ended December 31, 2019.

On March 25, 2020, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 1,500,000 common shares of the Company to two consultants of the Company. The options vested 100% on grant date. The options are exercisable at a price of \$0.05 per common share for a three 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 3 years, volatility of 160.33%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 0.70%. Total fair value was calculated to be \$55,875 and recorded as share-based compensation for the year ended December 31, 2020.

On March 25, 2020, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 200,000 common shares of the Company to a consultant of the Company. The options vested 100% on grant date. The options are exercisable at a price of \$0.10 per common share for a 3.4 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 3.4 years, volatility of 169.94%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 0.70%. Total fair value was calculated to be \$7,178 and recorded as share-based compensation for the year ended December 31, 2020.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(c) Stock Options (continued)

On August 13, 2020, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 1,000,000 common shares of the Company to a consultant of the Company. The options vested 100% on grant date. The options are exercisable at a price of \$0.05 per common share for a two 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 2 years, volatility of 152.50%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 0.29%. Total fair value was calculated to be \$19,310 and recorded as share-based compensation for the year ended December 31, 2020.

As at December 31, 2020, the following options remain outstanding:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening	5,819,090	\$0.13	2,363,685	\$0.19
Issued	2,700,000	0.05	3,900,000	0.11
Exercised	(1,350,000)	0.05	-	-
Expired / cancelled	(800,000)	0.10	(444,595)	0.32
Ending	6,369,090	\$0.11	5,819,090	\$0.13
Weighted average remaining life of stock options outstanding	2.16 years		3.33 years	

Number of options	Number of options exercisable	Exercise price	Expiry date
707,267	707,267	\$0.19	November 14, 2022
1,211,823	1,068,089	\$0.15	November 7, 2022
500,000	500,000	\$0.15	February 14, 2023
500,000	500,000	\$0.10	April 17, 2023
2,100,000	2,100,000	\$0.10	August 12, 2023
150,000	150,000	\$0.05	March 25, 2023
200,000	200,000	\$0.10	August 12, 2023
1,000,000	1,000,000	\$0.05	August 13, 2022
6,369,090	6,225,356	\$0.11	

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(d) Warrants:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Opening	10,670,113	\$0.16	11,036,912	\$0.14
Issued	-	-	6,625,000	0.14
Exercised	-	-	(700,000)	0.105
Expired	(2,000,000)	0.12	(6,291,799)	0.11
Ending	8,670,113	\$0.17	10,670,113	\$0.16
Weighted average remaining life of warrants outstanding	0.61 years		1.48 years	

As at December 31, 2020, the following warrants remain outstanding:

Number of warrants	Exercise price	Expiry date
3,045,113	\$0.20	December 20, 2021
5,625,000	\$0.15	May 31, 2021
8,670,113		

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

	Financial assets – FVTPL	Financial assets – amortized cost	Financial liabilities – amortized cost
As at December 31, 2020			
	\$	\$	\$
Cash	1,553	-	-
Amounts receivable	-	44,876	-
Bank indebtedness	-	-	4,618
Accounts payable and accrue liabilities	-	-	229,017
Short-term loans	-	-	20,960
Loans payable	-	-	1,275,386

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS (continued)

As at December 31, 2019	Financial assets – FVTPL	Financial assets – amortized cost	Financial liabilities – amortized cost
	\$	\$	\$
Cash	35,611	-	-
Amounts receivable	-	31,412	-
Due from related party	-	3,159	-
Bank indebtedness	-	-	26,547
Accounts payable and accrue liabilities	-	-	317,385
Short-term loans	-	-	14,583
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 and accounts receivable. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Collectability for accounts receivable is assessed on an ongoing basis and a provision for impairment recorded as necessary.

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, 2020, the Company had cash of \$1,533 (2019 - \$35,611) to settle the total current liabilities of \$254,595 (2019 - \$358,515). As the Company does not have positive operating cash flows, the Company has relied primarily on equity financings and loans to meet its capital requirements and current financial obligations (Note 1).

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, 2020, the Company had nominal amounts of accounts payable and short-term 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.

The Company is exposed to currency risk through the following monetary assets and liabilities denominated in foreign currencies.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk (continued)

	December 31, 2020		December 31, 2019	
Cash	USD\$	1,403	USD\$	6,347
Accounts payable	EUR\$	(30,070)	EUR\$	(30,070)
Short-term loans	EUR\$	(10,000)	EUR\$	(10,000)

Based on the above net exposure and assuming that all other variables remain constant a 10% change in the value of the foreign currencies against the Canadian dollar would result in an increase or decrease of \$6,121 (2019 - \$5,019) in the statement of loss and comprehensive loss.

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 because it does not have any interest bearing debt.

10. RELATED PARTY TRANSACTIONS

The key management personnel compensation for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
	\$	\$
Professional fees paid / accrued to CFO	35,900	67,930
Management fees paid / accrued to CEO	66,750	86,765
Consulting fees paid / accrued to CEO	5,143	30,000
Research and development paid / accrued to CEO	5,143	30,000
Share-based compensation	15,089	126,735
Total	128,025	341,430

- (a) Included in accounts payable and accrued liabilities as at December 31, 2020 is \$47,214 (2019 - \$15,250) due to companies controlled by the CEO and CFO. Amounts are unsecured, non-interest bearing and due on demand. During the year ended December 31, 2020, the Company issued 1,418,000 (2019 - 1,414,444) common shares with a fair value of \$56,720 (2019 - \$96,664) to settle certain accounts payable with the officers of the Company in the amount of \$70,900 (2019 - \$109,944) (Note 7(b)).
- (b) Included in loans payable as at December 31, 2020 is \$112 (2019 - \$112) due to the CEO (Note 6).
- (c) As at December 31, 2020, due from related party balance was \$Nil (2019 - \$3,159). The loan is unsecured, non-interest bearing and due on demand.

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

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 claim total \$19,154 plus 5% interest from September 14, 2018, plus fees and disbursements in the amount of \$625. During the year ended December 31, 2019, the Company partially settled this claim for \$8,125.

12. GOVERNMENT GRANTS

CanExport Program

On April 9, 2019, the Company applied for financial assistance under the CanExport Program of the Department of Global Affairs and the National Research Council Canada (NRC). The program is designed to provide direct financial assistance to small and medium-sized enterprises seeking to develop new export opportunities and markets, especially in high-growth emerging markets. The total federal funding was \$27,000 and the total duration of the program was from April 1, 2019 to November 30, 2019. During the year ended December 31, 2019, the Company used the proceeds of \$27,000 to promote the BigShot project in new internal markets. Other government grants totaled \$2,042. No additional funds were received or spent during the year ended December 31, 2020.

Canada Emergency Wage Subsidy

The Company applied for and received the Canada Emergency Wage Subsidy ("CEWS"), which provides up to 75% of employee's wages. During the year ended December 31, 2020, the Company received \$136,295 in eleven distinct claiming periods.

Industrial Research Assistance Program

On April 3, 2020, the Company entered into a Contribution Agreement with the Industrial Research Assistance Program ("IRAP") run by the NRC. The NRC has agreed to contribute up to a maximum of \$170,000 for cost incurred in the "Augmented Reality Capture And Visualization Engine" project, of which \$74,219 was received during the year ended December 31, 2020. The duration of the agreement is 1 year. The government grant was credited against research and development during the year ended December 31, 2020.

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

During the year ended December 31, 2019 the following non-cash transactions occurred:

The Company issued 1,936,744 common shares with a fair value of \$130,998 to settle debt of \$150,174 recorded in accounts payable and accrued liabilities.

During the year ended December 31, 2020 the following non-cash transactions occurred:

The Company issued 4,806,500 common shares with a fair value of \$192,260 to settle debt of \$240,325 recorded in accounts payable and accrued liabilities.

The Company issued 1,350,000 common shares upon the exercise of options at \$0.05 per share to settle loans payable of \$22,500 and accounts payable of \$45,000. A classification of \$50,287 was recorded from reserves to share capital (note 7).

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

14. 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:

	2020	2019
Year ended December 31,		
	\$	\$
Loss for the year before income taxes	(327,864)	(3,232,975)
Expected income tax recovery at a combined federal and provincial rate of 27% (2019: 27%)	(89,000)	(873,000)
Tax effects of:		
Permanent differences	27,000	628,000
Change in foreign exchange and other	(11,000)	(2,000)
Change in unrecognized deductible temporary differences	73,000	247,000
Recovery of (provision for) income taxes	-	-

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

	2020	2019
As at December 31,		
	\$	\$
Non-capital loss carry forwards	1,000,000	923,000
Intangible assets	1,000	1,000
Share issuance costs	3,000	7,000
Net deferred tax assets (unrecognized)	1,004,000	931,000

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

	2020		2019	
Temporary differences	\$	Expiry dates	\$	Expiry dates
Non-capital losses carry forwards	3,705,000	2034 to 2040	3,418,000	2034 to 2039
Intangible assets	4,000	No expiry date	4,000	No expiry date
Share issuance costs	12,000	2021 to 2024	26,000	2020 to 2023

E-Play Digital Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

15. SEGMENTED REPORTING

Revenues from external customers are derived from customers located in Canada and the United States as follows:

During the year ended December 31,	2020	2019
	\$	\$
United States	47,344	18,603
Canada	4,304	8,229
Other	2,701	159
	54,349	26,991

During the year ended December 31, 2020, approximately 95% (2019 – 99%) of the Company’s revenue was generated from three (2019 - two) customers.

16. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2020, the Company entered into the following transactions:

- the Company issued 1,561,875 common shares at \$0.06 to settle debts owed for services totaling \$93,713.
- the Company completed the first tranche of a non-brokered private placement for 5,750,000 units at \$0.10 per unit for gross proceeds \$575,000. Each unit consist of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at \$0.20 per share on or before March 5, 2022.
- the Company completed the second tranche of a non-brokered private placement for 5,250,000 units at \$0.10 per unit for gross proceeds \$525,000. Each unit consist of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at \$0.20 per share on or before March 17, 2022.
- the Company granted incentive stock options, exercisable to purchase up to an aggregate of 725,000 common shares of the Company to three consultants of the Company. The options are exercisable at a price of \$0.24 per common share for a three-year term.
- the Company granted incentive stock options, exercisable to purchase up to an aggregate of 850,000 common shares of the Company to certain consultants of the Company. The options are exercisable at a price of \$0.23 per common share for a two-year term.
- the Company entered into a letter of intent (“LOI”) to purchase 100% of the equity of Holo3D Technologies Inc, a company owned by the CEO of the Company. As consideration, the Company plans to issue 12,000,000 common shares. The parties have 90 days to enter into a definitive agreement, otherwise the LOI will terminate with no further effect. The Company borrowed \$15,000 from Holo3D to support the due diligence process. The loan is non-interest bearing, unsecured and is due on demand.
- the Company received an additional \$44,953 for IRAP funding from the NRC.