



Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2018

Management's discussion and analysis (MD&A) is current to January 31, 2019 and is management's assessment of the operations and the financial results together with future prospects of Bloclay Entertainment Inc. (formerly Stompy Bot Corporation) ("Bloclay", "Corporation", or the "Company"). This MD&A should be read in conjunction with our audited financial statements and related notes for the years ended December 31, 2017 and 2016 prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are in Canadian dollars unless stated otherwise.

Forward Looking Information

This MD&A contains certain forward-looking statements and information relating to the Company that is based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "may", "will", "anticipate", "plan", "intend", "estimate", "project", "continue", "believe", "expect" and similar forward-looking terminology, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital and the estimated cost and availability of funding for the continued operation of the Company. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Although management believes that the expectations reflected in such forward-looking statements are reasonable, all forward-looking statements address matters that involve known and unknown risks, uncertainties and other factors and should not be read as guarantees of future performance or results. Accordingly, there are or will be a number of significant factors which could cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual future results, performance or achievements to differ materially include, but are not limited to, our limited operating history, our reliance on key personnel, future capital needs, dependence on proprietary technology and limited protection thereof and general economic trends and international risk. The Company is subject to significant risks and any past performance is no guarantee of future performance. The Company cannot predict all of the risk factors, nor can it assess the impact, if any, of such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. This MD&A offers a brief overview of some of the risk factors to be considered in relation to the Company's business. This list may not be exhaustive and new risk factors may emerge from time to time. Please see the section "Risks and Uncertainties" for further information. We disclaim any intention or obligation to publicly update or revise any forward-looking statements after distribution of this MD&A, whether as a result of new information, future events or other circumstances, except as may be required pursuant to applicable securities laws.

BUSINESS OVERVIEW AND CORPORATE UPDATE

The Company was incorporated under the British Columbia Business Corporations Act ("BCBCA") on October 30, 2014. The Company is a developer of platforms and video game publisher that publishes video games that the Company either develop internally or engage a video game developer to develop for them. The Company's shares trade on the Canadian Securities Exchange under the symbol "PLAY".

On February 1, 2018, the Company changed its name to “Blocplay Entertainment Inc.”, in order to better reflect its existing business and future prospects.

In December 2017, the Company acquired Token Play Inc. (“Token Play”), a technology company involved in the development of blockchain technology in the video game space to develop a platform for the exchange of in-game currencies and tokens.

In September 2018, a dissident group of shareholders voted in new management to the Company. The new management is currently reviewing the Company’s assets and intellectual property.

Business Goals

The management is currently reviewing business technology to ascertain if the technology is a viable business.

Development Strategy and Outlook

The Company is a developer of platforms and video game publisher. The Company provides technical support, guidance and marketing support to assist independent video game developers to develop and publish video games and platforms. The video games published by the Company can be played by consumers on a variety of platforms, including: personal computers, mobile and console platforms and the Internet.

Product Development Strategy

The Company currently has four video game projects: Heavy Gear Assault; Sabotage; Armored Cock; and Locke & Key. Since September 2018, no development has occurred with respect to the Company’s video game projects.

Heavy Gear Assault – Heavy Gear Assault was launched on Steam as an Early Access release during the holiday season of 2016. This launch included support for the Windows & Linux operating systems. Heavy Gear Assault is currently considered as a "strong technical demonstration" of our developer's abilities to develop, release, and publish a PC title using all new next generation technology including the powerful Unreal Engine 4 technology.

As an Early Access title, the game is currently recognized as still in development and won't be considered fully released until more content and features are considered complete by both our Production team and the consumers. Early Access typically have 2 major release periods and tend to do well during console ports as well. Early Access gives consumers visibility to features and issues that they can report to the production team and have corrected in subsequent patches unlike traditional AAA releases which typically do not do minor feature updates and fixes on a regular ongoing basis. Revenue for the fiscal year-ended 2017 and year-to-date 2018 since the release of Heavy Gear Assault were \$15,500 and \$nil, respectively.

Sabotage – During the year ended December 31, 2016, the Company announced that it had signed a partnership agreement with the Canada Media Fund (“CMF”) and has secured development funding for up to \$300,000. The CMF fosters and promotes the production of Canadian digital and broadcast media. The CMF has financially support the Company to develop its third video game title - "Sabotage". Sabotage is based on author, Matt Cook’s Los Angeles Times bestselling novel, Sabotage. The Company also announces that it has licensed the exclusive rights to develop games for the PC, console and mobile platforms based on the Sabotage intellectual property. This funding is secured and subject to certain conditions.

Armored Cock – Troll Inc. completed the second development Sprint of Armored Cock. This Sprint focuses on additional armor designs, the taunt system, the item system, and new special powers.

Locke & Key – The Company along with the licensor announced the successful licensing of the Locke & Key property in 2015. The Company currently owes the balance of the license fee and has put the project on hold. With appropriate funding, the Company would plan to move forward and develop this product with Behaviour Interactive, Montreal, to develop Locke & Key as an episodic console release.

Acquisition of TokenPlay

On December 22, 2017, the Company closed the acquisition of all the issued and outstanding securities of TokenPlay, a private Ontario corporation, for the issuance of:

- (i) 58,999,982 common shares of the Company with a fair value of \$2,949,999; and
- (ii) 18,861,836 common share purchase warrants with a fair value of \$341,634.

Each warrant entitles the holder to acquire one common share in the capital of the Company at a price of \$0.10 per share for two years from the date of issue. TokenPlay is now a wholly-owned subsidiary of the Company.

TokenPlay is a technology company involved in the development of blockchain technology in the video game space which will seek to provide a platform for the exchange of in-game currencies and tokens. TokenPlay does not currently have any revenues.

In connection with the acquisition, the Company paid a finder's fee to First Canadian Capital Corp., in the form of the issuance of 1,400,000 common shares of the Company with a fair value of \$70,000.

In accordance with IFRS 3 Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination, as the primary asset is an intangible asset for Tokenplay.com, which was not fully developed and was not operational at the time of acquisition. Consequently, the transaction has been recorded as an acquisition of an asset. The results of operations from TokenPlay are included in the consolidated financial statements since the date of acquisition.

The acquisition of TokenPlay included certain intellectual property including the TokenPlay.com domain name, the TokenPlay trademark, and the TokenPlay White Paper, which is a technical architecture and summary of the TokenPlay business model. The domain name and trademark have been recognized as intangible assets totaling \$26,000. The White Paper did not meet the criteria for capitalization under IAS 38 – Intangible Assets, therefore the excess fair value of consideration over identifiable net assets acquired of \$3,078,589 was included in technology acquisition expense for the year ended December 31, 2017.

The following table summarizes the consideration paid and the allocation to the assets and liabilities acquired as the date of acquisition:

	\$
Fair value of common shares issued (58,999,982 shares)	2,949,999
Fair value of finder's shares issued (1,400,000 shares)	70,000
Fair value of warrants issued (18,861,836 warrants)	341,634
Total purchase consideration	3,361,633
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Cash	523,937
HST receivable	2,201
Intellectual property	26,000
Accounts payable	(269,094)
Net assets acquired	283,044
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Excess of consideration over net assets acquired	3,078,589

The fair value of the warrants was determined using the Black-Scholes Option Pricing model using the following assumptions:

Average risk-free interest rate	1.64%
Expected share price volatility	100%
Expected life	2 years
Expected dividend yield	0%

MANAGEMENT CHANGES

On January 11, 2018, Robert Howe and Konstantin Lichtenwald were appointed as members of the board. Chris Irwin resigned from the board. Vince McMullin resigned from the board and as chief executive officer and was appointed the chief technology officer of the Company. Mr. Lichtenwald was appointed chief financial officer of the Company and Mr. Garland, the former chief financial officer, remains on the board and was appointed the chairperson of the audit committee of the board. Jon Gill, current chairperson of the board, was appointed the interim chief executive officer. Mr. Howe was appointed the chairperson of the compensation committee of the board.

On February 23, 2018, Usama Chaudhry was appointed to the board of directors, due to Robert Howe's resignation from the board.

On May 18, 2018, Richard Grieve and Cameron Paddock were appointed to the board of directors, to replace Jon Gill and David Garland who resigned from the board. Richard Grieve was also appointed chief executive officer of the Company.

On June 4, 2018, Simon Kim replaced Konstantin Lichtenwald, who resigned from both the board of directors and as the Company's chief financial officer. Usama Chaudhry took over as CFO of the Company.

On July 1, 2018, the board appointed Alexandre Sanhaji as chief operating officer of the Company.

On July 30, 2018, Richard Grieve and Cameron Paddock resigned from the board of directors.

On August 1, 2018, the Company appointed Alex Powell as chief financial officer and director, Matthieu Glaude as chief product officer, Jay Dawani as chief marketing technology officer and Raymond Gigliotti as director.

On August 7, 2018, the Company appointed James Hutton as interim chief executive officer. On the same date, Usama Chaudhry and Simon Kim resigned from the board of directors.

On August 8, 2018, the Company terminated its executive agreement with Vince McMullin, chief technology officer of the Company.

On August 13, 2018, the Company appointed Paul Andrusyshyn to the board of directors.

On September 28, 2018, Alex Powell, Raymond Gigliotti and Paul Andrusyshyn resigned from the Board of Directors. The Company appointed Jon Gill, Christopher Irwin and Jordan Manzer as Directors to the Board. In addition, Alex Powell has been replaced by Arvin Ramos as the Chief Financial Officer of the Company. All other officers of the Company has been terminated.

Selected Annual Financial Information

The following table reflects the summary of annual results for the periods set out.

	2017	2016	2015
Total revenue	\$Nil	\$Nil	\$Nil
Net loss	\$4,472,797	\$651,723	\$1,685,589
Net loss per share	\$0.061	\$0.011	\$0.035
Total assets	\$3,412,893	\$1,601,927	\$1,260,581
Long-term liabilities	\$Nil	\$Nil	\$Nil
Dividends per share	\$Nil	\$Nil	\$Nil

Summary of Quarterly Results

Results for the past eight quarters for selected financial statement amounts are presented below. The Company's quarterly operating results have varied in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

	Q3-2018 \$	Q2-2018 \$	Q1-2018 \$	Q4-2017 \$
Total revenue	-	(882)	882	-
Net loss	(1,394,356)	(746,363)	(725,460)	(3,876,909)
Basic & diluted loss per share	(0.008)	(0.004)	(0.004)	(0.038)

	Q3-2017 \$	Q2-2017 \$	Q1-2017 \$	Q4-2016 \$
Total revenue	-	2,725	9,294	-
Net loss	(228,603)	(106,726)	(260,559)	(129,020)
Basic & diluted loss per share	(0.003)	(0.002)	(0.005)	(0.002)

Overall Performance

Nine Months ended September 30, 2018 and 2017

The Company incurred net loss of \$2,866,179 or \$0.016 per share for the nine month period ended September 30, 2018 compared with a net loss of \$595,888 or \$0.009 a share for the comparable period in 2017.

Operating expenses were higher by \$2,270,291 for the nine months ended September 30, 2018 compared to prior period mainly due to the significant increase of general and administrative, consulting, professional, management, and share-based payment expense during the period.

General and administrative, consulting, professional and management fees were \$2,630,918 for the nine months ended September 30, 2018 compared to \$437,116 during the prior period. This is due to the increase of corporate activity during the period. Included in the amounts are approximately \$300,000 of payments that were not documented properly. These amounts have been expensed pending further inquiry by management.

Royalty expense was \$nil in 2018 compared to \$11,092 in 2017.

The Company had a gain of \$175,560 on the settlement of debts (2017 - \$nil).

Three Months ended September 30, 2018 and 2017

The Company incurred net loss of \$1,394,356 or \$0.008 per share for the three month period ended September 30, 2018 compared with a net loss of \$228,603 or \$0.003 a share for the comparable period in 2017.

Operating expenses were higher by \$1,165,753 for the three months ended September 30, 2018 compared to prior period mainly due to the significant increase of general and administrative, consulting, professional, management, and share-based payment expense during the period.

General and administrative, consulting, professional and management fees were \$1,416,696 for the three months ended September 30, 2018 compared to \$162,137 during the prior period. This is due to the increase of corporate activity during the period. Included in the amounts are approximately \$300,000 of payments that were not documented properly. These amounts have been expensed pending further inquiry by management.

Royalty expense was \$nil in 2018 and 2017.

Operating Expenses

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	Nine months ended Sept. 30, 2018	Nine months ended Sept. 30, 2017
	\$	\$	\$	\$
Consulting fees	116,964	-	160,413	-
Depreciation	4,994	-	11,941	-
General and administrative	96,755	9,190	346,465	33,702
Management fees	1,085,487	52,358	1,941,506	221,349
Professional fees	117,490	100,589	182,534	182,065
Royalty expense	-	-	-	11,092
Sales and marketing	(66,161)	564	84,020	30,438
Development expenses	-	41,194	-	101,359
Interest on convertible debentures	-	27,863	-	27,863
Share based payment expense	41,614	-	307,507	-
	1,397,143	228,915	3,034,386	593,006

Company Directors and Officers

As at the date of this report, the directors and officers of the Company were:

Chris Irwin	Chief Executive Officer and Director
Jon Gill	Director
Jordan Manzer	Director
Arvin Ramos	Chief Financial Officer

LIQUIDITY AND CAPITAL RESOURCES

The Company is in the early stage of operations and requires additional capital to achieve its strategic objectives. As at September 30, 2018, the Company had working capital deficiency of \$1,211,845 (December 31, 2017 - \$609,739). As at the date of this report, the Company had negative working capital of approximately \$1,000,000 (excluding the funding owed to Canada Media Fund and convertible debentures). Blocplay is currently not generating operating cash flows, and has significant cash requirements to continue its development of its video games and administrative overhead. In order to meet future expenditures and development costs, the Company will need to raise additional financing and there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. Whether and when the Company can attain profitability and positive cash flows is uncertain. These uncertainties represent significant risks to the Company's ability to continue as a going concern.

Management is exploring various financing alternatives, which includes equity and debt offerings. Specifically, during the nine months ended September 30, 2018, the Company issued 1,184,213 common shares for warrants exercised at exercise prices ranging between \$0.05 and \$0.12 for gross proceeds of \$108,421. The Company also issued 250,000 common shares for options exercised at \$0.11 for proceeds of \$26,654.

During the year ended December 31, 2017, the Company issued a total of 480,832 common shares from exercise of warrants for gross proceeds of \$40,083, and 250,000 common shares from exercise of options for gross proceeds of \$10,500.

On November 29, 2017, the Company closed its non-brokered private placement for gross proceeds of \$2,000,000 through the issuance of 40,000,000 units of the Company at a price of \$0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.10 for a period of twenty-four months following the date of issuance. The fair value attributed to the warrants was \$931,454 using the relative fair value method. In connection with the closing of the private placement, the Company paid a cash commission equal to 7% of the gross proceeds in the amount of \$140,000 and also issued an aggregate of 2,800,000 finder warrants with a fair value of \$538,236, each finder warrant entitling the holder to acquire

one common share at a price of \$0.05 for a period of twenty-four months from the date of issuance. The Company incurred additional cash share issuance costs of \$16,746 related to this private placement.

During the year ended December 31, 2017, the Company issued a total of 333,333 units at a price of \$0.06 per unit for gross proceeds of \$20,000, including a half share purchase warrant to acquire one common share of \$0.10 within eighteen months. The fair value attributed to the warrants was \$7,241 using the relative fair value method.

In addition, the Company completed a private placement of up to \$250,000 of convertible unsecured debenture units (Series I - \$200,000, Series II - \$50,000 with an additional \$150,000 available). The Company is also evaluating various government and media grants. As at the date of this report, the Company was successful in receiving \$300,000 from the Canadian Media Fund.

SUBSEQUENT EVENT

As of the date of this report, 5,706,272 options have expired.

FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

(a) Capital Management:

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued Common Shares, in the definition of capital. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

(b) Risk Disclosures and Fair Values:

The Company's financial instruments, consisting of share subscription receivable approximate fair value due to the relatively short-term maturities of the instrument. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

SHARE CAPITAL

As at the date of this report, the Company has the following issued and outstanding:

Common shares— issued and outstanding	182,979,152
Stock options – vested	3,000,000
Warrants	61,217,623

TRANSACTIONS WITH RELATED PARTIES

The transactions are in the normal course of business and have been valued in these unaudited condensed and consolidated interim financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management includes the following:

	September 30, 2018	September 30, 2017
	\$	\$
Short-term employee benefits	-	54,495
Total compensation to key management	-	54,495

Included in trade and other payables as at September 30, 2018 are amounts of \$13,559 (December 31, 2017 - \$252,375) due to directors and former directors of the Company and companies with common directors. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. Additionally, included in trade and other payables as at September 30, 2018 are amount of \$123,880 (December 31, 2017 - \$nil) due to former officers and directors.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Critical Accounting Policies:

The Company's critical accounting policies are as follows:

Calculation of share-based payments

The Black-Scholes option pricing model is used to determine the fair value for the stock options and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

Capitalization of intangible assets

Management evaluates the progress of video game development activities in order to determine if the criteria for capitalizing those costs under IAS 38- *Intangible Assets* have been met. Costs are only capitalized when the technical feasibility of the project is established, the Company has identified a market for the video game which will generate revenue, the Company has established an adequate plan to that identifies the technical resources to complete the project and expenses related to the development project can be reliably measured.

Accounting Changes

Revenue Recognition

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations on revenue. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As the Company has no revenue, no impact on the Company's condensed consolidated interim financial statements has resulted.

Financial instruments

The Company has adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The main area of change is the accounting for equity securities previously classified as fair value through profit and loss.

Future Accounting Changes

- IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures

to be provided by lessors. Management has determined that IFRS 16 is not expected to have any impact on the Company.

The Company's financial assets and liabilities are classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	FVTPL	FVTPL
Receivables, taxes receivable	Loans and receivables	Amortized cost
Prepaid expenses	Loans and receivables	Amortized cost
Royalty advances	Loans and receivables	Amortized cost
Intangibles	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

COMMITMENTS AND CONTINGENCIES

The Company has committed to share royalties of future game sales as follows:

	Heavy Gear ¹	Sabotage ^{1&2}	Locke &Key ³	Armoured Cock
Royalties	20%	15%	10%	10%

¹ In addition to minimum royalties, there is a sales distribution royalty for Heavy Gear and Sabotage on the Company's own website of 0% or on the Steam Distribution platform of 30%.

² The minimum royalties included 15% on gross revenue.

³ The Company is currently in breach of its agreement due to non-payment of \$150,458 (US\$116,000), which is included in accounts payable.

In the ordinary course of operating the Company's business, it may from time to time be subject to various claims or possible claims. Management is of the position that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain and management's view of these matters may change in the future.

The Company has no commitments for capital expenditures.

RISKS AND UNCERTAINTIES

Given the speculative nature of the business of the Company, an investment in the Common Shares should only be considered by those persons who can afford a total loss of their investment. The risks presented below should not be considered exhaustive and may not represent all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations. If any of the risks described below occur, the Company's business, financial condition, liquidity and results of operations could be materially harmed.

Limited Operating History and Sales

The Company has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. As the Company is in an early stage and is introducing new products, the Company's revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. In addition, it is also difficult to evaluate the viability of the Company's video games because the Company has had limited experience to address the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets such as the Company's target markets. There can be no assurance that the Company will be successful in

addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

No Assurance of Profitability

The Company cannot give assurances that it will not incur net losses in the future. The limited operating history makes it difficult to predict future operating results. The Company is subject to the risks inherent in the operation of a new business enterprise in an emerging business sector, and there can be no assurance that the Company will be able to successfully address these risks.

Future Capital Needs; Uncertainty of Additional Funding

The Company may not be able to fully implement and execute its business strategy without additional financing. There can be no assurance that such additional financing will be available, and if available, there can be no assurance that the cost of obtaining such financing will be on favourable or reasonable commercial terms or that financing will not result in substantial dilution to the Company's shareholders.

Dependence on Key Personnel

The Company's future success depends on its ability to retain key employees and attract, train, retain and successfully integrate new talent into its management team. The Company's success is highly dependent on its continuing ability to identify, hire, train, motivate and retain appropriate personnel. Competition for these personnel can be intense, and the Company cannot provide assurance that it will be able to attract or retain them. To do so, it may be necessary for the Company to materially increase the compensation it pays.

Management of Growth

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Competition

Competition in the gaming industry as it relates to video games is increasing. While the Company is targeting smaller niche sites with higher expected revenues per subscriber, there can be no assurances that competitors will not adopt a similar strategy and attempt to enter the markets that the Company has targeted.

Dependence on Proprietary Technology and Limited Protection Thereof

The Company will be relying on a combination of trademark, copyright, patent and trade secret law, as well as confidentiality restrictions contained in certain confidentiality agreements, to establish and protect the Company's proprietary rights in its intellectual property. As a result, the Company may not be able to adequately prevent a competitor, business partner or customer from creating or obtaining an illegal copy of its software or otherwise using it for inappropriate purposes such as reverse-engineering.

General Economic Trends

The worldwide economic slowdown and tightening of credit in the financial markets may impact the business of the Company's customers, which could have an adverse effect on the Company's business, financial condition, or results of operations. Adverse changes in general economic or political conditions in any of the major countries in which the Company does business could also adversely affect the Company's operating results.

Asset Location and Legal Proceedings

Substantially all of the Company's assets are located in Canada where intellectual property is generally enforced. Video gaming is global in nature, and the Company expects to have subscribers and assets located outside of Canada. Accordingly, the Company may be subject to legal proceedings and judgments in foreign jurisdictions.

Risk Associated with Foreign Operations in Developing Countries

The Company's primary revenues are expected to be achieved initially in North America. However, the Company may expand to markets outside of North America, and become subject to risks normally associated with conducting business in a developing country. The Company cannot predict government positions on

such things as foreign investment, intellectual property rights or taxation. A change in government positions on these issues could adversely affect the Company's business.

Market Acceptance

The Company's ability to gain and increase market acceptance of its games depends upon its ability to establish and maintain its brand name and reputation. In order to do so, substantial expenditures on market research, product development, product testing, strategic relationships and marketing initiatives may be required.

Rapid Technological Change

The video gaming industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and emergence of new industry standards and practices that could render the Company's existing products and systems obsolete and can exert price pressures on existing products. It is critical to the Company's success that it be able to anticipate and react quickly to changes in technology or in industry standards and successfully develop and introduce new, enhanced and competitive products on a timely basis. The Company cannot give assurance that it will successfully develop new products or enhance and improve its existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not render the Company's products obsolete. The process of developing new technology is complex and uncertain, and, if the Company fails to accurately predict customers' changing needs and emerging technological trends, its business could be harmed. The Company must commit significant resources to developing new products before knowing whether its investments will result in products the market will accept. To remain competitive, the Company may be required to invest significantly greater resources than currently anticipated in research and development and product enhancement efforts, and result in increased operating expenses.

Product Defects and Reputation

The Company will continue developing source code for its platform. Such source code and related products may contain errors or hidden defects that may significantly impact the user experience. The Company may not be able to correct the defects in a timely manner, and may lead to a loss of or a delay in market acceptance. In addition, such errors or hidden defects could cause adverse damage to its reputation and impair its ability to acquire new users. In addition, the Company may need to make significant expenditures to eliminate defects from its products. As well, errors and defects could lead to claims for liability or other claims involving costly litigation.

Risks Associated with Acquisitions

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions that would provide additional product or service offerings, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Electronic Communication Security Risks

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Insurance Coverage

The Company will require insurance coverage for a number of risks, including business interruption, environmental matters and contamination, personal injury and property damage. Although the Company believes that the events and amounts of liability covered by its insurance policies will be reasonable, taking into account the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which

the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected.

Tax Risk

The Company will be considered to have been carrying on business in Canada for purposes of the *Income Tax Act* (the "**Tax Act**"). However, the Company will be operating in the video gaming space, a new and developing industry that has had historically low regulations and tax compliance. There is risk that foreign governments may look to increase their tax revenues or levy additional taxes to level the playing field for perceived disadvantages to the traditional brick and mortar business. While the Company does not foresee any adverse tax affects, there is no guarantee that governments will not impose such additional adverse taxes in the future.

Risks in Foreign Jurisdictions

Video gaming is a global phenomenon, and the Company anticipates that a significant user base will be located outside Canada. International business activities entail additional risks such as uncertainty as to the protection and use of intellectual property, partnership risks, political risks, legal and regulatory risks, the risk of increase in taxes (including value added taxes) and trade barriers. Furthermore, as profits of foreign subsidiaries are taxable under foreign income tax legislation, revenues from foreign operations could be adversely impacted.

Currency Fluctuations

Due to the Company's present operations, and its intention to in the future operate in jurisdictions outside Canada, the Company is expected to be exposed to significant currency fluctuations in the future. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. A substantial portion of the Company's revenue could be earned in US dollars, but a substantial portion of its operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the US dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results. The Company intends to continue to expand operations globally so it may be subject to additional gains and losses against additional currencies. The Company does not currently have a foreign exchange hedging program in place. However, in the future, it may establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, it may not hedge its entire exposure to any one foreign currency and it may not hedge its exposure at all with respect to certain foreign currencies.

Fluctuations in Quarterly Results

The Company's quarterly operating results may fluctuate significantly in the future depending on factors such as the popularity of video games, the ability to attract users, progress on implementation of projects and upgrades, the number, timing and significance of new product announcements by the Company and its competitors, the ability to license and develop new software, introduce and market new and enhanced versions of products on a timely basis, changes in operating expenses, and general economic factors, among others. A significant portion of the Company's expenses are based on expectations of future revenue and, therefore, is relatively fixed in the short-term. Accordingly, if revenue levels are below expectations, operating results are likely to be adversely affected. As quarterly revenue is dependent upon building a significant user base, and the ability to monetize that user base, the inability to build and monetize the user base could cause the Company to plan or budget inaccurately, and those variations could adversely affect its financial results.

Officer and Director Conflicts

The Company's officers and directors may have certain interests and arrangements that are different from, or in addition to the Company's shareholders. Executive officers and directors may have rights to indemnification including directors' and officers' liability insurance that will survive consummation of their agreements.