VERSUS SYSTEMS

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

YEARS ENDED

DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Versus Systems Inc.

Opinion

We have audited the accompanying consolidated financial statements of Versus Systems Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred ongoing losses and has not achieved positive cash flows from operations and is not able to finance day to day activities through operations. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's 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.

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We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 30, 2019

Versus Systems Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2018	December 31, 2017
	($)	($)
ASSETS		
Current assets		
Cash	34,000	230,742
GST receivable	4,778	10,231
Prepaids	62,372	31,479
	101,150	272,452
Restricted deposit (Note 5)	11,500	11,500
Deposits	136,301	131,194
Equipment (Note 6)	59,110	50,269
Intangible assets (Note 8)	3,371,079	4,531,907
	3,679,140	4,997,322
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	1,035,744	479,868
Non-current liabilities		
Notes payable (Note 10)	3,478,956	747,322
	4,514,700	1,227,190
Equity		
Share capital (Note 11)		
Common shares	91,723,017	88,302,958
Class "A" shares	37,927	37,927
Reserves (Note 11)	8,270,190	6,922,770
Deficit	(94,973,085)	(90,341,608)
	5,058,049	4,922,047
Non-controlling interest (Note 7)	(5,893,609)	(1,151,915)
	(835,560)	3,770,132
	3,679,140	4,997,322

Nature of operations and going concern (Note 1)
Commitments (Note 17)
Subsequent events (Note 19)

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2019.
They are signed on behalf of the Board of Directors by:

"Matthew Pierce"	*"Brian Tingle"*
Director	Director

Versus Systems Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
	($)	($)
SALES		
Sales	1,620	-
EXPENSES		
Cost of sales	170	-
Amortization (Note 6)	29,642	22,280
Amortization of intangible asstes (Note 8)	2,965,035	2,402,639
Consulting fees (Note 12)	1,177,405	855,590
Foreign exchange loss	147,273	13,160
General and administrative	1,305,652	622,167
Interest expense	77,669	2,928
Professional fees	621,979	317,430
Salaries and wages (Note 12)	2,074,554	1,181,301
Sales and marketing	199,412	173,650
Share-based compensation (Note 11)	651,316	1,388,196
Operating Loss	(9,248,487)	(6,979,341)
Other income	1,219	1,150
Finance expense	(125,903)	(4,165)
Loss and comprehensive loss	(9,373,171)	(6,982,356)
Loss and comprehensive loss attributable to:		
Shareholders	(4,631,477)	(4,227,038)
Non-controlling interest (Note 7)	(4,741,694)	(2,755,318)
	(9,373,171)	(6,982,356)
Basic and diluted loss per common share:		
Shareholders	(0.054)	(0.06)
Non-controlling interest	(0.055)	(0.04)
Weighted average common shares outstanding	86,373,193	72,964,440

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

Versus Systems Inc.

Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Class "A" Shares	Share Capital: Common Shares	Share Capital: Class "A" Shares	Reserves	Deficit	Total Shareholders' Equity	Non-controlling Interest	Total Equity
			($)	($)	($)	($)	($)	($)	($)
Balance at December 31, 2016	65,409,235	33,713	85,194,014	37,927	5,601,517	(86,114,570)	4,718,888	1,615,397	6,334,285
Shares issued for warrant exercise	2,848,000	-	876,700	-	-	-	876,700	-	876,700
Shares issued in private placement	8,000,000	-	2,000,000	-	-	-	2,000,000	-	2,000,000
Acquisition of Versus LLC	501,660	-	235,780	-	(223,786)	-	11,994	(11,994)	-
Share issuance costs	-	-	(3,536)	-	-	-	(3,536)	-	(3,536)
Contribution benefit	-	-	-	-	156,843		156,843	-	156,843
Performance warrants issued	-	-	-	-	546,649	-	546,649	-	546,649
Stock options granted	-	-	-	-	841,547	-	841,547	-	841,547
Loss and comprehensive loss	-	-	-	-	-	(4,227,038)	(4,227,038)	(2,755,318)	(6,982,356)
Balance at December 31, 2017	76,758,895	33,713	88,302,958	37,927	6,922,770	(90,341,608)	4,922,047	(1,151,915)	3,770,132
Shares issued for warrant exercise	2,460,000	-	384,000	-	-	-	384,000	-	384,000
Shares issued in private placement	12,259,667	-	3,598,943	-	78,957	-	3,677,900	-	3,677,900
Share issuance costs	-	-	(562,884)	-	116,226	-	(446,658)	-	(446,658)
Contribution benefit	-	-	-	-	500,921	-	500,921	-	500,921
Performance warrants issued	-	-	-	-	140,531	-	140,531	-	140,531
Stock options granted	-	-	-	-	510,785	-	510,785	-	510,785
Loss and comprehensive loss	-	-	-	-	-	(4,631,477)	(4,631,477)	(4,741,694)	(9,373,171)
Balance at December 31, 2018	91,478,562	33,713	91,723,017	37,927	8,270,190	(94,973,085)	5,058,049	(5,893,609)	(835,560)

Versus Systems Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
	($)	**($)**
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the year	(9,373,171)	(6,982,356)
Items not affecting cash:		
Amortization	29,642	22,280
Amortization of intangible assets	2,965,035	2,402,639
Finance expense	125,903	4,165
Accrued interest exepnse	77,669	2,630
Share-based compensation	651,316	1,388,196
Changes in non-cash working capital items:		
GST receivable	5,454	(2,490)
Prepaids and deposits	(36,000)	(126,920)
Accounts payable and accrued liabilities	478,207	149,209
Cash used in operating activities	(5,075,945)	(3,142,647)
FINANCING ACTIVITIES		
Proceeds from notes payable	3,106,652	900,000
Proceeds from issuance of common shares	4,061,900	2,876,700
Share issuance costs	(446,659)	(3,536)
Cash provided by financing activities	6,721,893	3,773,164
INVESTING ACTIVITIES		
Development of intangible assets	(1,804,207)	(1,570,171)
Purchase of equipment	(38,483)	(40,004)
Cash used in investing activities	(1,842,690)	(1,610,175)
Change in cash during the year	(196,742)	(979,658)
Cash - Beginning of year	230,742	1,210,400
Cash - End of year	34,000	230,742

Supplemental Cash Flow Information (Note 16)

1. NATURE OF OPERATIONS AND GOING CONCERN

Versus Systems Inc. (the "Company") was continued under the Business Corporations Act (British Columbia) effective January 7, 2007. The Company's head office and registered and records office is Suite 302 – 1620 West 8th Ave, Vancouver, BC, V6J 1V4, Canada. The Company is traded on the Canadian Securities Exchange ("CSE") under the symbol "VS" and on the OTCQB market under the trading symbol "VRSSF".

The Company is engaged in the technology sector and is developing a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. At the date of the consolidated financial statements, the Company has earned minimal revenues from operations and is considered to be in the development stage.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2018, the Company has incurred ongoing losses and has not achieved positive cash flow from operations and is not able to finance day to day activities through operations. The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt as to the ability of the Company to meet its obligations as they come due and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's continuation as a going concern is dependent upon its ability to ultimately attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2019.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company and its subsidiaries.

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

These consolidated financial statements include the accounts of Versus Systems Inc. and its subsidiaries, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation. For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. Adjustments to non-controlling interest are accounted for as transactions with owners and adjustments that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Opal Energy (Holdco) Corp	United States of America	41.3%	Holding Company
Versus LLC	United States of America	41.3%	Technology Company

Significant Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on historical experience and management's assessment of current events and other facts and circumstances that are considered to be relevant. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, 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:

i) Deferred income taxes

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

ii) Economic recoverability and probability of future economic benefits of intangible assets

Management has determined that intangible asset costs which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life.

2. BASIS OF PRESENTATION (continued)

iii) Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

iv) Depreciation and Amortization

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

Significant judgements that have the most significant effect on the amounts recognized in these financial statements include:

i) Determination of functional currency

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

3. SIGNIFICANT ACCOUNTING POLICIES

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting periods. 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 and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Potentially dilutive options and warrants excluded from diluted loss per share totalled 42,292,326 (2017 – 45,895,676).

Equipment

Equipment is recorded at cost less accumulated amortization and any impairments. Amortization is calculated based on the estimated residual value and estimated economic life of the specific assets using the straight-line method over the period indicated below:

Asset	Rate
Computers	Straight line, 3 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Company 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 following is the Company's new accounting policy for financial instruments under IFRS 9:

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) ("FVTOCI"), 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 FVTOCI. 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.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
GST receivable	Loans and receivables	Amortized cost
Restricted deposit	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on January 1, 2018.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities 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 profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

Financial assets

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

Revenue from contracts with customers

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. 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 revenues, the change did not impact accumulated deficit or any assets and liabilities on the transition date.

Intangible assets excluding goodwill

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

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

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

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the intention to complete the intangible asset and use or sell it;
(c) the ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of intangible assets excluding goodwill (continued)

The amount initially recognized for internally-generated intangible assets is the sum of the costs incurred from the date when the intangible assets first meet the recognition criteria listed above. If no future economic benefit is expected before the end of the life of assets, the residual book value is expensed. Subsequent to initial recognition, internally-generated intangible assets are reported at cost. Where no internally-generated intangible asset can be recognized, development costs are recognized as an expense in the period in which it is incurred.

Amortization of software is recognized on a straight-line basis over a period of 3 years.

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered impairment losses. If any such indication exists, the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs is estimated in order to determine the extent of the impairment losses (if any).

Where a reasonable and consistent basis of allocation can be identified, corporate assets (assets other than goodwill that contribute to the future cash flows of both the CGU under review and other CGUs) are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

Where impairment losses subsequently reverse, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognized for the asset (or CGU) in prior years. A reversal of impairment losses is recognized immediately in profit or loss.

Income taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity.

Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred income tax

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability.

Non-controlling interest

Non-controlling interest in the Company's less than wholly owned subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interest is measured at the fair value of the non-controlling entity's contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in the warrant reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based Compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

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

Otherwise, share-based payments are measured at the fair value of goods or services received.

Foreign Exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company and its subsidiaries that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in equity (deficiency) which results from transactions and events from sources other than the Company's shareholders. Net loss is the same as comprehensive loss for the years presented.

(Expressed in Canadian dollars)

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2019 but are not yet effective:

IFRS 16, Leases

This new standard replaces the existing leasing guidance in IAS 17, Leases.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the statement of financial position a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the statement of earnings will be recognized on the statement of financial position.

The purpose of the standard is to provide users of the financial statements with a more accurate picture of a company's leased assets and associated liabilities, while also improving the comparability of companies that lease assets to those that purchase them.

Except for its office leases, the Company determined that the adoption of IFRS 16 will not have a material impact on the financial statements.

5. RESTRICTED DEPOSIT

As at December 31, 2018, restricted deposits consisted of $11,500 (2017 - $11,500) held in a guaranteed investment certificate as collateral for a corporate credit card.

6. EQUIPMENT

	Computers
	($)
Cost	
At December 31, 2016	36,252
Additions	40,004
At December 31, 2017	76,256
Additions	38,483
At December 31, 2018	**114,739**
Accumulated amortization	
At December 31, 2016	3,707
Amortization for the year	22,280
At December 31, 2017	25,987
Amortization for the year	29,642
At December 31, 2018	**55,629**
Carrying amounts	
At December 31, 2017	50,269
At December 31, 2018	**59,110**

7. BUSINESS COMBINATION WITH VERSUS LLC

On June 26, 2016, the Company acquired a 37.5% ownership interest in Versus LLC, a privately held limited liability company organized under the laws of the state of Nevada, from existing members (the "Selling Members") in consideration of a cash payment of $1,962,722 (US$1,500,000). Versus LLC is a technology company that is developing a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players.

On June 30, 2016, the Company and the Selling Members exchanged 100% of their ownership units in Versus LLC for 8,950.05 common shares of Opal Energy (Holdco) Corp. ("Newco") determined to have a fair value of $5,201,800 (US$4,000,000). Consequently, Versus LLC became a wholly-owned subsidiary of Newco. This share exchange resulted in a reduction of the Company's ownership interest in Newco from 100% to 38.2%.

In addition, the Company acquired full voting control over all of the Newco shares held by the Selling Members in exchange for granting them the right to exchange their Newco shares for such number of common shares of the Company equal to a total value of US$2,500,000, and common share purchase warrants with a total value of US$1,250,000 at an exercise price of $0.20 per share until June 30, 2019. As a result of this voting control, the Company has consolidated the assets, liabilities and results of operations of Versus LLC since the date of acquisition. Furthermore, the Company recorded a non-controlling interest related to the 61.8% interest held by the Selling Members in the net identifiable assets of Versus LLC.

In connection with the acquisition of Versus, LLC, the Company acquired intangible assets of $5,921,712 (Note 8).

On November 22, 2016, the Company acquired an additional 500 shares of Newco from one of the Selling Members in exchange for 1,441,553 common shares of the Company and 720,766 share purchase warrants that are exercisable at $0.20 per share until July 24, 2019. The common shares and the share purchase warrants were determined to have a fair value of $230,648 and $75,600, respectively. As a result, the Company increased its ownership interest in Newco to 40.42% and recorded the excess purchase price over net identifiable assets of $90,908 against reserves. The effect on non-controlling interest was a reduction of $215,341, for a balance of $2,999,871.

On September 21, 2017, the Company acquired an additional 174 shares of Newco from one of the Selling Members in exchange for 501,660 common shares of the Company and 250,830 share purchase warrants that are exercisable at $0.20 per share until June 24, 2019. The common shares and the share purchase warrants were determined to have a fair value of $235,780 and $88,470, respectively. As a result, the Company increased its ownership interest in Newco to 41.3% and recorded the excess purchase price over net identifiable assets of $312,255 against reserves. The effect on non-controlling interest was a reduction of $11,995.

(Expressed in Canadian dollars)

7. BUSINESS COMBINATION WITH VERSUS LLC (continued)

The following table presents summarized financial information before intragroup eliminations for the non-wholly owned subsidiary as at December 31, 2018 and 2017:

	2018	**2017**
Non- controlling interest percentage	**58.7%**	**58.7%**
	($)	**($)**
Assets		
Current	72,222	303,132
Non-current	3,566,490	4,606,047
	3,638,712	**4,909,179**
Liabilities		
Current	740,249	336,748
Non-current	11,059,323	6,122,982
	11,799,572	**6,459,730**
Net liabilities	**(8,160,860)**	**(1,550,551)**
Non-controlling interest	**(5,893,609)**	**(1,151,915)**
Loss and comprehensive loss	**(7,766,709)**	**(4,963,643)**
Loss and comprehensive loss attributed to non-controlling interest	**(4,741,694)**	**(2,755,318)**

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS

Intangible assets are comprised of a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. The intangible asset was acquired in the business combination with Versus LLC as described in Note 7. In addition, the Company continues to develop new apps, therefore additional cost were capitalized during the year ended December 31, 2018.

	Software
	($)
Cost	
At December 31, 2016	6,422,831
Additions	1,570,171
At December 31, 2017	7,993,002
Additions	1,804,207
At December 31, 2018	**9,797,209**
Accumulated amortization	
At December 31, 2016	1,058,456
Amortization	2,402,639
At December 31, 2017	3,461,095
Amortization	2,965,035
At December 31, 2018	**6,426,130**
Carrying amounts	
At December 31, 2017	4,531,907
At December 31, 2018	**3,371,079**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are comprised of the following:

	December 31, 2018	December 31, 2017
	($)	**($)**
Accounts payable	431,292	219,125
Due to related parties	300,858	170,874
Accrued liabilities	303,594	89,869
	1,035,744	479,868

(Expressed in Canadian dollars)

10. NOTES PAYABLE

During the year ended December 31, 2018, the Company issued unsecured notes payable for total proceeds of CDN$2,780,000 (2017 - $900,000) from a director of the Company who is also a shareholder. The loans bear interest at prime rate compounded annually and payable quarterly, and have a maturity date of three years from the date of issuance. The notes are considered to be below the Company's estimated market borrowing rate of 10% and as such, a contribution benefit of $452,566 (2017 - $156,843) was recorded in reserves.

During the year ended December 31, 2018, the Company issued unsecured notes payable for total proceeds of US$230,000 (2017 - $nil) from a director and officer of the Company who is also a shareholder. The loans bear interest at prime rate compounded annually and payable quarterly, and have a maturity date of three years from the date of issuance. The notes were considered to be below the Company's estimated market borrowing rate of 10% and as such, a contribution benefit of $48,358 (2017 - $nil) was recorded in reserves.

As at December 31, 2018, the Company had recorded $80,299 (2017 - $2,635) in accrued interest which was included in accounts payable and accrued liabilities.

The notes were originally recorded at $2,605,731 (2017 - $743,157) being the present value of future payments discounted at 10%. During the year ended December 31, 2018, the Company recorded finance expense of $125,903 (2017 - $4,165) related to bringing the notes to their present value.

	Amount
	($)
Balance, December 31, 2016	-
Proceeds	900,000
Contribution benefit	(156,843)
Finance expense	4,165
Balance, December 31, 2017	747,322
Proceeds	3,106,652
Contribution benefit	(500,921)
Finance expense	125,903
Balance, December 31, 2018	**3,478,956**

11. SHARE CAPITAL AND RESERVES

a) Authorized share capital

An unlimited number of common shares without par value and 5,057 Class "A" shares, Series 1. The Class "A" shares, Series 1 are non-voting and are convertible into common shares at any time on the basis of 6.67 common shares for each Class "A" Series I share held.

11. SHARE CAPITAL AND RESERVES (continued)

b) Issued share capital

During the year ended December 31, 2018, the Company:

i) issued, 12,259,667 units at a price of $0.30 per unit for total proceeds of $3,677,900. Each unit consisted of one common share and a one half common stock warrant for each share purchased. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.40 until April 12, 2020. A residual value of $78,957 was allocated to the warrants.

ii) issued 2,460,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of $384,000.

During the year ended December 31, 2017, the Company:

iii) issued 2,848,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of $876,700.

iv) issued 8,000,000 units at a price of $0.25 per unit for total proceeds of $2,000,000. Each unit consisted of one common share and a share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.40 until March 17, 2022.

v) issued 501,660 common shares with a fair value of $235,780 to increase its ownership interest in Versus LLC (Note 7)

Escrow

At December 31, 2018, 5,000 common shares (December 31, 2017 – 5,000) of the Company are held in escrow due to misplaced share certificates originally issued to three individual shareholders.

Pursuant to an escrow agreement dated June 30, 2016, 12,431,791 common shares will be held in escrow. A total of 10% of the escrow shares were released on June 30, 2016, and the remainder will be released in equal tranches of 15% every nine months thereafter. As at December 31, 2018, there were 1,864,769 common shares remaining in escrow.

c) Stock options

Pursuant to the policies of the CSE, the Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has implemented a rolling Stock Option Plan (the "Plan") whereby the Company can issue up to 10% of the issued and outstanding common shares of the Company. Options have a maximum term of ten years and vesting is determined by the Board of Directors.

(Expressed in Canadian dollars)

11. SHARE CAPITAL AND RESERVES (continued)

c) Stock options (continued)

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price
		($)
Balance – December 31, 2016	6,020,471	0.27
Granted	2,584,500	0.39
Cancelled	(100,000)	0.27
Balance –December 31, 2017	8,504,971	0.31
Granted	1,156,500	0.37
Forfeited	(869,089)	0.33
Balance – December 31, 2018	8,792,382	0.31

During the year ended December 31, 2018, the Company granted a total of 1,156,500 (2017 – 2,584,500) stock options with a fair value of $343,711 (or $0.36 per option) (2017 - $991,414 or $0.38 per option). During the year ended December 31, 2018, the Company recorded share-based compensation of $651,316 (2017 - $841,547) relating to options vested during the year.

At December 31, 2018, the Company had incentive stock options outstanding as follows:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Weighted Average Remaining Life
			($)	(years)
May 18, 2022	158,000	26,333	0.49	3.28
March 17, 2022	908,000	189,167	0.44	3.21
July 13, 2021	5,367,382	4,509,413	0.27	2.53
September 14, 2022	1,278,500	727,656	0.35	3.71
December 11, 2022	124,000	2,583	0.38	3.95
June 6, 2023	486,500	-	0.46	4.43
September 4, 2023	370,000	-	0.25	4.68
October 18, 2023	100,000	-	0.22	4.80
	8,792,382	5,455,152	0.31	3.03

A continuity schedule of outstanding share purchase warrants is as follows:

	Number Outstanding	Weighted Average Exercise Price
		($)
Balance – December 31, 2016	21,984,099	0.27
Exercised	(2,848,000)	0.31
Issued	8,250,830	0.39
Balance – December 31, 2017	27,386,929	0.30
Exercised	(2,460,000)	0.16
Expired	(8,272,000)	0.40
Issued	6,841,239	0.39
Balance – December 31, 2018	23,496,168	0.31

(Expressed in Canadian dollars)

11. SHARE CAPITAL AND RESERVES (continued)

d) Share purchase warrants (continued)

During the year ended December 31, 2018, the Company:

i) On March 29, 2018 and April 12, 2018, completed a unit private placement which included 6,129,833 share purchase warrants exercisable at $0.40 per share for a period of two years. The share purchase warrants were determined to have a fair value of $140,531 using the residual value method.

ii) On March 29, 2018 and April 12, 2018, completed a unit private placement which included 711,405 brokers' warrants exercisable at $0.30 per share for a period of two years. The broker warrants were determined to have a fair value of $116,226 using the Black Scholes option pricing model.

During the year ended December 31, 2017, the Company:

i) On March 17, 2017, completed a unit private placement which included 8,000,000 share purchase warrants exercisable at $0.40 per share for a period of five years. The share purchase warrants were determined to have a fair value of $Nil using the residual value method.

ii) On September 21, 2017, acquired an additional 174 shares of Newco from one of the Selling Members in exchange for 501,660 common shares of the Company and 250,830 share purchase warrants that are exercisable at $0.20 per share until June 24, 2019. The share purchase warrants were determined to have a fair value of $88,469 using the Black Scholes option pricing model.

The Company used the following assumptions in calculating the fair value of the warrants for the period ended:

	December 31, 2018	December 31, 2017
Risk-free interest rate	1.85%	1.45%
Expected life of options	2.0 years	1.84 years
Expected dividend yield	Nil	Nil
Volatility	86.44%	120.47%
Weighted average fair value per warrant	$0.16	$0.35

At December 31, 2018, the Company had share purchase warrants outstanding as follows:

Expiry Date	Warrants Outstanding	Exercise Price	Weighted Average Remaining Life
		($)	(years)
March 17, 2022	7,950,000	0.40	3.21
February 27, 2020	7,733,333	0.15	1.16
June 24, 2019	971,596	0.20	0.48
July 31, 2020	1,499,500	0.40	1.58
August 13, 2020	3,947,834	0.40	1.62
March 29, 2020	209,930	0.30	1.24
April 12, 2020	682,500	0.40	1.28
April 12, 2020	501,475	0.30	1.28
	23,496,168	0.31	1.94

(Expressed in Canadian dollars)

11. SHARE CAPITAL AND RESERVES (continued)

e) Performance warrants

On September 30, 2016, the Company issued 10,003,776 performance warrants with a fair value of $1,725,496. These performance warrants vest over a period that is the earlier of achieving certain performance milestones or 33 months. During the year ended December 31, 2018, the Company expensed $140,531 (2017 - $546,648) as share-based compensation.

The performance warrants were valued using the Black-Scholes option pricing model using the following assumptions:

Risk-free interest rate	0.54%
Expected life of options	5 years
Expected dividend yield	Nil
Volatility	90.0%
Weighted average fair value per warrant	$0.17

At December 31, 2018, the Company had performance warrants outstanding as follows:

Expiry Date	Performance Warrants Outstanding	Performance Warrants Exercisable	Exercise Price	Remaining Life
			($)	**(years)**
June 30, 2021	10,003,776	9,170,128	0.25	2.5

12. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions, not disclosed elsewhere in these consolidated financial statements, during the year ended December 31, 2018 and 2017. Key management personnel includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), directors and officers and companies controlled or significantly influenced by them.

Key Management Personnel	2018	2017
	($)	**($)**
Short-term employee benefits paid or accrued to the CEO of the Company, including share-based compensation vested for incentive stock options and performance warrants.	434,543	883,155
Short-term employee benefits paid or accrued to the CFO of the Company, including share-based compensation vested for incentive stock options	150,706	-
Short-term employee benefits paid or accrued to a member of the advisory board of the Company, including share-based compensation vested for incentive stock options and performance warrants.	297,445	391,853
Short-term employee benefits paid or accrued to the Vice President of Engineering of the Company, including share-based compensation vested for incentive stock options and performance warrants.	238,456	177,440
Share-based compensation vested for incentive stock options issued to certain directors and officers of the Company.	101,456	206,131
Total	1,222,606	1,658,579

12. RELATED PARTY TRANSACTIONS (continued)

Other Related Party Payments

Office sharing and occupancy costs of $76,000 (2017 - $60,000) were paid or accrued to a corporation that shares management in common with the Company.

Amounts Outstanding

a) At December 31, 2018, a total of $300,862 (December 31, 2017 - $143,668) was included in accounts payable and accrued liabilities owing to officers, directors, or companies controlled by them. These amounts are unsecured and non-interest bearing.

b) At December 31, 2018 a total of $3,993,491 (December 31, 2017 - $900,000) of long term notes was payable to a director and the CEO of the Company (Note 10).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, GST receivable, restricted deposit, accounts payable and accrued liabilities and notes payable.

The fair value of cash, GST receivable, accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. The fair value of notes payable approximates its book value as it was discounted using a market rate of interest.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages its credit risk by ensuring that its cash is placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist of goods and services tax due from the government.

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Liquidity risk

The Company's cash is invested in business accounts which are available on demand, The Company has raised additional capital subsequent to December 31, 2018 (Note 19). The Company' cash position is not sufficient to meet all financial liabilities currently outstanding and expected to be incurred over the next twelve months. Accordingly, the Company is exposed to liquidity risk.

Interest rate risk

The Company's bank account earns interest income at variable rates and the notes payable bear interest at the prime lending rate. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. A 1% change in interest rates would have no significant impact on profit or loss for the year ended December 31, 2018.

Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate because of changes in foreign exchange rates. The Company operates in Canada and the United States.

The Company was exposed to the following foreign currency risk as at December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
	(US$)	(US$)
Cash	25,689	158,352
Accounts payable and accrued liabilities	(543,790)	(268,355)
	(518,101)	(110,003)

As at December 31, 2018, with other variables unchanged, a +/- 10% change in the United States dollar to Canadian dollar exchange rate would impact the Company's net loss by $71,000 (December 31, 2017 - $13,806).

14. MANAGEMENT OF CAPITAL

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. Capital consists of items within equity (deficiency). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

The Company remains dependent on external financing to fund its activities. In order to sustain its operations, the Company will spend its existing cash on hand and raise additional amounts as needed until the business generates sufficient revenues to be self-sustaining. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to maximize ongoing corporate development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions. There have been no changes to the Company's approach to capital management during the year ended December 31, 2018.

(Expressed in Canadian dollars)

15. GEOGRAPHICAL SEGMENTED INFORMATION

The Company is engaged in one business activity, being the development of a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. The Company's two geographical segments are Canada and the United States. All of the Company's intangible assets and equipment are located in the United States of America.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
	($)	($)
Non-cash investing and financing activities:		
Acquisition of shares issued for Versus LLC (Note 7)	-	(11,994)
Contribution benefit on low interest rate notes (Note 10)	500,921	156,858
Residual value of units	78,957	-
Fair value of broker warrants	116,226	-
Interest paid during the year	-	-
Income taxes paid during the year	-	-

17. COMMITMENTS

On August 1, 2015, the Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. Under the terms of the agreement, the Company will pay $5,000 plus GST per month commencing on September 1, 2015 and continuing until the expiration of the underlying head lease on July 31, 2018. In May of 2018 the Company extended the cost sharing arrangement to June of 2021 at a monthly fee of $7,000 plus GST per month.

Year	Amount
	($)
2019	84,000
2020	84,000
2021	49,000

On September 6, 2017, the Company entered into a rental agreement for office space in Los Angeles, USA. Under the terms of the agreement the Company will pay US17,324 per month commencing on October 1, 2017 until September 30, 2022.

Year	Amount
	(US$)
2019	207,888
2020	207,888
2021	207,888
2022	207,888
2023	69,296

(Expressed in Canadian dollars)

18. INCOME TAXES

a) Provision for Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2018	**2017**
	($)	**($)**
Loss for the year	(9,373,171)	(6,982,355)
Expected income tax (recovery)	(2,531,000)	(1,815,000)
Change in statutory, foreign tax, foreign exchange rates and other	(96,000)	6,672,000
Permanent differences	180,000	401,000
Share issue costs	(121,000)	(1,000)
Adjustment to prior years provision versus statutory tax returns	(1,026,000)	91,000
Change in unrecognized deductible temporary differences	3,594,000	(5,348,000)
Income tax expense	-	-

b) Deferred Income Taxes

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2018	2017
	($)	($)
Non-capital losses carry-forward	17,116,000	14,109,000
Exploration and evaluation assets	1,929,000	1,941,000
Share issuance costs	109,000	22,000
Debt with accretion	(139,000)	-
Intangible assets	623,000	-
Allowable capital losses	82,000	44,000
Property and equipment	34,000	44,000
	19,754,000	16,160,000
Unrecognized deferred tax assets	(19,754,000)	(16,160,000)
	-	-

(Expressed in Canadian dollars)

18. INCOME TAXES (continued)

b) Deferred Income Taxes (continued)

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

Temporary Differences	2018	Expiry Date Range	2017	Expiry Date Range
	($)		($)	
Non-capital losses available for future periods	75,439,000	2028 to 2038	62,795,000	2027 to 2037
Allowable capital losses	303,000	No expiry date	161,000	No expiry date
Property and equipment	126,000	No expiry date	174,000	No expiry date
Intangible asset	2,965,000	No expiry date	-	No expiry date
Exploration and evaluation assets	7,146,000	No expiry date	7,188,000	No expiry date
Share issuance costs	405,000	2039 to 2042	82,000	2038 to 2041

Tax attributes are subject to review, and potential adjustment, by tax authorities

19. SUBSEQUENT EVENTS

On February 14, 2019, the Company issued 9,987,655 units at a price of $0.18 per unit for total proceeds of $1,797,778. Each unit consisted of one common share and one share purchase warrant wherein each whole warrant entitles the holder to purchase one common share at a price of $0.30 until February 14, 2021.

The Company recorded $209,962 of share issuance costs and issued 699,135 agent's warrants exercisable to purchase an additional share at a price of $0.18 per share for a period of 24 months from closing in connection with these financings.

From January to April 2019, the Company issued additional notes payables to a director and its CEO for an accumulated amount of $1,256,667. The notes bear interest at the applicable prime rate and interest accrues quarterly.