

**ePlay Digital Inc.**  
**(formerly Network Life Sciences Inc.)**

Consolidated Financial Statements

For the year ended December 31, 2016

(Expressed in Canadian dollars)

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charlton & company  
CHARTERED PROFESSIONAL ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of  
**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**

We have audited the accompanying consolidated financial statements ePlay Digital Inc. (formerly Network Life Sciences Inc.), which comprise the statements of financial position as at December 31, 2016 and the statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of ePlay Digital Inc. (formerly Network Sciences Inc.) as at December 31, 2016 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to note 1 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the company's ability to continue as a going concern

### **Other Matter**

The financial statements of ePlay Digital Inc. (formerly Network Life Sciences Inc.) as at December 31, 2016 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those statements on May 4, 2016.

*Charlton & Company*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, Canada  
May 1, 2017

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As at December 31, 2016 and 2015**  
(Expressed in Canadian dollars)

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		16,842	737
Amounts receivable		88,314	-
Share subscriptions receivable		55,205	-
Prepaid expenses		1,625	-
		<b>161,986</b>	<b>737</b>
Brands, trademarks and others	4	465,360	-
Licenses and marketing rights	5	1	1
Other intangible assets	6	2,659,681	-
		<b>3,287,028</b>	<b>738</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		278,514	909,708
Short-term loans	7	14,169	107,486
		<b>292,683</b>	<b>1,017,194</b>
<b>Loans payable</b>	<b>8</b>	<b>1,871,617</b>	<b>-</b>
		<b>2,164,300</b>	<b>1,017,194</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	9	4,927,686	2,265,100
Reserves	9	351,970	221,914
Deficit		(4,095,473)	(3,503,470)
<b>Equity attributable to shareholders</b>		<b>1,184,183</b>	<b>(1,016,456)</b>
<b>Non-controlling interest</b>		<b>(61,455)</b>	<b>-</b>
<b>Total equity</b>		<b>1,122,728</b>	<b>(1,016,456)</b>
		<b>3,287,028</b>	<b>738</b>

Nature of operations and going concerns	1
Contingencies	14
Subsequent events	15

**Approved and authorized for issuance by the Board of Directors on April 27, 2017:**

**Approved on Behalf of the Board of Directors:**

/s/ Lynne Kellner  
Director

/s/ Trevor Doerksen  
Director

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

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**For the years ended December 31, 2016 and 2015**  
(Expressed in Canadian dollars)

	Notes	2016	2015
		\$	\$
<b>Revenue</b>		<b>18,588</b>	-
<b>Cost of sales</b>		<b>(47)</b>	-
		<b>18,541</b>	-
<b>General and administrative expenses</b>			
Bad debt		137,059	-
Consulting fees		652,238	163,496
Depreciation	4	3,613	-
Foreign exchange (gain) or loss		(9,267)	17,144
Interest expense	7	2,114	6,509
Investor relations		3,791	21,003
Office and miscellaneous		8,951	28,802
Management fees		29,531	-
Professional fees		238,587	24,773
Regulatory and transfer fees		36,255	86,517
Research and development		5,182	661,578
Sales and marketing		5,075	-
Stock-based compensation	9(d)	117,400	221,914
Travel		9,591	12,772
<b>Total expenses</b>		<b>(1,240,120)</b>	<b>(1,244,508)</b>
<b>Loss from operations</b>		<b>(1,221,579)</b>	<b>(1,244,508)</b>
Impairment of inventory		-	(5,689)
Impairment of intangible assets	5	-	(2,167,449)
Loss on settlement of debts	7, 9(b)	(53,182)	-
Write-off of debt		681,462	-
<b>Net loss and comprehensive loss</b>		<b>(593,299)</b>	<b>(3,417,646)</b>
<b>Net loss attributable to:</b>			
<b>Shareholders of the Company</b>		<b>(592,003)</b>	-
<b>Non-controlling interest</b>		<b>(1,296)</b>	-
		<b>(593,299)</b>	-
<b>Basic and diluted loss per common share</b>		<b>(0.04)</b>	<b>(0.70)</b>
<b>Weighted average number of common shares outstanding</b>		<b>16,384,834</b>	<b>4,836,779</b>

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

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**  
(Expressed in Canadian dollars)

	<b>Share Capital</b>		Share Subscription Received	Reserves	Accumulated Deficit	Non- controlling Interest	Total
	Number of Shares	Amount \$					
<b>Balance, December 31, 2014</b>	<b>2,400,601</b>	<b>100</b>	<b>250,000</b>	-	<b>(85,824)</b>	-	<b>164,276</b>
Shares issued for cash (Note 9(b))	833,333	250,000	(250,000)	-	-	-	-
Shares issued to ROL (Notes 5 and 9(b))	1,133,333	340,000	-	-	-	-	340,000
Shares issued for bioLytical (Notes 5 and 9(b))	1,000,000	1,600,000	-	-	-	-	1,600,000
Exercise of warrants (Notes 9(b) and 9(e))	100,000	75,000	-	-	-	-	75,000
Share-based compensation (Note 9(d))	-	-	-	221,914	-	-	221,914
Comprehensive loss	-	-	-	-	(3,417,646)	-	(3,417,646)
<b>Balance, December 31, 2015</b>	<b>5,467,267</b>	<b>2,265,100</b>	-	<b>221,914</b>	<b>(3,503,470)</b>	-	<b>(1,016,456)</b>
Shares issued for cash (Note 9(b))	12,480,070	1,296,014	-	-	-	-	1,296,014
Shares issued for PokerVision (Notes 6 and 9(b))	15,000,000	750,000	-	-	-	-	750,000
Shares issued for Mobovivo (Notes 6 and 9(b))	4,835,380	241,769	-	-	-	(60,159)	181,610
Share issue costs (Note 9(b))	-	(57,596)	-	12,656	-	-	(44,940)
Shares issued to settle debts (Notes 7, 9(b) and 12)	6,187,977	384,399	-	-	-	-	384,399
Exercise of warrants (Notes 9(b) and 9(e))	800,000	48,000	-	-	-	-	48,000
Share-based compensation (Note 9(d))	-	-	-	117,400	-	-	117,400
Comprehensive loss	-	-	-	-	(592,003)	(1,296)	(593,299)
<b>Balance, December 31, 2016</b>	<b>44,770,694</b>	<b>4,927,686</b>	-	<b>351,970</b>	<b>(4,095,473)</b>	<b>(61,455)</b>	<b>1,122,728</b>

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

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2016 and 2015**  
(Expressed in Canadian dollars)

	2016	2015
	\$	\$
Net loss	(593,299)	(3,417,646)
Adjustments for non-cash items:		
Accrued interest	2,026	-
Bad debt	137,059	-
Depreciation	3,613	-
Foreign exchange gain	(11,863)	-
Impairment of inventory	-	5,689
Impairment of intangible assets	-	2,167,449
Loss on settlement of debts	53,182	-
Stock-based compensation	117,400	221,914
Write-off of debt	(681,462)	-
Change in non-cash working capital components:	-	-
Amounts receivable	(15,713)	-
Prepaid expenses	2,440	-
Accounts payable and accrued liabilities	73,300	637,075
<b>Net cash used in operating activities</b>	<b>(913,317)</b>	<b>(385,519)</b>
<b>Investing activities</b>		
Cash advances to PV and MV for acquisitions, net of cash acquired	(276,683)	-
Deposit on acquisition agreement	-	175,000
<b>Net cash (used in) provided by investing activities</b>	<b>(276,683)</b>	<b>175,000</b>
<b>Financing activities</b>		
Exercise of warrants	-	75,000
Shares issued for cash, net	1,248,874	-
Proceeds from short term loans	15,770	106,300
Repayment of short-term loans	(61,564)	(5,200)
Proceeds from loans payable	41,045	-
Repayment of loans payable	(38,020)	-
<b>Net cash provided by financing activities</b>	<b>1,206,105</b>	<b>176,100</b>
<b>Increase (decrease) in cash</b>	<b>16,105</b>	<b>(34,419)</b>
<b>Cash, beginning of year</b>	<b>737</b>	<b>35,156</b>
<b>Cash, ending of year</b>	<b>16,842</b>	<b>737</b>
<b>Cash paid for interest expense</b>	<b>984</b>	<b>123</b>
<b>Cash paid for income taxes</b>	<b>-</b>	<b>-</b>

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

## **ePlay Digital Inc. (formerly Network Life Sciences Inc.)**

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

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

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#### **1. NATURE OF OPERATIONS AND GOING CONCERNS**

ePlay Digital Inc. (formerly Network Life Sciences Inc.) (the "Company"), was incorporated under the Business Corporations Act in British Columbia on September 19, 2013 under the name of Organach Beverage Acquisition Corp. On August 12, 2014, the Company changed its name to Network Oncology Inc. and on June 17, 2015, the name changed to Network Life Sciences Inc. On October 6, 2016, the Company changed its ePlay Digital Inc. in conjunction with its acquisitions of PokerVision Media Inc. ("PV") and Mobovivo Inc. ("MV") and change of its business (Note 6). The address of the registered office is 1739 – 246 Stewart Green SW, Calgary, Alberta Canada T3H 3C8.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At December 31, 2016, the Company had a working capital deficiency of \$130,697 (December 31, 2015 – deficiency of \$1,016,457) and had an accumulated deficit of \$4,095,473 (December 31, 2015 – \$3,503,470) which has been funded primarily by the issuance of equity and loans from related parties. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully raise the capital to carry out its business plan. If the Company is unable to fund its future plan, its business, financial condition or results of operations could be materially and adversely affected. The success of the Company depends on its ability to profitably penetrate its target market with its new products on a sustainable basis. The Company has never generated revenue, cash flows or profits from operations.

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

#### **2. BASIS OF PRESENTATION**

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

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

## ePlay Digital Inc. (formerly Network Life Sciences Inc.)

### Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

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## 2. BASIS OF PRESENTATION (continued)

### Basis of consolidation

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

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

<u>Name</u>	<u>Incorporation / acquisition date</u>	<u>Ownership %</u>	<u>Jurisdiction</u>
PokerVision Media Inc.	November 21, 2016	100%	Canada
Mobovivo Inc.	December 20, 2016	96.70%	Canada
Emeral Oncology Limited	September 29, 2014	100%	Ireland

As at December 31, 2016 and December 31, 2015, Emerald Oncology Limited was inactive.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Significant accounting judgments and estimates

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

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

i) Going concern

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

ii) Acquisition of assets

The assessment of whether the acquisitions (Notes 5 and 6) should be accounted and disclosed as an acquisition of assets or acquisition of a business involved significant judgement by management of the Company.



**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**  
**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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

Significant accounting judgments and estimates (continued)

iii) Impairment

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

iv) Fair value of financial instruments

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

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

v) Intellectual property

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

vi) Accounts receivables

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

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**

**Notes to Consolidated Financial Statements**

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

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

Amortization of Finite Life Intangible Assets

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

Deferred finance costs

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

Foreign currency translation

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

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Cash and cash equivalents

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

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**

**Notes to Consolidated Financial Statements**

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

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

Revenue recognition

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

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

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

Shared-based payments

Pursuant to the Company's option plan ("Option Plan"), the Company may grant stock options to directors, officers and employees for the purchase of the capital stock of the Company. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

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

Deferred income taxes

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

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**

**Notes to Consolidated Financial Statements**

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

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

Earnings (loss) per share

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

Financial instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instruments: fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity, available-for-sale, FVTPL liabilities or other liabilities.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the period.

Held to maturity assets, loans and receivable, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the change in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in active markets and whose fair value cannot be reliably measured, which are measured at cost.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash	FVTPL
Amounts receivable	Loans and receivables
Share subscriptions receivable	Loans and receivables
Accounts payable	Other liabilities
Loans payable	Other liabilities

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

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

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

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

Cash is measured based on level 1 criteria.

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**

**Notes to Consolidated Financial Statements**

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

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

Impairment

i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cost flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

ii) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against the related financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

Segment reporting

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

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**

**Notes to Consolidated Financial Statements**

For the years ended December 31, 2016 and 2015

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

New standards recently adopted

The Company has adopted the following new accounting standards and interpretations effective December 1, 2015. These changes were made in accordance with the applicable transitional provisions and had no material impact on its financial statements.

*IFRS 7 Financial Instruments* - The amendment clarifies the applicability of the amendments to IFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities to financial statements. This amendment is effective for reporting periods beginning January 1, 2016.

Future changes in accounting policies

The following standard will be effective for annual periods beginning on or after January 1, 2017:

*IAS 1 – Presentation of Financial Statements*

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

*IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets*

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The following standard will be effective for annual period beginning on or after January 1, 2018:

*IFRS 9 – Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

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#### **4. BRANDS, TRADEMARKS AND OTHERS**

On December 15, 2015, the Company's wholly owned subsidiary, PV, entered into an asset purchase agreement with Headsup Entertainment International Inc. to acquire key Canadian Poker Tour assets, including brands, content and websites. The agreement was finalized on December 31, 2015.

PV issued 5,000,000 common shares valued at \$0.10 per share for a total fair value of \$500,000. PV initially allocated \$498,600 to brands, trademarks and others, which is being amortized over 15 years on a straight-line basis.

On November 21, 2016, the Company acquired 100% of the issued and outstanding common shares of PV resulting in an acquisition all brands, trademarks and others previously held by PV (Note 6).

#### **5. LICENSING AND MARKETING RIGHTS**

The intangible asset comprises the Supply Agreement with Resolute Oncology Limited ("ROL") and Licensing Agreement with bioLytical Laboratories Inc. ("bioLytical").

##### **License and Marketing Rights and Supply Agreement with ROL ("Acquisition Agreement")**

On May 12, 2014, the Company entered into an Acquisition Agreement with ROL to acquire certain assets in exchange for \$50,000 in cash (paid in April 2014), issuance of 1,000,000 common shares, assuming \$177,450 (€130,000) in obligation and the payment of a 3% net sales royalty. The Acquisition Agreement also contained a condition requiring the company to seek continued fund raising as part of the private placement. On July 31, 2014, the Acquisition Agreement was amended to change the closing date to the date that the shares of the Company are approved for trading on the Canadian Stock Exchange and to increase the number of shares to be issued to 1,133,333 common shares (issued in January 2015) (Note 9(b)). The fair value of the common shares issued was determined to be \$340,000, or \$0.30 per share, based on the closing trade price of the shares at the time of issuance.

The assets acquired by the Company under the Acquisition Agreement comprised the following product license rights:

1. The non-exclusive right to use the dossier and know-how associated with Docetaxel concentrate, to obtain marketing authorizations and to sell Docetaxel based products in certain countries in Europe.
2. The non-exclusive right to use the dossier and know-how associated with Paclitaxel concentrate, to obtain marketing authorizations and to sell Paclitaxel based products in certain countries in Europe.
3. The non-exclusive right to use the dossier and know-how associated with Oxaliplatin concentrate, to obtain marketing authorizations and to sell Oxaliplatin based products in certain countries in Europe.
4. The non-exclusive and non-transferable right to use registration documentation for zoledronic acid 4 mg/5 ml vial to obtain one marketing authorization in Spain, the United Kingdom, Germany, and Italy and two marketing authorizations in France, for the purpose of selling, marketing, and distributing the Zoledronic Acid based products in the territory. The initial term of this agreement is 5 years.

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**5. LICENSING AND MARKETING RIGHTS (continued)**

Due to the uncertainty of the future economic benefits of these rights, at December 31, 2015, management determined to write down the intangible assets to \$1 in accordance to IAS 38 – *Intangible Assets*.

During the year ended December 31, 2016, the Company incurred \$Nil (2015 - \$661,578) in development costs for the various rights in the Acquisition Agreement. The Acquisition Agreement was mutually terminated and the Company has no further legal obligation under the Acquisition Agreement.

**Licensing Agreement with bioLytical Laboratories Inc.**

On June 11, 2015, the Company entered into a twenty year license agreement with bioLytical Laboratories Inc. (“bioLytical”) for an exclusive worldwide license to market and sell a rapid Ebola testing kit for a consideration of \$307,925 (US\$250,000) in cash and the issuance of 1,000,000 common shares (issued in June 2015) (Note 9(b)). The fair value of the common shares issued was determined to be \$1,600,000, or \$1.60 per share, based on the closing trade price of the shares at the time of issuance. Under the licensing agreement, the Company was also required to pay a royalty payment to bioLytical based on the net sales of the Licensed Product. The Company recorded the license from bioLytical as a finite life intangible asset upon issuing of the shares and recognizing the US\$250,000 obligation.

As at December 31, 2015, although the Company had issued the 1,000,000 common shares, the Company did not pay the cash consideration of US\$250,000. As a result, bioLytical exercised its right to terminate the licensing agreement on January 9, 2016. The license was fully impaired as at December 31, 2015 and the Company has no further obligation in the cash payment for this license. The Company also recognized the recovery of the obligation related to the license termination.

**6. ACQUISITION OF SUBSIDIARIES**

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

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

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



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

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

**Vesting Terms of Performance Warrants**

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

or

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

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

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

or

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

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**7. SHORT-TERM LOANS**

During the year ended December 31, 2015, the Company entered into three unsecured demand loans by issuing promissory notes for a total of \$101,100. During the year ended December 31, 2016, the Company received additional \$1,601 and repaid \$61,564. The loans were interest bearing at 8% per annum and were due on demand. During the year ended December 31, 2016, interest expense in the amount of \$2,026 was recorded (2015 - \$6,509).

On June 1, 2016, the Company settled the entire outstanding short-term loans in the amount of \$49,549, and other trade payables in the amount of \$181,668, by issuing a total of 5,687,977 common shares of the Company valued at \$284,399, resulting in a loss on settlement of debt of \$53,182 (Notes 9 and 12).

During the year ended December 31, 2016, the Company received \$14,169 (€10,000) from a third party as a short-term loan. The loan is non-interest bearing, unsecured and is due on demand.

**8. LOANS PAYABLE**

The Company has the following loans payable as at December 31, 2016 and December 31, 2015:

<b>As at</b>	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Canada Media Fund – Production Financing Agreement (Xtra)	<b>485,906</b>	-
Canada Media Fund – Sales and Marketing Loan (Previiv)	<b>203,808</b>	-
Canada Media Fund – Production Financing Agreement (Previiv)	<b>387,653</b>	-
Canada Media Fund – Sales and Marketing Loan (Xtra)	<b>164,846</b>	-
AVAC Ltd.	<b>573,528</b>	-
Due to related parties	<b>51,351</b>	-
Others	<b>4,525</b>	-
<b>Total balance</b>	<b>1,871,617</b>	-

On December 20, 2016, the Company acquired 96.7% of the issued and outstanding common shares of MV resulting in an assumption of the loans payable of MV (Note 6).

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**

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**8. LOANS PAYABLE** (continued)

Canada Media Fund – Production Financing Agreement (Xtra)

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

During 2013, MV determined that Xtra was no longer financially feasible and therefore terminated the production progress. As a result, MV received a total of \$485,906 in two separate payments. Final payment of \$53,989 is receivable upon delivery of the third progress report, including a detailed final cost report to CMF.

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

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

As at December 31, 2016 and December 31, 2015, MV has not generated revenue from Xtra. CMF has not collected or accrued any recoupment amount.

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

Canada Media Fund – Sales and Marketing Loan (Previiv)

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

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

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

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

As at December 31, 2016 and December 31, 2015, MV has not generated revenue from Xtra. CMF has not collected or accrued any recoupment amount.

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

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**8. LOANS PAYABLE** (continued)

Canada Media Fund – Production Financing Agreement (Previw)

On January 26, 2011, MV entered into a Production Financing agreement with CMF. Total amount to be invested by CMF was \$430,725 (“Equity Investment”), representing 75% of the production budget. As at December 31, 2016, \$387,653 of the Equity Investment has been disbursed to MV. The final drawdown of \$43,072 has not been disbursed.

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

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

As at December 31, 2016 and December 31, 2015, MV has not provided production revenues to CMF. CMF has not collected or accrued any recoupment amount.

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

Canada Media Fund – Sales and Marketing Loan (Xtra)

On October 3, 2012, MV entered into another Marketing Financing Agreement with CMF. Total amount to be advanced by CMF was \$206,058, representing 75% of the sales and marketing budget to Xtra. As at December 31, 2016, total advanced amount by CMF to the Company was \$164,846. The final drawdown of \$41,212 has not been disbursed.

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

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

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

As at December 31, 2016 and December 31, 2015, MV has not provided any production revenues to the CMF. CMF has not collected or accrued any recoupment amount.

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

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

##### AVAC Ltd.

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

Should the Company choose to exercise the right to terminate the agreement, the total amount due and payable as at December 31, 2016 was \$1,147,056 AVAC reduced the maximum investment amount from \$1,000,000 to \$600,000.

##### Business Development Bank of Canada

On June 11, 2011, the Company received a loan of \$150,000 from the Business Development Bank of Canada ("BDC"). The loan is repayable equally over 60 months commencing September 23, 2011 ending on August 23, 2016. Interest is payable monthly calculated using BDC's Floating Base Rate plus a variance of 3.5% per year. The loan and interest on the loan are secured by (1) the General Security Agreement, (2) a personal guarantee of the CEO, and (3) a corporate guarantee of a company controlled by the CEO.

During the year ended December 31, 2016, the Company fully repaid the BDC loan by paying the remaining \$20,000 to BDC.

##### Due to related parties and other loans payable

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

#### **9. SHARE CAPITAL**

On June 25, 2015, the Company consolidated its outstanding shares on the basis of one (new) post consolidation share for each three (old) pre-consolidation shares. On May 20, 2016, the Company consolidated its outstanding shares on the basis of one (new) post consolidation share for each five (old) pre-consolidation shares. The outstanding shares, weighted average outstanding shares and loss per share information have been retrospectively adjusted to reflect consolidation. In addition, all share issuances, options and warrant transactions have been retrospectively adjusted to reflect consolidation.

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

(b) Issued and Outstanding:

On January 8, 2015 the Company issued 240,612 common shares under the plan of arrangement between the Company and Web Watcher Systems Ltd. which was approved by the shareholders of Web Watcher Systems Ltd. on December 19, 2013 and the Supreme Court of British Columbia on January 7, 2014.

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**9. SHARE CAPITAL** (continued)

(b) Issued and Outstanding (continued):

On January 8, 2015 the Company completed its private placement and issued 833,333 units at \$0.30 per unit for proceeds of \$250,000, which had been received in 2014. Each unit was comprised of one common share and one common share purchase warrant exercisable at \$0.75 per share until January 8, 2016. No value has been allocated to the warrants under the residual method.

On January 8, 2015, the Company issued 1,133,333 common shares in accordance with the Acquisition Agreement with ROL for a value of \$340,000 (Note 5). Of the 1,133,333 common shares, 166,667 common shares were issued to officers and directors of the Company. The fair value of the common shares was determined at \$0.30 per share based on the concurrent private placement mentioned above.

On June 6, 2015, the Company issued 1,000,000 common shares in accordance with the license agreement with bioLytical (Note 5). The fair value of the common shares was determined at \$1.60 per share based on the closing trading price of the shares at the time of the issuance a total of \$1,600,000.

On October 8, 2015, 100,000 warrants were exercised for proceeds of \$75,000.

On June 1, 2016, the Company completed its private placement and issued 8,000,000 units at \$0.05 per unit for proceeds of \$400,000. Each unit comprised of one common share and one common share purchase warrant exercisable at \$0.06 per share until June 1, 2017. No value has been allocated to the warrants under the residual method.

On June 1, 2016, the Company issued a total of 5,687,977 common shares of the Company valued at \$284,399 to settle short terms of \$49,549 and trades payable of \$181,668 resulting in a loss on settlement of debt of \$53,182 (Notes 7 and 12).

On August 26, 2016 through September 30, 2016, the Company issued 2,007,570 units of a non-brokered private placement at \$0.20 per unit for gross proceeds of \$401,514. Each unit issued consists of one common share of the Company and one transferable common share purchase warrant. Each warrant is exercisable to acquire one additional common share for a period of twelve (12) months at an exercise price of \$0.40, provided that if the closing price of the Company's shares on any stock exchange or quotation system on which the shares are then listed or quoted is equal to or greater than \$0.60 for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry of the warrants by giving notice to the holders of the warrants that the warrants will expire on a date that is not less than 10 business days from the date notice is given. The Company paid finders fees of \$26,390 and issued 131,950 finders' warrants on the same terms and conditions as the private placement warrants. The finders' warrants were valued at \$5,066 using the Black-Scholes Option Pricing Model using the following assumptions: expected life – 1 year; volatility – 100%; dividend yield – 0%; and risk free rate – 0.57%.

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**9. SHARE CAPITAL** (continued)

(b) Issued and Outstanding (continued):

On October 28, 2016 through November 21, 2016, the Company issued 2,472,500 units of a non-brokered private placement at \$0.20 per unit for gross proceeds of \$494,500. Each unit issued consists of one common share of the Company and one transferable common share purchase warrant. Each warrant is exercisable to acquire one additional common share for a period of twelve (12) months at an exercise price of \$0.40, provided that if the closing price of the Company's shares on any stock exchange or quotation system on which the shares are then listed or quoted is equal to or greater than \$0.60 for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry of the warrants by giving notice to the holders of the warrants that the warrants will expire on a date that is not less than 10 business days from the date notice is given. The Company paid finders fees of \$18,550 and issued 197,750 finders' warrants on the same terms and conditions as the private placement warrants. The finders' warrants were valued at \$7,596 using the Black-Scholes Option Pricing Model using the following assumptions: expected life – 1 year; volatility – 100%; dividend yield – 0%; and risk free rate – 0.56%.

On November 21, 2016, the Company issued 500,000 common shares in settlement of debts in the amount of \$100,000 at \$0.20 per share for consulting services rendered.

On November 21, 2016, the Company has acquired all of the issued and outstanding shares of PokerVision by issuing 15,000,000 common shares and 20,000,000 Performance Warrants exercisable at \$0.20 per share for a period of 5 years. 12,082,500 of the common shares issued are subject to an escrow arrangement whereby 10% were released on closing and the balance released on the basis of 15% every 6 months for the next 3 years. All securities issued are subject to trading restrictions until March 22, 2017.

On November 24, 2016, the Company issued 800,000 common shares from the exercised of 800,000 warrants at \$0.06 per warrant for gross proceeds of \$48,000.

On December 21, 2016, the Company has acquired 96.70% interest in Mobovivo by issuing 4,835,380 common shares and 9,670,759 Performance Warrants exercisable at \$0.20 per share for a period of 5 years. 4,351,859 of the common shares issued are subject to an escrow arrangement whereby 10% were released on closing and the balance released on the basis of 15% every 6 months for the next 3 years. All securities issued are subject to trading restrictions until March 22, 2017.

(c) Escrow Shares:

Pursuant to the escrow agreements in October 2015, the 833,333 common shares issued pursuant to the private placement are subject to escrow restrictions, release 10% on listing and 15% every six-months commencing on January 16, 2015. At December 31, 2016, 375,000 common shares remain in escrow.

In relation to the acquisitions of PV and MV in November 2016 and December 2016, a total of 16,434,359 common shares are subject to escrow arrangements, whereby 10% were released on closing and the balance released on the basis of 15% every 6 months for the next 3 years. At December 21, 2016, 14,790,923 common shares remain in escrow.

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**9. SHARE CAPITAL** (continued)

(d) Stock Options:

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

On August 17, 2015, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 420,000 common shares of the Company to certain directors, officers, and consultants of the Company. All options were vested immediately. The options are exercisable at a price of \$1.25 per common share for a two year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 2 years, volatility of 120%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 0.38%. Share-based compensation of \$221,914 was recorded for the year ended December 31, 2015. Fair value for each option was \$0.53 per share. As at December 31, 2016, there were 420,000 exercisable options outstanding and the weighted average life remaining of these options was 0.63 years.

On December 20, 2016, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 444,595 common shares of the Company to certain directors, officers, and consultants of the Company. All options were vested immediately. The options are exercisable at a price of \$0.32 per common share for a three year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 3 years, volatility of 100%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 0.81%. Share-based compensation of \$117,400 was recorded for the year ended December 31, 2016. Fair value for each option was \$0.26 per share. As at December 31, 2016, there were 864,595 exercisable options outstanding and the weighted average life remaining of these options was 1.83 years.

	Year ended December 31, 2016		Year ended December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening	420,000	\$1.25	-	-
Issued	444,595	\$0.32	420,000	\$1.25
Exercised	-	-	-	-
Expired	-	-	-	-
Ending	864,595	\$0.77	420,000	\$1.25



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**9. SHARE CAPITAL** (continued)

(d) Stock Options (continued):

As at December 31, 2016, the following options remain outstanding:

<b>Number of options</b>	<b>Exercise price</b>	<b>Expiry date</b>
420,000	\$1.25	August 17 2017
444,595	\$0.32	December 20, 2019
864,595		

(e) Warrants:

	<b>Year ended December 31, 2016</b>		<b>Year ended December 31, 2015</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Opening	<b>733,333</b>	<b>\$0.75</b>	-	-
Issued	<b>42,480,529</b>	<b>\$0.20</b>	833,333	\$0.75
Exercised	<b>(800,000)</b>	<b>\$0.06</b>	(100,000)	\$0.75
Expired	<b>(733,333)</b>	<b>\$0.75</b>	-	-
Ending	<b>41,680,529</b>	<b>\$0.20</b>	733,333	\$0.75

As at December 31, 2016, the following warrants remain outstanding:

<b>Number of warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>
7,200,000	\$0.06	June 1, 2017
963,000	\$0.40	August 25, 2017
1,176,520	\$0.40	September 19, 2017
2,484,250	\$0.40	October 31, 2017
186,000	\$0.40	November 21, 2017
20,000,000 (1)	\$0.20	November 21, 2021
9,670,759 (1)	\$0.20	December 20, 2021
41,680,529		

(1) Subject to the vesting terms as described in Note 6.

**10. CAPITAL DISCLOSURES**

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

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)****Notes to Consolidated Financial Statements**

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

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

<b>As at December 31, 2016</b>	<b>FVTPL financial asset</b>	<b>Loans and receivables</b>	<b>Other financial liabilities</b>
	\$	\$	\$
Cash	16,842	-	-
Amounts receivable	-	88,314	-
Share subscriptions receivable	-	55,205	-
Accounts payable	-	-	278,514
Short-term loans	-	-	14,169
Loans payable	-	-	1,871,617

  

<b>As at December 31, 2015</b>	<b>FVTPL financial asset</b>	<b>Loans and receivables</b>	<b>Other financial liabilities</b>
	\$	\$	\$
Cash	737	-	-
Accounts payable	-	-	909,708
Short-term loans	-	-	107,486

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

**Management of Industry and Financial Risk**

The Company is engaged primarily in the sales and distribution of approved drugs and manages related industry risk issues directly. The Company may be at risk for regulatory issues and fluctuations in exchange rates.

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

***Credit risk***

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

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company intends to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. As at December 31, 2016, the Company had cash of \$16,842 (2015 - \$737) to settle the total current liabilities of \$292,683 (2015 - \$1,017,194).

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**  
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**11. FINANCIAL INSTRUMENTS** (continued)

***Foreign exchange risk***

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

At December 31, 2016, the Company had minimal amounts of accounts payable and loans denominated in Euro. A 10% change in the currency exchange rates between the Canadian dollars relative to the Euro would have an immaterial effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

***Interest Rate Risk***

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

**12. RELATED PARTY TRANSACTIONS**

The key management personnel compensation for the year ended December 31, 2016 and 2015 is as follows:

Year ended December 31,	2016	2015
	\$	\$
Accounting fees	24,312	-
Management and consulting fees	35,450	47,250
Total	59,762	47,250

Except as disclosed elsewhere in these consolidated financial statements, related party transactions for the year ended December 31, 2016 and 2015 are as follows:

- (a) During the year ended December 31, 2016, the Company incurred \$8,095 (2015 - \$Nil) of management, consulting and R&E expenses from the Chief Executive Officer ("CEO"), President and Director of the Company. During the year ended December 31, 2016, the CEO agreed to forgive unpaid consulting fees of \$8,895 for services rendered in 2013.
- (b) During the year ended December 31, 2016, the Company incurred \$24,332 (2015 - \$Nil) of accounting fees from the Chief Financial Officer ("CFO") of the Company.
- (c) During the year ended December 31, 2016, the Company incurred \$10,000 (2015 - \$Nil) of consulting fees from a director and family members of a director of the Company.
- (d) During the year ended December 31, 2016, the Company incurred \$26,250 (2015 - \$Nil) of management fees from the former CFO and Director of the Company. The Company issued 1,575,000 common shares at \$0.05 per share to settle \$89,250 payable to the former CFO and Director of the Company (Notes 7 and 9).
- (e) During the year ended December 31, 2016, the Company issued 1,050,572 common shares at \$0.05 per share to settle \$40,529 due to a director of a greater than 10% shareholder of the Company (Notes 7 and 9).

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**12. RELATED PARTY TRANSACTIONS** (continued)

- (f) Included in accounts payable and accrued liabilities as at December 31, 2016 is \$20,560 (2015 - \$40,529) due to various related parties.
- (g) Included in loans payable as at December 31, 2016 is \$51,351 (2015 - \$Nil) due to various related parties (Note 8).

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**13. INCOME TAXES**

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

Year ended December 31,	2016	2015
	\$	\$
Loss for the year before income taxes	(593,299)	(3,417,646)
Expected income tax recovery at a combined federal and provincial rate of 26% (2015: 26%)	(154,258)	(888,588)
Tax effects of:		
Permanent and other differences	43,555	622,714
Other adjustments	(9,348)	-
Change in deferred assets not recognized	120,051	265,874
Recovery of (provision for) income taxes	-	-

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

As at December 31,	2016	2015
	\$	\$
Non-capital loss carry forwards	398,892	288,189
Share issuance costs	9,348	-
Net deferred tax assets	408,240	288,189

As at December 31, 2016, the Company has unused non-capital loss carry forwards for tax purposes of approximately \$1,534,200 that are available to offset future taxable income, which, if unutilized, will expire as follows:

Expiry	Amount
	\$
2034	85,824
2035	1,022,594
2036	425,782
Total	1,534,200

**ePlay Digital Inc. (formerly Network Life Sciences Inc.)**

**Notes to Consolidated Financial Statements**

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

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**14. CONTINGENCIES**

Subsequent to the year ended December 31, 2016, the Company received a demand letter from a party alleging a breach of agreement for the period from November 30, 2015 to May 1, 2016 and the amount of the claim filed was \$6,113. The dispute has been submitted to the Provincial Court of British Columbia. As at December 31, 2016, the amount of the claim is included in accounts payable. The outcome of the claim is unknown at this moment.

Subsequent to the year ended December 31, 2016, the Company received a Civil Claim filed to the Provincial Court of Alberta in the amount of \$24,319 for services provided in 2014. As at December 31, 2016, the amount of the claim is included in accounts payable. The Company is in the process of negotiating a settlement with this vendor.

**15. SUBSEQUENT EVENTS**

- (a) On January 6, 2017, the Company issued 600,000 common shares upon exercise of warrants at \$0.06 per share.
- (b) On January 16, 2017, 125,000 common shares were released from escrow.
- (c) On February 23, 2017, the Company entered into a Programming Distribution Agreement to air its television productions in the United States with Luken Communications LLC.
- (d) On March 7, 2017, the Company issued 1,171,000 common shares upon exercise of warrants at \$0.06 per share.
- (e) On March 24, 2017, the Company issued 1,550,000 common shares upon exercise of warrants at \$0.06 per share.