E-Play Digital Inc.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018

(Expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2018 and December 31, 2017
(Expressed in Canadian dollars)

	Notes	September 30, 2018	December 31, 2017
		$	$ (Audited)
ASSETS			
Current Assets			
Cash		**-**	31,516
Amounts receivable		**34,583**	48,531
Prepaid expenses		**4,010**	4,010
		38,593	84,057
Licenses and marketing rights	6	**1**	1
Other intangible assets	4 & 6	**2,055,580**	2,055,580
		2,094,174	2,139,638
LIABILITIES			
Current Liabilities			
Bank overdraft		**11,891**	-
Accounts payable and accrued liabilities	12	**288,913**	256,434
Short-term loan	7	**15,020**	15,052
Loans payable	8	**570,675**	573,528
		886,499	845,014
Loans payable	8	**1,249,235**	1,269,321
		2,135,734	2,114,335
SHAREHOLDERS' EQUITY			
Share capital	9	**5,647,417**	5,439,832
Reserves	9	**410,619**	360,507
Deficit		**(6,032,930)**	(5,712,269)
Equity attributable to shareholders		**25,106**	88,070
Non-controlling interest		**(66,666)**	(62,767)
Total equity		**(41,560)**	25,303
		2,094,174	2,139,638

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

Approved and authorized for issuance by the Board of Directors on November 27, 2018:

Approved on Behalf of the Board of Directors:

/s/ Manfred G von Nostitz
Director

/s/ Trevor Doerksen
Director

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

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the three and nine months ended September 30, 2018 and 2017
(Expressed in Canadian dollars)

	Notes	**Three months ended September 30, 2018**	Three months ended September 30, 2017	**Nine months ended September 30, 2018**	Nine months ended September 30, 2017
		$	$	**$**	$
Revenue		**88,546**	135,623	**190,214**	336,850
Cost of sales		**(1,328)**	(2,032)	**(2,853)**	(4,882)
		87,218	133,591	**187,361**	331,968
General and administrative expenses					
Bad debt		**-**	-	**-**	11,191
Consulting fees	12	**6,563**	32,810	**23,277**	199,436
Depreciation		**-**	-	**-**	8,310
Foreign exchange (gain) or loss		**(77)**	3,612	**(2,122)**	6,568
Interest expense		**1,276**	928	**3,482**	2,450
Investor relations		**11,760**	7,500	**33,010**	13,740
Office and miscellaneous		**5,686**	7,841	**10,786**	38,745
Management fees	12	**15,000**	15,000	**45,000**	45,000
Professional fees	12	**12,225**	9,080	**62,153**	92,658
Regulatory and transfer fees		**2,664**	3,019	**10,038**	14,378
Research and development	12 & 13	**65,587**	66,033	**203,899**	73,855
Sales and marketing		**14,563**	16,448	**55,880**	65,957
Share-based compensation	9(d) & 12	**11,963**	-	**50,112**	10,519
Travel		**6,345**	7,486	**16,406**	110,401
Total expenses		**(153,555)**	(169,727)	**(511,921)**	(693,208)
Other items					
Gain or loss on settlement of debts		**-**	-	**-**	3,764
Loss on deconsolidation		**-**	-	**-**	(106,745)
Total other items		**-**	-	**-**	(102,981)
Net loss and comprehensive loss		**(66,337)**	(36,166)	**(324,560)**	(464,221)
Net loss attributable to:					
Shareholders of the Company		**(65,906)**	(35,610)	**(320,661)**	(460,363)
Non-controlling interest		**(431)**	(556)	**(3,899)**	(3,858)
		(66,337)	(36,166)	**(324,560)**	(464,221)
Basic and diluted loss per common share		**(0.00)**	(0.00)	**(0.01)**	(0.01)
Weighted average number of common shares outstanding		**47,850,819**	46,402,777	**46,698,771**	45,945,972

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

	Share Capital					
	Number of Shares	Amount	Reserves	Accumulated Deficit	Non-controlling Interest	Total
		$	$	$	$	$
Balance, December 31, 2016	**44,770,691**	**4,927,686**	**351,970**	**(4,095,473)**	**(61,455)**	**1,122,728**
Exercise of warrants (Notes 9(b) and 9(e))	6,863,333	411,800	-	-	-	411,800
Cancellation of shares issued for PokerVision (Notes 5 and 9(b))	(6,431,250)	(321,563)	-	-	-	(321,563)
Share issue costs (Note 9(b))	-	(154)	-	-	-	(154)
Share-based compensation (Note 9(d))	-	-	10,519	-	-	10,519
Comprehensive loss	-	-	-	(460,363)	(3,858)	(464,221)
Balance, September 30, 2017	**45,202,774**	**5,017,769**	**362,489**	**(4,555,836)**	**(65,313)**	**759,109**
Balance, December 31, 2017	**45,872,774**	**5,439,832**	**360,507**	**(5,712,269)**	**(62,767)**	**25,303**
Shares issued for cash (Note 9(b))	1,000,000	100,000	-	-	-	100,000
Shares issued to settle debts (Notes 8, 9(b) and 12)	978,045	107,585	-	-	-	107,585
Share-based compensation (Note 9(d))	-	-	50,112	-	-	50,112
Comprehensive loss	-	-	-	(320,661)	(3,899)	(324,560)
Balance, September 30, 2018	**47,850,819**	**5,647,417**	**410,619**	**(6,032,930)**	**(66,666)**	**(41,560)**

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

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2018 and 2017
(Expressed in Canadian dollars)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	$	$
Operating activities		
Net loss	**(324,560)**	(464,221)
Adjustments for non-cash items:		
Depreciation	**-**	8,310
Gain or loss on settlement of debts	**-**	(3,764)
Loss on deconsolidation of PokerVision	**-**	106,745
Share-based payments	**50,112**	10,519
Unrealized foreign exchange gain	**(128)**	4,761
Change in non-cash working capital components:		
Amounts receivable	**13,809**	(152,347)
Prepaid expenses	**-**	(2,385)
Accounts payable and accrued liabilities	**135,635**	101,299
Net cash used in operating activities	**(124,993)**	(391,083)
Investing activities		
Cash derecognized on deconsolidation of PokerVision	**-**	(10,779)
Net cash used in investing activities	**-**	(10,779)
Financing activities		
Shares issued for cash	**100,000**	-
Exercise of warrants	**-**	369,800
Share subscriptions received	**-**	55,205
Share issue cost	**-**	(154)
Loans received	**51,008**	13,402
Loans repaid	**(69,422)**	(8,782)
Bank overdraft	**11,891**	-
Net cash provided by financing activities	**93,477**	429,471
Increase (decrease) in cash	**(31,516)**	27,609
Cash, beginning	**31,516**	16,842
Cash, ending	**-**	44,451
Cash paid for interest expense	**-**	2,450
Cash paid for income taxes	**-**	-

1. NATURE OF OPERATIONS AND GOING CONCERNS

E-Play Digital Inc. (the "Company"), was incorporated under the Business Corporations Act in British Columbia on September 19, 2013 under the name of Organach Beverage Acquisition Corp. On August 12, 2014, the Company changed its name to Network Oncology Inc. and on June 17, 2015, the name changed to Network Life Sciences Inc. On October 6, 2016, the Company changed its name to E-Play Digital Inc. in conjunction with its acquisitions of PokerVision Media Inc. ("PV") and Mobovivo Inc. ("MV") and change of its business (Note 4). The address of the registered office is 246 – 2464 Stewart Green SW, Calgary, Alberta, Canada T3H 3C8.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At September 30, 2018, the Company had a working capital deficiency of $847,906 (December 31, 2017 – deficiency of $760,957) and had an accumulated deficit of $6,032,930 (December 31, 2017 – $5,712,269) which has been funded primarily by the issuance of equity and loans from related parties. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully raise the capital to carry out its business plan. If the Company is unable to fund its future plan, its business, financial condition or results of operations could be materially and adversely affected. The success of the Company depends on its ability to profitably penetrate its target market with its new products on a sustainable basis. The Company has never generated revenue, cash flows or profits from operations.

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

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standards 34 - *Interim Financial Reporting* of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"). The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2017.

These condensed interim 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 condensed interim 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 condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

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

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

Name	Incorporation / acquisition date	Disposition date	Ownership %	Jurisdiction
PokerVision Media Inc.	November 21, 2016	May 18, 2017	100%	Canada
Mobovivo Inc.	December 20, 2016	N/A	96.70%	Canada
Emerald Oncology Limited	September 29, 2014	N/A	100%	Ireland

As at and for the period ended September 30, 2018, Emerald Oncology Limited was inactive.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and judgments

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

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

Judgments

i) Going concern

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

ii) Accounts receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

iii) Acquisition of assets

The assessment of whether the acquisitions (Note 4) should be accounted and disclosed as an acquisition of assets or acquisition of a business involved significant judgement by management of the Company.

iv) Impairment

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

v) Intellectual property

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

Estimates

vi) Fair value of financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies

i) IFRS 9 – Financial Instruments

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

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

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

ii) IFRS 15 – Revenue from contracts with customers

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

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

Future changes in accounting policies

i) IFRS 16 – Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted.

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

(Expressed in Canadian dollars)

4. ACQUISITION OF SUBSIDIARIES

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

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

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

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

(Expressed in Canadian dollars)

4. ACQUISITION OF SUBSIDIARIES (continued)

Vesting Terms of Performance Warrants

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

Or

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

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

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

Or

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

5. DISPOSITION OF A SUBSIDIARY

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

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

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

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

(Expressed in Canadian dollars)

6. INTANGIBLE ASSETS

Cost	Brands, trademarks and others $	Licenses and marketing rights $	Other intangible assets $
Balance at December 31, 2016	465,360	1	2,659,681
Depreciation	(12,693)	-	
Sale of subsidiary (note 6)	(452,667)	-	(604,101)
Balance at December 31, 2017 and September 30, 2018	-	1	2,055,580

7. SHORT-TERM LOAN

During the year ended December 31, 2016, the Company received $14,169 (€10,000) from a third party as a short-term loan. As at September 30, 2018, the loan was valued at $15,020 due to foreign currency fluctuation. The loan is non-interest bearing, unsecured and is due on demand.

8. LOANS PAYABLE

The Company has the following loans payable as at September 30, 2018 and December 31, 2017:

As at	**September 30, 2018**	December 31, 2017
	$	$
Canada Media Fund – Production Financing Agreement (Xtra)	**485,906**	485,906
Canada Media Fund – Sales and Marketing Loan (Previiw)	**203,808**	203,808
Canada Media Fund – Production Financing Agreement (Previiw)	**387,653**	387,653
Canada Media Fund – Sales and Marketing Loan (Xtra)	**164,846**	164,846
AVAC Ltd.	**570,675**	573,528
Due to related parties	**7,022**	22,583
Others	**-**	4,525
Total	**1,819,910**	1,842,849
Presented as:		
Current	**570,675**	573,528
Non-current	**1,249,235**	1,269,321

8. LOANS PAYABLE (continued)

On December 20, 2016, the Company acquired 96.7% of the issued and outstanding common shares of MV resulting in an assumption of the loans payable of MV (Note 4).

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

Canada Media Fund – Production Financing Agreement (Xtra)

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

During 2013, MV determined that Xtra was no longer financially feasible and therefore terminated the production progress. As a result, MV received a total of $485,906 in two separate payments.

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

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

As at September 30, 2018 and December 31, 2017, MV has not generated revenue from Xtra. CMF has not collected or accrued any recoupment amount.

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

Canada Media Fund – Sales and Marketing Loan (Previiw)

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 Previiw.

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

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

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 September 30, 2018 and December 31, 2017, MV has not generated revenue from Xtra. CMF has not collected or accrued any recoupment amount.

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

8. LOANS PAYABLE (continued)

Canada Media Fund – Production Financing Agreement (Previiw)

On January 26, 2011, MV entered into a Production Financing agreement with CMF. Total amount to be invested by CMF was $430,725 (“Equity Investment”), representing 75% of the production budget. As at September 30, 2017, $387,653 of the Equity Investment has been disbursed to MV.

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

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 September 30, 2018 and December 31, 2017, MV has not provided production revenues to CMF. CMF has not collected or accrued any recoupment amount.

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

Canada Media Fund – Sales and Marketing Loan (Xtra)

On October 3, 2012, MV entered into another Marketing Financing Agreement with CMF. Total amount to be advanced by CMF was $206,058, representing 75% of the sales and marketing budget to Xtra. As at September 30, 2017, total advanced amount by CMF to the Company was $164,846.

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

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

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

As at September 30, 2018 and December 31, 2017, MV has not provided any production revenues to the CMF. CMF has not collected or accrued any recoupment amount.

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

8. LOANS PAYABLE (continued)

AVAC Ltd.

On November 6, 2008, and later amended on December 21, 2016, MV entered into an Investment Agreement with AVAC Ltd. ("AVAC") for up to $1,000,000. AVAC reduced the maximum investment amount from $1,000,000 to $600,000. The Company received a total of $600,000 from AVAC. A 3% royalty on all gross revenues is to be paid quarterly in arrears until an aggregate return of two (2) times the gross amount invested by AVAC is remitted commencing with the quarter ending September 30, 2011. At the discretion of MV, MV has the option to prepay royalties by paying AVAC an amount equal to the amount of the Company actually advanced plus 20% compounded annually from the date each advance was received, to a maximum of two times the original advances by AVAC, less royalties paid to date. The advances are secured by the General Security Agreement dated November 7, 2008.

Should the Company choose to exercise the right to terminate the agreement, the total amount due and payable as at September 30, 2018 was $1,141,350.

Pursuant to the Investment Agreement, the Company shall (1) pay the royalty within 45 days of the end of each fiscal quarter, (2) provide unaudited quarterly unconsolidated financial statements, and (3) the Company shall not, without the prior written consent of AVAC, permit any transfer of its securities which would result in an effective change of control of the Company.

As of September 30, 2018, the Company was in breach of its Investment Agreement for failing to provide the royalty payment within the prescribed due dates and not providing the unaudited unconsolidated financial statements of MV. As a result, the AVAC loan has been classified as a current liability for the year ended December 31, 2017 and nine months ended September 30, 2018. Subsequent to September 30, 2018, the Company settled this loan with AVAC (Note 15).

Due to related parties and other loans payable

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

On June 8, 2018, the Company issued 41,136 common shares to settle a loan payable balance of $4,525 (Note 9(b)).

9. SHARE CAPITAL

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

(b) Issued and Outstanding:

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

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

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

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

9. SHARE CAPITAL (continued)

(b) Issued and Outstanding (continued):

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

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

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

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

On June 8, 2018, the Company issued 1,000,000 units at $0.10 per unit for gross proceeds of $100,000. Each unit consisted of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at $0.15 per shares until June 9, 2019.

On June 8, 2018, the Company issued 41,136 common shares to settle a loan payable balance of $4,525 (Note 8).

On June 8, 2018, the Company issued a total of 936,909 common shares to settle certain accounts payable with related parties in the amount of $103,060 (Note 12).

(c) Escrow Shares:

In relation to the acquisitions of PV and MV in November 2016 and December 2016, a total of 16,434,359 common shares were subject to escrow arrangements, whereby 10% were released on closing and the balance released on the basis of 15% every 6 months for the next 3 years. At September 30, 2018, 1,958,337 common shares remain in escrow.

(d) Stock Options:

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

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

(d) Stock Options (continued):

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%. Total fair value was calculated to be $117,400 which was recorded as share-based compensation for the year ended December 31, 2016.

On November 14, 2017, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 707,267 common shares of the Company to certain directors, officers, and/or consultants of the Company. A total of 431,201 options vest over 3 years and a total of 276,066 options vest over 2 years. The options are exercisable at a price of $0.19 per common share for a five year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 5 years, volatility of 100%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 1.68%. Total fair value was calculated to be $100,425 of which $8,537 was recorded as share-based compensation for the year ended December 31, 2017 and $50,112 was recorded as share-based compensation for the nine months ended September 30, 2018 based on the vesting provisions.

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Opening	**1,151,862**	**$0.24**	864,595	$0.77
Issued	**-**	**-**	707,267	$0.19
Expired	**-**	**-**	(420,000)	$1.25
Ending	**1,151,862**	**$0.24**	1,151,862	$0.24

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

(d) Stock Options (continued):

As at September 30, 2018, the following options remain outstanding:

Number of options	Number of options exercisable	Exercise price	Expiry date
444,595	444,595	$0.32	December 20, 2019
707,267	-	$0.19	November 14, 2022
1,151,862	444,595	**$0.24**	

(e) Warrants:

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Opening	**7,860,183**	**$0.32**	41,680,529	$0.20
Issued	**1,000,000**	**$0.15**	335,000	$0.40
Exercised	**-**	**-**	(6,863,333)	$0.06
Expired	**(4,480,070)**	**$0.40**	(666,367)	$0.23
Cancelled (1)	**-**	**-**	(26,625,646)	$0.20
Ending	**4,380,113**	**$0.20**	7,860,183	$0.32

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

As at September 30, 2018, the following warrants remain outstanding:

Number of warrants		Exercise price	Expiry date
335,000		$0.40	December 8, 2018
1,000,000		$0.15	June 9, 2019
3,045,113	(1)	$0.20	December 20, 2021
4,380,113			

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

(Expressed in Canadian dollars)

10. CAPITAL DISCLOSURES

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

11. FINANCIAL INSTRUMENTS

Classification of financial instruments

As at September 30, 2018	Financial assets – FVTPL	Financial assets – amortized cost	Financial liabilities – amortized cost
	$	$	$
Cash	-	-	-
Amounts receivable	-	34,583	-
Bank overdraft	-	-	11,891
Accounts payable	-	-	288,913
Short-term loans	-	-	585,695
Loans payable	-	-	1,249,235

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

The fair value of the Company's financial assets and liabilities approximates the carrying amount because of their nature and relatively short maturity dates or durations.

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

Credit risk

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

11. FINANCIAL INSTRUMENTS (continued)

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 September 30, 2018, the Company had cash of $Nil (December 31, 2017 - $31,516) to settle the total current liabilities of $886,499 (December 31, 2017 - $845,014). The Company needs additional financing to meet the short-term operating requirements. Subsequent to September 30, 2018, the Company completed a non-brokered private placement to fund the ongoing operations (Note 15).

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 September 30, 2018, the Company had nominal amounts of accounts payable and loans denominated in Euro. A 10% change in the currency exchange rates between the Canadian dollars relative to the Euro would have an immaterial effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

Interest Rate Risk

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

12. RELATED PARTY TRANSACTIONS

The key management personnel compensation for the nine months ended September 30, 2018 and 2017 is as follows:

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	$	$
Professional fees paid / accrued to CFO	**22,500**	35,500
Management fees paid / accrued to CEO	**45,000**	45,000
Consulting fees paid / accrued to CEO	**16,452**	21,190
Consulting fees paid / accrued to former director	**-**	8,500
Consulting fees paid / accrued to family members of a former director	**-**	34,309
Research and development paid / accrued to CEO	**16,452**	21,190
Share-based compensation	**33,045**	-
Total	**133,449**	165,689

(a) Included in accounts payable and accrued liabilities as at September 30, 2018 is $44,625 (December 31, 2017 - $68,411) due to various related parties. During the nine months ended September 30, 2018, the Company issued 936,909 common shares to settle certain accounts payable with related parties in the amount of $103,060 (Note 9(b)).

(b) Included in loans payable as at September 30, 2018 is $6,910 (December 31, 2017 - $22,471) due to various related parties (Note 8).

13. GOVERNMENT GRANTS

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

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

14. CONTINGENCY

In October 2017, the Company received an Originating Application and Affidavits filed to the Court of Queen’s Bench of Alberta for the dissent procedure related to the acquisition of MV by the Company. The Applicants are seeking fair value payments for the common shares in the capital of MV and the costs of the proceedings. The Company intends to negotiate a settlement with the dissenting shareholders.

15. SUBSEQUENT EVENTS

On October 15, 2018, the Company closed the first tranche of a non-brokered private placement for 1,785,715 units at $0.07 per unit for gross proceeds of $125,000. Each unit consisted of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at $0.105 per shares on or before October 31, 2019.

On October 23, 2018, the Company closed the second tranche of a non-brokered private placement for 3,921,770 units at $0.07 per unit for gross proceeds of $274,524. Each unit consisted of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at $0.105 per shares on or before October 31, 2019.

On November 7, 2018, the Company entered into a Termination and Mutual Release Agreement with AVAC whereby the parties have agreed to settle the dispute and terminate the Investment Agreement. AVAC has agreed to fully discharge the security and terminate the Security Agreement and the Company agreed to issue to AVAC 1,568,628 units at a deemed price of $0.1275 per unit. Each unit consists of one common share and one-half share purchase warrant. Each warrant can be exercised to purchase one additional common share at $0.15 per share for a period of 12 months from the date of issuance (Note 8).

On November 7, 2018, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 1,211,823 common shares of the Company to certain directors, officers, and/or consultants of the Company. A total of 431,201 options vest over 3 years, a total of 280,622 options vest over 2 years, and a total of 500,000 options vest over one year. The options are exercisable at a price of $0.15 per common share for a four year term.

On November 13, 2018, the Company issued 147,843 common shares to settle accounts payable balance of $18,850 (Note 8).

On November 13, 2018, the Company issued a total of 773,020 common shares to settle certain accounts payable with related parties in the amount of $98,560 (Note 12).