

E-Play Digital Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020

(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 June 30, 2020 and December 31, 2019
(Expressed in Canadian dollars)

	Notes	June 30, 2020	December 31, 2019
		\$	\$
ASSETS			
Current Assets			
Cash		4,063	35,611
Amounts receivable		57,505	38,772
Due from related party	10	-	3,159
		61,568	77,542
Licenses and marketing rights	4	1	1
Intangible assets	4	10,810	12,146
		72,379	89,689
LIABILITIES			
Current Liabilities			
Bank indebtedness		4,583	26,547
Accounts payable and accrued liabilities	10	180,075	317,385
Short-term loans	5	20,657	14,583
		205,315	358,515
Loans payable	6	1,282,325	1,242,325
		1,487,640	1,600,840
SHAREHOLDERS' DEFICIENCY			
Share capital	7	7,446,393	7,136,346
Reserves	7	834,341	807,112
Deficit		(9,618,378)	(9,378,548)
Equity attributable to shareholders		(1,337,644)	(1,435,090)
Non-controlling interest		(77,617)	(76,061)
Total equity		(1,415,261)	(1,511,151)
		72,379	89,689
Nature of operations and going concerns	1		
Contingency	11		

Approved and authorized for issuance by the Board of Directors on August 31, 2020:

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 NET LOSS AND
COMPREHENSIVE LOSS

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

Notes	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
	\$	\$	\$	\$
Revenue	26,973	3,101	51,979	7,737
Cost of sales	(405)	(46)	(1,292)	(116)
	26,568	3,055	50,687	7,621
General and administrative expenses				
Amortization	4 668	-	1,336	-
Consulting fees	10 55,503	23,666	66,485	58,534
Foreign exchange loss (gain)	(893)	(460)	3,411	(2,904)
Interest expense	1,092	1,262	2,563	2,370
Investor relations	-	14,417	300	22,277
Office and miscellaneous	1,111	2,160	2,454	3,560
Management fees	10 21,250	10,000	36,750	51,765
Professional fees	10 33,644	39,475	41,144	71,280
Regulatory and transfer fees	13,398	6,732	19,307	10,012
Research and development	10 & 12 4,911	59,316	64,464	117,840
Sales and marketing	5,324	13,255	17,430	22,722
Share-based compensation	7(d) & 10 6,480	27,881	77,516	64,560
Travel	-	2,835	6,978	7,511
Total expenses	(142,488)	(200,539)	(340,138)	(429,527)
Gain on settlement of debts	7(b) & 13 12,290	2,301	48,065	23,526
Net loss and comprehensive loss	(103,630)	(195,183)	(241,386)	(398,380)
Net loss attributable to:				
Shareholders of the Company	(104,063)	(192,275)	(239,830)	(392,613)
Non-controlling interest	433	(2,908)	(1,556)	(5,767)
	(103,630)	(195,183)	(241,386)	(398,380)
Basic and diluted loss per common share	(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of common shares outstanding	70,827,094	59,723,019	69,204,099	58,301,546

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

E-Play Digital Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Expressed in Canadian dollars)

	Share Capital		Reserves	Accumulated Deficit	Non-controlling Interest	Total
	Number of Shares	Amount				
		\$	\$	\$	\$	\$
Balance, December 31, 2018	56,547,795	6,451,848	524,279	(6,159,311)	(62,323)	754,493
Shares issued for cash (Note 7(b))	5,625,000	450,000	-	-	-	450,000
Share issue costs	-	(20,000)	-	-	-	(20,000)
Exercise of warrants (Notes 7(b) and 7(e))	700,000	73,500	-	-	-	73,500
Shares issued to settle debts (Notes 7(b), 10 and 13)	1,066,744	83,148	-	-	-	83,148
Share-based compensation (Note 7(d))	-	-	64,560	-	-	64,560
Comprehensive loss	-	-	-	(392,613)	(5,767)	(398,380)
Balance, June 30, 2019	63,939,539	7,038,496	588,839	(6,551,924)	(68,090)	1,007,321
Balance, December 31, 2019	65,809,539	7,136,346	807,112	(9,378,548)	(76,061)	(1,511,151)
Exercise of options (Notes 7(b) and 7(d))	1,350,000	117,787	(50,287)	-	-	67,500
Shares issued to settle debts (Notes 7(b), 10 and 13)	4,806,500	192,260	-	-	-	192,260
Share-based compensation (Note 7(d))	-	-	77,516	-	-	77,516
Comprehensive loss	-	-	-	(239,830)	(1,556)	(241,386)
Balance, June 30, 2020	71,966,039	7,446,393	834,341	(9,618,378)	(77,617)	(1,415,261)

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 six months ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

	Six months ended June 30, 2020	Six months ended June 30, 2019
	\$	\$
Operating activities		
Net loss	(241,386)	(398,380)
Adjustments for non-cash items:		
Amortization	1,336	-
Gain on settlement of debts	(48,065)	(23,526)
Share-based compensation	77,516	64,560
Unrealized foreign exchange loss (gain)	722	(726)
Change in non-cash working capital components:		
Amounts receivable	(15,574)	(2,169)
Prepaid expenses	-	(66,699)
Accounts payable and accrued liabilities	103,015	65,018
Net cash used in operating activities	(122,436)	(361,922)
Financing activities		
Bank indebtedness	(21,964)	-
Shares issued for cash	-	450,000
Share issue costs	-	(20,000)
Exercise of warrants	-	73,500
Exercise of options	67,500	-
Short-term loan received	27,852	-
Short-term loan repaid	(22,500)	-
Loans received	40,000	5,609
Loans repaid	-	(12,097)
Net cash provided by financing activities	90,888	497,012
Increase (Decrease) in cash	(31,548)	135,090
Cash, beginning	35,611	148,433
Cash, ending	4,063	283,523
Cash paid for interest expense	-	-
Cash paid for income taxes	-	-

Supplemental cash flow information (Note 13)

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

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERNS

E-Play Digital Inc. (the "Company"), was incorporated under the Business Corporations Act in British Columbia on September 19, 2013 under the name 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 to developing and operating broadcast and live video technologies. The address of the registered office is 246 – 2464 Stewart Green SW, Calgary, Alberta, Canada T3H 3C8.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At June 30, 2020, the Company had a working capital deficiency of \$143,747 (December 31, 2019 – \$280,973) and had an accumulated deficit of \$9,618,378 (December 31, 2019 – \$9,378,548) 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 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.

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

2. BASIS OF PRESENTATION

These 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, 2019.

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

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

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.

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 June 30, 2020, Emerald Oncology Limited was inactive.

3. SIGNIFICANT ACCOUNTING POLICIES**Use of estimates and judgments**

The preparation of these consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of 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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgments (continued)

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.

iii) Acquisition of assets

The assessment of whether the acquisitions 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 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.

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.

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

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)Use of estimates and judgments (continued)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.

Changes in accounting policiesi) 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 adoption of IFRS 16 did not have a material impact on the Company's financial statements.

4. INTANGIBLE ASSETS

Cost	Brands, trademarks and others \$	Licenses and marketing rights \$	Total \$
Balance at December 31, 2019	12,146	1	12,147
Amortization	(1,336)	-	(1,336)
Balance at June 30, 2020	10,810	1	10,811

During the year ended December 31, 2019, the Company acquired a list of Instagram influencers to be utilized in new and existing Mobile games.

During the year ended December 31, 2019, the Company has determined that the goodwill value attributable to Mobovivo Inc. acquisition is impaired and therefore has written down the goodwill to \$Nil as the Company has begun the transition from 100% service revenue to direct consumer revenue.

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

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

5. 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 June 30, 2020, the loan was valued at \$15,305 (December 31, 2019 - \$14,583) due to foreign currency fluctuation. The loan is non-interest bearing, unsecured and is due on demand.

During the six months ended June 30, 2020, the Company received \$27,852 from a third party as a short-term loan and repaid \$22,500. As at June 30, 2020, the loan balance was \$5,352 (December 31, 2019 - \$Nil). The loan is non-interest bearing, unsecured and is due on demand.

6. LOANS PAYABLE

The Company has the following loans payable as at June 30, 2010 and December 31, 2019:

As at	June 30, 2020	December 31, 2019
	\$	\$
Canada Media Fund – Production Financing Agreement (Xtra)	485,906	485,906
Canada Media Fund – Sales and Marketing Loan (Previiv)	203,808	203,808
Canada Media Fund – Production Financing Agreement (Previiv)	387,653	387,653
Canada Media Fund – Sales and Marketing Loan (Xtra)	164,846	164,846
Canada Emergency Business Account Loan	40,000	-
Due to related parties	112	112
Total	1,282,325	1,242,325
Presented as:		
Current	-	-
Non-current	1,282,325	1,242,325

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.

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

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

6. LOANS PAYABLE (continued)

Canada Media Fund (“CMF”) – Production Financing Agreement (Xtra)

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

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

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

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

As at June 30, 2020 and December 31, 2019, MV has not generated revenue from Xtra. CMF has not collected or accrued any recoupment amount.

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

Canada Media Fund – Sales and Marketing Loan (Previw)

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

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

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

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

As at June 30, 2020 and December 31, 2019, MV has not generated revenue from Xtra. CMF has not collected or accrued any recoupment amount.

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

Canada Media Fund – Production Financing Agreement (Previw)

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

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.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

6. LOANS PAYABLE (continued)

Canada Media Fund – Production Financing Agreement (Previiv) (continued)

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

As at June 30, 2020 and December 31, 2019, MV has not provided production revenues to CMF. CMF has not collected or accrued any recoupment amount.

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

Canada Media Fund – Sales and Marketing Loan (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 June 30, 2020 and December 31, 2019, 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.

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.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

6. LOANS PAYABLE (continued)

AVAC Ltd. (continued)

As of December 31, 2017, 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.

On November 13, 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 in the amount of \$575,281. 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 \$0.145 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. The weighted average fair value of the share purchase warrants of \$64,164 was determined using the Black-Scholes pricing model using the following assumptions: expected life of stock option of 1 year, volatility of 156.7%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 2.28%.

Canada Emergency Business Account Loan

On April 20, 2020, the Company received \$40,000 under the Canada Emergency Business Account ("CEBA"). The loan is non-interest bearing and no principal repayments are required up to December 31, 2022. If the principal balance of \$30,000 is repaid by December 31, 2022, then the remaining \$10,000 of the principal balance will be forgiven. Any remaining balance after January 1, 2023 will be converted into a 3 year term loan with a fixed interest of 5% per annum, monthly interest-only payments and the outstanding balance must be repaid in full by December 31, 2025.

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 at \$0.12 per common share to settle a loan payable balance of \$4,525.

7. SHARE CAPITAL

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

(b) Issued and Outstanding:

On February 15, 2019, the Company issued 189,500 common shares at \$0.065 per share to settle accounts payable balance of \$18,950. The Company recorded a gain on settlement in the amount of \$6,632 (Note 13).

On February 15, 2019, the Company issued a total of 416,944 common shares at \$0.065 to settle certain accounts payable with related parties in the amount of \$41,694. The Company recorded a gain on settlement in the amount of \$14,593 (Notes 10 and 13).

On March 22, 2019, the Company issued 200,000 common shares upon exercise of warrants at \$0.105 per share for gross proceeds of \$21,000.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(b) Issued and Outstanding (continued):

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

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

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

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

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

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

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

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

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

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

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

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

On May 14, 2020, the Company issued 1,350,000 common shares upon exercise of options at \$0.05 per share for gross proceeds of \$67,500.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(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 June 30, 2020, Nil 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.

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 \$61,704 was recorded as share-based compensation for the year ended December 31, 2018, \$24,251 was recorded as share-based compensation for the year ended December 31, 2019 and \$3,401 was recorded as share-based compensation for the six months ended June 30, 2020 based on the vesting provisions.

On November 7, 2018, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 1,211,823 common shares of the Company to certain directors, officers, and/or consultants of the Company. A total of 431,201 options vest over 3 years, a total of 280,622 options vest over 2 years, and a total of 500,000 options vest over one year. The options are exercisable at a price of \$0.15 per common share for a four year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 4 years, volatility of 100%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 2.42%. Total fair value was calculated to be \$126,842 of which \$37,904 was recorded as share-based compensation for the year ended December 31, 2018, \$67,616 was recorded as share-based compensation for the year ended December 31, 2019 and \$9,890 was recorded as share-based compensation for the six months ended June 30, 2020 based on the vesting provisions.

On February 15, 2019, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 500,000 common shares of the Company to a consultant of the Company. A total of 250,000 options vest immediately and a total of 250,000 options vest over one year. The options are exercisable at a price of \$0.15 per common share for a four year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 4 years, volatility of 100%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 1.79%. Total fair value was calculated to be \$17,950 of which \$16,778 was recorded as share-based compensation for the year ended December 31, 2019 and \$1,172 was recorded as share-based compensation for the six months ended June 30, 2020 based on the vesting provisions.

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

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(d) Stock Options: (continued)

On March 25, 2020, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 1,500,000 common shares of the Company to two consultants of the Company. The options are exercisable at a price of \$0.05 per common share for a three year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 3 years, volatility of 160%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 0.73%. Total fair value was calculated to be \$55,875 and recorded as share-based compensation for the six months ended June 30, 2020.

On March 25, 2020, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 200,000 common shares of the Company to a consultant of the Company. The options are exercisable at a price of \$0.10 per common share for a 3.4 year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 3.4 years, volatility of 160%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 0.73%. Total fair value was calculated to be \$7,178 and recorded as share-based compensation for the six months ended June 30, 2020.

As at June 30, 2020, the following options remain outstanding:

	Six months ended June 30, 2020		Year ended December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening	5,819,090	\$0.13	2,363,685	\$0.19
Issued	1,700,000	0.06	3,900,000	0.11
Exercised	(1,350,000)	0.05	-	-
Expired / cancelled	(800,000)	0.10	(444,595)	0.32
Ending	5,369,090	\$0.13	5,819,090	\$0.13
Weighted average remaining life of stock options outstanding	2.76 years		3.33 years	

Number of options	Number of options exercisable	Exercise price	Expiry date
707,267	563,533	\$0.19	November 14, 2022
1,211,823	816,311	\$0.15	November 7, 2022
500,000	500,000	\$0.15	February 14, 2023
500,000	500,000	\$0.10	April 17, 2023
2,100,000	2,100,000	\$0.10	August 12, 2023
150,000	150,000	\$0.05	March 25, 2023
200,000	200,000	\$0.10	August 12, 2023
5,369,090	4,829,844	\$0.13	

E-Play Digital Inc.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(e) Warrants:

	Six months ended June 30, 2020		Year ended December 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Opening	10,670,113	\$0.16	11,036,912	\$0.14
Issued	-	-	6,625,000	0.14
Exercised	-	-	(700,000)	0.105
Expired	-	-	(6,291,799)	0.11
Ending	10,670,113	\$0.16	10,670,113	\$0.16
Weighted average remaining life of warrants outstanding	0.98 years		1.48 years	

As at June 30, 2020, the following warrants remain outstanding:

Number of warrants	Exercise price	Expiry date
1,000,000	\$0.08	November 13, 2020
1,000,000 (1)	\$0.15	December 9, 2020
3,045,113 (2)	\$0.20	December 20, 2021
5,625,000	\$0.15	May 31, 2021
10,670,113		

(1) On May 31, 2019, the Company extended the expiry date of 1,000,000 warrants exercisable at \$0.15 from June 9, 2019 to December 9, 2020

(2) Subject to the vesting terms in relation to the Company acquiring all of the issued and outstanding shares of PV and 96.7% interest in MV pursuant to the Share Purchase Agreement and Amalgamation Agreement dated September 27, 2016 as follows:

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.

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

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

8. CAPITAL DISCLOSURES

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

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

	Financial assets – FVTPL	Financial assets – amortized cost	Financial liabilities – amortized cost
As at June 30, 2020			
	\$	\$	\$
Cash	4,063	-	-
Amounts receivable	-	57,505	-
Bank indebtedness	-	-	4,583
Accounts payable	-	-	180,075
Short-term loans	-	-	20,657
Loans payable	-	-	1,282,325
As at December 31, 2019			
	\$	\$	\$
Cash	35,611	-	-
Amounts receivable	-	38,772	-
Due from related party	-	3,159	-
Bank indebtedness	-	-	26,547
Accounts payable	-	-	317,385
Short-term loans	-	-	14,583
Loans payable	-	-	1,242,325

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

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

Credit risk

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

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

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

9. 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 June 30, 2020, the Company had cash of \$4,063 (December 31, 2019 - \$35,611) to settle the total current liabilities of \$205,315 (December 31, 2019 - \$358,515).

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 June 30, 2020, 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.

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

	June 30, 2020		December 31, 2019	
Cash and cash equivalents	USD\$	683	USD\$	6,347
Accounts payable	EUR\$	(30,070)	EUR\$	(30,070)
Loans payable	EUR\$	(10,000)	EUR\$	(10,000)

Based on the above net exposure and assuming that all other variables remain constant a 10% change in the value of the foreign currencies against the Canadian dollar would result in an increase or decrease of \$6,040 (2019 - \$5,955) in income/loss from operations.

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.

10. RELATED PARTY TRANSACTIONS

The key management personnel compensation for the six months ended June 30, 2020 and 2019 is as follows:

	Six months ended June 30, 2020	Six months ended June 30, 2019
	\$	\$
Professional fees paid / accrued to CFO	20,900	39,930
Management fees paid / accrued to CEO	36,750	51,765
Consulting fees paid / accrued to CEO	3,952	19,429
Research and development paid / accrued to CEO	3,952	19,429
Share-based compensation	3,882	16,345
Total	69,436	146,898

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS (continued)

- (a) Included in accounts payable and accrued liabilities as at June 30, 2020 is \$Nil (December 31, 2019 - \$15,250) due to various related parties. During the year ended December 31, 2019, the Company issued 1,414,444 common shares with a fair value of \$96,664 to settle certain accounts payable with related parties in the amount of \$109,944 (Note 7(b)). During the six months ended June 30, 2020, the Company issued 1,418,000 common shares with a fair value of \$56,720 to settle certain accounts payable with related parties in the amount of \$70,900 (Note 7(b)).
- (b) Included in loans payable as at June 30, 2020 is \$112 (December 31, 2019 - \$112) due to various related parties (Note 6).
- (c) During the six months ended June 30, 2020, the Company received \$41,250 from the CEO of the Company. As at June 30, 2020, due to related party balance was \$3,268 (December 31, 2019 – due from related party balance of \$3,159) included in accounts payable and accrued liabilities. The loan is unsecured, non-interest bearing and due on demand.

11. CONTINGENCY

In October 2017, the Company received an Originating Application and Affidavits filed to the Court of Queen's Bench of Alberta for the dissent procedure related to the acquisition of MV by the Company. The Applicants are seeking fair value payments for the common shares in the capital of MV and the costs of the proceedings. The claim total \$19,154 plus 5% interest from September 14, 2018, plus fees and disbursements in the amount of \$625. During the year ended December 31, 2019, the Company partially settled this claim for \$8,125.

12. GOVERNMENT GRANTS

On April 9, 2019, the Company applied for financial assistance under the CanExport Program of the Department of Global Affairs and the National Research Council Canada (NRC). The program is designed to provide direct financial assistance to small and medium-sized enterprises seeking to develop new export opportunities and markets, especially in high-growth emerging markets. The total federal funding was \$27,000 and the total duration of the program was from April 1, 2019 to November 30, 2019. During the year ended December 31, 2019, the Company used the proceeds of \$27,000 to promote the BigShot project in new internal markets. Other government grants totaled \$2,042.

13. NON-CASH TRANSACTIONS

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

On February 15, 2019, the Company issued 189,500 common shares at \$0.065 per share to settle accounts payable balance of \$18,950. The Company recorded a gain on settlement in the amount of \$6,632 (Note 7(b)).

On February 15, 2019, the Company issued 189,500 common shares at \$0.065 per share to settle accounts payable balance of \$18,950. The Company recorded a gain on settlement in the amount of \$6,632 (Note 7(b)).

On February 15, 2019, the Company issued a total of 416,944 common shares at \$0.065 to settle certain accounts payable with related parties in the amount of \$41,694. The Company recorded a gain on settlement in the amount of \$14,593 (Notes 7(b) and 10).

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

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

13. NON-CASH TRANSACTIONS (continued)

On May 31, 2019, the Company issued 92,800 common shares at \$0.095 per share to settle accounts payable balance of \$9,280. The Company recorded a gain on settlement in the amount of \$464 (Note 7(b)).

On May 31, 2019, the Company issued a total of 367,500 common shares at \$0.095 to settle certain accounts payable with related parties in the amount of \$36,750. The Company recorded a gain on settlement in the amount of \$1,837 (Notes 7(b) and 10).

On November 12, 2019, the Company issued 240,000 common shares at \$0.055 per share to settle accounts payable balance of \$12,000 to a consultant of the Company. The Company recorded a loss on settlement in the amount of \$1,200 (Note 7(b)).

On November 12, 2019, the Company issued a total of 630,000 common shares at \$0.055 to settle certain accounts payable of \$31,500 with related parties. The Company recorded a loss on settlement in the amount of \$3,150 (Notes 7(b) and 10).

On February 13, 2020, the Company issued 3,000,000 common shares at \$0.04 to settle accounts payable balance of \$150,000 to a consultant of the Company. The Company recorded a gain on settlement in the amount of \$30,000 (Note 7(b)).

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

On February 25, 2020, the Company issued 420,000 common shares at \$0.04 to settle certain accounts payable balance of \$21,000 with related parties. The Company recorded a gain on settlement in the amount of \$4,200 (Notes 7(b) and 10).

On May 6, 2020, the Company issued 231,000 common shares at \$0.04 to settle accounts payable balance of \$11,550 to a consultant of the Company. The Company recorded a gain on settlement in the amount of \$2,310 (Note 7(b)).

On May 6, 2020, the Company issued 998,000 common shares at \$0.04 to settle certain accounts payable balance of \$49,900 with related parties. The Company recorded a gain on settlement in the amount of \$9,980 (Notes 7(b) and 10).