

E-Play Digital Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(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 March 31, 2023 and December 31, 2022
(Expressed in Canadian dollars)

	Notes	March 31, 2023	December 31, 2022
		\$	\$
ASSETS			
Current Assets			
Cash		9,685	30,689
Amounts receivable		-	2,465
Government subsidy receivable		-	3,654
GST receivable		15,044	14,015
		24,729	50,823
Intangible assets	5	3,463	4,131
		28,192	54,954
LIABILITIES			
Current Liabilities			
Bank overdraft		20,198	-
Accounts payable and accrued liabilities	11	338,786	332,315
Short-term loans	6	1,262,023	1,262,023
		1,621,007	1,594,338
Loans payable	7	45,095	40,112
		1,666,102	1,634,450
SHAREHOLDERS' DEFICIENCY			
Share capital	8	11,792,116	11,792,116
Reserves	8	1,401,445	1,401,445
Deficit		(14,715,997)	(14,658,508)
Deficiency attributable to shareholders of the Company		(1,522,436)	(1,464,947)
Non-controlling interest		(115,474)	(114,549)
		(1,637,910)	(1,579,496)
		28,192	54,954
Nature and continuance of operations	1		
Commitment	15		

Approved and authorized for issuance by the Board of Directors on June 5, 2023:

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 LOSS AND
COMPREHENSIVE LOSS
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

	Notes	2023	2022
		\$	\$
Revenue	15	306	4,509
Operating expenses			
Accretion	7	-	904
Amortization	5	668	668
Consulting fees	11	-	11,655
Foreign exchange loss (gain)		379	(2,085)
Investor relations		-	4,551
Office and miscellaneous		4,895	6,153
Management fees	11	15,000	15,750
Professional fees	11	10,375	10,375
Regulatory and transfer fees		4,237	4,900
Research and development	11 & 12	8,719	124,515
Sales and marketing		15,698	59,848
Travel expenses (recovery)		(1,191)	5,986
Total operating expenses		(58,780)	(243,220)
Other income		60	-
Net loss and comprehensive loss		(58,414)	(238,711)
Net loss attributable to:			
Shareholders of the Company		(57,489)	(232,105)
Non-controlling interest		(925)	(6,606)
		(58,414)	(238,711)
Basic and diluted loss per common share		(0.00)	(0.00)
Weighted average number of common shares outstanding – basic and diluted		98,965,819	98,965,819

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' DEFICIENCY
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

	Share Capital				Non-controlling Interest	Total
	Number of Shares	Amount	Reserves	Deficit		
		\$	\$	\$	\$	\$
Balance, December 31, 2021	98,965,819	11,792,116	1,401,445	(13,961,223)	(95,663)	(863,325)
Loss for the period	-	-	-	(232,105)	(6,606)	(238,711)
Balance, March 31, 2022	98,965,819	11,792,116	1,401,445	(14,193,328)	(102,269)	(1,102,036)
Balance, December 31, 2022	98,965,819	11,792,116	1,401,445	(14,658,508)	(114,549)	(1,579,496)
Loss for the period	-	-	-	(57,489)	(925)	(58,414)
Balance, March 31, 2023	98,965,819	11,792,116	1,401,445	(14,715,997)	(115,474)	(1,637,910)

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 three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

	2023	2022
	\$	\$
Operating activities		
Loss for the period	(58,414)	(238,711)
Adjustments for non-cash items:		
Accretion expense	-	904
Amortization	668	668
Unrealized foreign exchange gain	-	(538)
Change in non-cash working capital components:		
Amounts receivable and GST receivable	1,436	(28)
Government subsidy receivable	3,654	-
Prepaid expenses	-	3,293
Accounts payable and accrued liabilities	6,471	(1,466)
Net cash used in operating activities	(46,185)	(235,878)
Financing activities		
Bank indebtedness	20,198	-
Proceeds from loans payable	4,983	-
Net cash provided by financing activities	25,181	-
Decrease in cash	(21,004)	(235,878)
Cash, beginning of the period	30,689	606,374
Cash, end of the period	9,685	370,496
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 three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

E-Play Digital Inc. (the “Company”) was incorporated under the Business Corporations Act in British Columbia on September 19, 2013 under the name Organach Beverage Acquisition Corp. On October 6, 2016, the Company changed its name to E-Play Digital Inc. 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 March 31, 2023, the Company had a working capital deficiency of \$1,596,278 (December 31, 2022 – \$1,543,515) and had a deficit of \$14,715,997 (December 31, 2022 – \$14,658,508) which has been funded primarily by the issuance of equity and loans from third 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’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. These factors indicate a material uncertainty which may cast 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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

These consolidated financial statements are presented in Canadian dollars, which is the reporting and functional currency of the Company, and its subsidiaries Mobovivo Inc. (“Mobovivo” or “MV”) and Holo3D Technologies Inc. The functional currency of the Company’s wholly-owned subsidiary Emerald Oncology Limited (“Emerald”) is the Euro (€). These consolidated financial statements are prepared on a historical cost basis except for certain financial instruments as described at Note 3, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

(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 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	Ownership %		Jurisdiction
		2023	2022	
Mobovivo Inc.	December 20, 2016	96.70%	96.70%	Canada
Holo3D Technologies Inc.	June 25, 2021	100%	100%	Canada
Emerald Oncology Limited	September 29, 2014	100%	100%	Ireland

As at and for the three months ended March 31, 2023, 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 revenue and 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 may be 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Impairment indicators of intangible assets

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.

iii) Transactions

Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. There are judgements in measuring the fair value of equity instruments issued as consideration and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

Estimates

i) Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumption about them.

ii) Recoverability of amounts 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) Deferred tax assets and liabilities

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected. Tax losses have been estimated and are subject to changes as a result of reviews from regulatory authorities.

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) Useful life of intangible assets

The finite life intangible assets are depreciated over their useful lives. Estimated useful lives are determined based on current facts and past experience and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, the potential for technological obsolescence, and regulations.

New accounting standards and interpretations issued

IAS 1 –Presentation of Financial Statements (“IAS 1”), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023, with early application permitted. The amendment to IAS 1 did not have a material impact on the Company’s consolidated financial statements.

4. ASSET ACQUISITION

On June 25, 2021, the Company entered into an agreement to purchase 100% of the equity of Holo3D Technologies Inc. (“Holo3D”), a company related to the CEO (the “Transaction”). The Transaction was approved by the Board of Directors. As consideration, the Company issued 12,000,000 common shares.

The acquisition of Holo3D does not constitute a business combination because the entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction was accounted for as an asset acquisition in accordance with IFRS 2. On the completion of the transaction, the Company maintained control over Holo3D.

	Amount
	\$
Purchase price	
12,000,000 common shares issued on June 25, 2021	2,760,000
Net assets acquired	
Cash	63,555
Accounts payable and accrued liabilities	(31,991)
	<u>31,564</u>
Consideration paid in excess of net assets acquired	<u>2,728,436</u>

The additional unidentifiable assets acquired did not meet the criteria for capitalization as they could not be measured. Accordingly, the Company expensed \$2,728,436 to the statement of loss and comprehensive loss.

5. INTANGIBLE ASSETS

	Licenses and marketing rights	Other	Goodwill	Total
Cost	\$	\$	\$	\$
Balance at December 31, 2021	1	6,802	-	6,803
Amortization	-	(2,672)	-	(2,672)
Balance at December 31, 2022	1	4,130	-	4,131
Amortization	-	(668)	-	(668)
Balance at March 31, 2023	1	3,462	-	3,463

6. SHORT-TERM LOANS

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 March 31, 2023, the loan was valued at \$14,458 (December 31, 2022 - \$14,458) due to foreign currency fluctuation. The loan is non-interest bearing, unsecured and is due on demand.

During the year ended December 31, 2020, the Company received \$27,852 from a third party as a short-term loan and repaid \$22,500 through the issuance of 450,000 common shares at a fair value of \$0.05 per share on May 14, 2020. As at March 31, 2023, the loan balance was \$5,352 (December 31, 2022 - \$5,352). The loan is non-interest bearing, unsecured and is due on demand.

Canada Media Fund

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. The total amount to be invested by CMF was \$539,895 (the “Investment”), representing 75% of MV’s planned production budget. The Investment was set to be made in three separate payments. The Investment payments were made upon receipt of progress and cost reports from MV. Over the term of the arrangement, MV only received a total of \$485,906 in two separate payments. During the year ended December 31, 2013, MV determined the project was no longer financially feasible and it was terminated. During the three months ended March 31, 2023, the Company received a notice of permanent default and termination. Under the contract, CMF has the right to require immediate repayment of the outstanding balances and as a result, the Company reclassified the loan as current liability.

Canada Media Fund – Sales and Marketing Loan (Xtra)

On October 3, 2012, MV entered into a Marketing Financing Agreement with CMF. The total amount to be advanced by CMF was \$206,058, representing 75% of the planned sales and marketing budget. As at December 31, 2022, the total amount advanced by CMF to the Company was \$164,846. During the year ended December 31, 2013, MV determined the project was no longer financially feasible and it was terminated. During the three months ended March 31, 2023, the Company received a notice of permanent default and termination. Under the contract, CMF has the right to require immediate repayment of the outstanding balances and as a result, the Company reclassified the loan as current liability.

Canada Media Fund – Production Financing Agreement (Previiv)

On January 26, 2011, MV entered into a Production Financing agreement with CMF. The total amount to be invested by CMF was \$430,725, which represented 75% of the planned production budget. As at September 30, 2017, \$387,653 of the proposed advance had been disbursed to MV. During the year ended December 31, 2013, MV determined the project was no longer financially feasible and it was terminated. During the three months ended March 31, 2023, the Company received a notice of permanent default and termination. Under the contract, CMF has the right to require immediate repayment of the outstanding balances and as a result, the Company reclassified the loan as current liability.

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

6. SHORT-TERM LOANS (continued)*Canada Media Fund – Sales and Marketing Loan (Previiv)*

On October 3, 2012, MV entered into a Marketing Financing Agreement with CMF. The total amount to be invested by CMF was \$203,808, representing 75% of the planned sales and marketing budget. During the year ended December 31, 2013, MV determined the project was no longer financially feasible and it was terminated. During the three months ended March 31, 2023, the Company received a notice of permanent default and termination. Under the contract, CMF has the right to require immediate repayment of the outstanding balances and as a result, the Company reclassified the loan as current liability.

7. LOANS PAYABLE

The Company has the following loans payable as at March 31, 2023 and December 31, 2022:

As at	March 31, 2023	December 31, 2022
	\$	\$
Canada Emergency Business Account Loan	40,000	40,000
Due to related parties	5,095	112
Total	45,095	40,112

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, 2023. If the principal balance of \$30,000 is repaid by December 31, 2023, then the remaining \$10,000 of the principal balance will be forgiven. It is uncertain whether the Company will be able to repay the \$30,000 by December 31, 2023, therefore no loan forgiveness is recognized at this point. Any remaining balance after January 1, 2024, will be converted into a 2-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. The loan was initially measured at its fair value of \$30,932 and is subsequently measured at amortized cost, using an effective interest rate of 10%. The difference of \$9,068 was accredited to the loan liability over the term of the CEBA Loan and offset to other income on the statement of loss and comprehensive loss.

Due to related parties

The loans are non-interest bearing, unsecured, and payable at the discretion of the Company (Note 11).

8. SHARE CAPITAL

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

(b) Issued and Outstanding:

There were no shares issued during the three months ended March 31, 2023.

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(c) 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. The stock option plan limits the number of incentive stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Company in any 12-month period. The number of incentive stock options granted to any one consultant, or a person employed to provide investor relations activities in any 12-month period must not exceed 2% of the total issued 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.

As at March 31, 2023 and December 31, 2022, the following options remain outstanding:

	Three months ended March 31, 2023		Year ended December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening	6,175,000	\$0.16	9,029,557	\$0.15
Issued	-	-	-	-
Exercised	-	-	-	-
Expired	(1,500,000)	0.19	(2,854,557)	0.12
Ending	4,675,000	\$0.16	6,175,000	\$0.16
Weighted average remaining life of stock options outstanding	0.81 years		0.85 years	

Number of options	Number of options exercisable	Exercise price	Expiry date
500,000	500,000	\$0.10	April 17, 2023
1,600,000	1,600,000	\$0.10	August 12, 2023
200,000	200,000	\$0.10	August 12, 2023
725,000	725,000	\$0.24	March 19, 2024
1,650,000	1,650,000	\$0.195	September 15, 2024
4,675,000	4,675,000	\$0.16	

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(d) Warrants:

	Three months ended March 31, 2023		Year ended December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Opening	11,000,000	\$0.20	11,000,000	\$0.20
Issued	-	-	-	-
Ending	11,000,000	\$0.20	11,000,000	\$0.20
Weighted average remaining life of warrants outstanding	0.96 years		1.21 years	

As at March 31, 2023, the following warrants remain outstanding:

Number of warrants	Exercise price	Expiry date
5,750,000 (1)	\$0.20	March 17, 2024
5,250,000 (2)	\$0.20	March 17, 2024
11,000,000		

(1) On December 30, 2021, the Company extended the expiry date of 5,750,000 warrants exercisable at \$0.20 from March 5, 2022 to March 17, 2024

(2) On December 30, 2021, the Company extended the expiry date of 5,250,000 warrants exercisable at \$0.20 from March 17, 2022 to March 17, 2024

9. 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.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 and amounts receivable. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Collectability for amounts receivable is assessed on an ongoing basis and a provision for impairment recorded as necessary.

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (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 March 31, 2023, the Company had cash of \$9,685 (December 31, 2022 - \$30,689) to settle the total current liabilities of \$1,621,007 (December 31, 2022 - \$1,594,338). As the Company does not have positive operating cash flows, the Company has relied primarily on equity financings and loans to meet its capital requirements and current financial obligations (Note 1).

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 March 31, 2023, the Company had nominal amounts of accounts payable and short-term loans denominated in Euro. A 10% change in the currency exchange rates between the Canadian dollars relative to the Euro would have an insignificant 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.

	March 31, 2023		December 31, 2022	
Cash	USD\$	533	USD\$	11,783
Short-term loans	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 approximately \$1,500 (2022 - \$4,000) in the statement of loss and comprehensive loss.

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 because it does not have any variable interest-bearing debt.

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

The key management personnel compensation for the three months ended March 31, 2023 and 2022 are as follows:

	2023	2022
	\$	\$
Professional fees paid / accrued to CFO	10,375	10,000
Management fees paid / accrued to CEO	15,000	15,000
Consulting fees paid / accrued to CEO	-	7,250
Research and development paid / accrued to CEO	-	7,250
Total	25,375	39,500

- (a) Included in accounts payable and accrued liabilities as at March 31, 2023 is \$139,125 (December 31, 2022 - \$112,875) due to companies controlled by the CEO and CFO. Amounts are unsecured, non-interest bearing and due on demand.
- (b) Included in loans payable as at March 31, 2023 is \$5,095 (December 31, 2022 - \$112) due to the CEO (Note 7).
- (c) On June 25, 2021, the Company acquired 100% of the equity of Holo3D, a company controlled by the CEO of the Company (Note 4).

12. GOVERNMENT GRANTS***Industrial Research Assistance Program***

On May 30, 2022, the Company entered into a Contribution Agreement with the Industrial Research Assistance Program (“IRAP”) run by the NRC. The NRC has agreed to contribute up to a maximum of \$50,000 for cost incurred in the “AR Sport Science Visualization” project, of which \$6,852 (2022 - \$62,781) was received during the three months ended March 31, 2023. The government grant was credited against research and development during the three months ended March 31, 2023 and year ended December 31, 2022.

On April 3, 2020, the Company entered into a Contribution Agreement with IRAP whereby, the NRC agreed to contribute up to a maximum of \$170,000 for cost incurred in the “Augmented Reality Capture And Visualization Engine” project, of which \$nil (2021 - \$62,781) was received during the year ended December 31, 2022. The government grant was credited against research and development expenses during the years ended December 31, 2022 and 2021.

Canada Summer Jobs Grant

During the years ended December 31, 2022 and 2021, the Company applied for Canadian Summer Job Grants. The grants provide funding to organizations to create summer job opportunities for students entering the work force. During the year ended December 31, 2022, the Company received \$26,775 (2021 - \$nil) in grants. As at March 31, 2023 and December 31, 2022, the full balance of the grant was included in accounts payable and accrued liabilities.

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

During the year ended December 31, 2022, the following non-cash transactions occurred:

The Company reclassified \$1,242,213 of the CMF loans from long-term to current liabilities as the Company received a notice of permanent default and termination, which grants CMF the right to demand immediate repayment of the outstanding balance.

14. SEGMENTED REPORTING

Revenues from external customers are derived from customers located in Canada and the United States as follows:

	March 31, 2023	March 31, 2022
	\$	\$
United States	-	4,509
Canada	306	-
	306	4,509

During the three months ended March 31, 2023, 100% (2022 - 86%) of the Company's revenue was generated from one (2022 - two) customer.

15. COMMITMENT

On June 4, 2021, the Company entered into a license agreement with Spartan, whereas the licensor granted the Company, a non-exclusive, non-revocable royalty-bearing license to sell, market and/or rent digital wearables for mobile games for a period of two years. The Company will pay Spartan a royalty of 50% of net sales of royalty-based products derived or related to the digital wearables. The Company shall only receive an affiliate of \$3.00 per physical good sold in conjunction with the digital wearables.