

E-Play Digital Inc.

Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 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 September 30, 2023 and December 31, 2022
(Expressed in Canadian dollars)

| | Notes | September 30, 2023 | December 31, 2022 |
|---|-------|-----------------------|----------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash | | 909 | 30,689 |
| Amounts receivable | | 97 | 2,465 |
| Government subsidy receivable | | - | 3,654 |
| GST receivable | | 19,542 | 14,015 |
| | | 20,548 | 50,823 |
| Intangible assets | 5 | 2,127 | 4,131 |
| | | 22,675 | 54,954 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Bank overdraft | | 8,505 | - |
| Accounts payable and accrued liabilities | 11 | 417,590 | 332,315 |
| Short-term loans | 6 | 1,261,869 | 1,262,023 |
| | | 1,687,964 | 1,594,338 |
| Loans payable | 7 | 44,472 | 40,112 |
| | | 1,732,436 | 1,634,450 |
| SHAREHOLDERS' DEFICIENCY | | | |
| Share capital | 8 | 11,792,116 | 11,792,116 |
| Reserves | 8 | 1,401,445 | 1,401,445 |
| Deficit | | (14,788,728) | (14,658,508) |
| Deficiency attributable to shareholders of the Company | | (1,595,167) | (1,464,947) |
| Non-controlling interest | | (114,594) | (114,549) |
| | | (1,709,761) | (1,579,496) |
| | | 22,675 | 54,954 |
| Nature and continuance of operations | 1 | | |
| Commitment | 15 | | |

Approved and authorized for issuance by the Board of Directors on November 29, 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 and nine months ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

| | Notes | Three months ended September 30, 2023 | Three months ended September 30, 2022 | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 |
|---|---------|---|---|--|--|
| | | \$ | \$ | \$ | \$ |
| Revenue | 15 | 104 | 22,619 | 11,279 | 35,802 |
| Cost of sales | | - | (1,594) | - | (1,594) |
| | | 104 | 21,025 | 11,279 | 34,208 |
| Operating expenses | | | | | |
| Accretion | 7 | - | 971 | - | 2,811 |
| Amortization | 5 | 668 | 668 | 2,004 | 2,004 |
| Consulting fees | 11 | 1,050 | 4,286 | 3,150 | 30,835 |
| Foreign exchange loss (gain) | | (173) | (7,831) | 181 | (11,686) |
| Investor relations | | - | 2,725 | - | 15,427 |
| Office and miscellaneous | | 2,240 | 6,227 | 11,370 | 18,772 |
| Management fees | 11 | 15,000 | 15,000 | 45,000 | 45,750 |
| Professional fees | 11 | 10,000 | 15,900 | 63,685 | 70,069 |
| Regulatory and transfer fees | | 4,100 | 4,485 | 22,146 | 20,312 |
| Research and development (recovery) | 11 & 12 | (11,465) | 63,001 | (18,898) | 295,070 |
| Sales and marketing | | 42 | 19,488 | 15,781 | 101,528 |
| Travel expenses (recovery) | | (1,569) | 3,595 | (2,760) | 23,226 |
| Total operating expenses | | (19,893) | (128,515) | (141,659) | (614,118) |
| Other income | | 9 | 1,159 | 115 | 1,159 |
| Net loss and comprehensive loss | | (19,780) | (106,331) | (130,265) | (578,751) |
| Net loss attributable to: | | | | | |
| Shareholders of the Company | | (20,144) | (103,957) | (130,220) | (564,815) |
| Non-controlling interest | | 364 | (2,374) | (45) | (13,936) |
| | | (19,780) | (106,331) | (130,265) | (578,751) |
| Basic and diluted loss per common share | | (0.00) | (0.00) | (0.00) | (0.01) |
| Weighted average number of common shares outstanding – basic and diluted | | 98,965,819 | 98,965,819 | 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 nine months ended September 30, 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 | - | - | - | (564,815) | (13,936) | (578,751) |
| Balance, September 30, 2022 | 98,965,819 | 11,792,116 | 1,401,445 | (14,526,038) | (109,599) | (1,442,076) |
| 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 | - | - | - | (130,220) | (45) | (130,265) |
| Balance, September 30, 2023 | 98,965,819 | 11,792,116 | 1,401,445 | (14,788,728) | (114,594) | (1,709,761) |

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, 2023 and 2022
(Expressed in Canadian dollars)

| | 2023 | 2022 |
|--|-----------------|------------------|
| | \$ | \$ |
| Operating activities | | |
| Loss for the period | (130,265) | (578,751) |
| Adjustments for non-cash items: | | |
| Accretion expense | - | 2,811 |
| Amortization | 2,004 | 2,004 |
| Unrealized foreign exchange gain | (154) | (1,008) |
| Change in non-cash working capital components: | | |
| Amounts receivable and GST receivable | 495 | (4,713) |
| Prepaid expenses | - | 9,312 |
| Accounts payable and accrued liabilities | 85,275 | 82,671 |
| Net cash used in operating activities | (42,645) | (487,674) |
| Financing activities | | |
| Bank indebtedness | 8,505 | - |
| Proceeds from loans payable | 4,360 | - |
| Net cash provided by financing activities | 12,865 | - |
| Decrease in cash | (29,780) | (487,674) |
| Cash, beginning of the period | 30,689 | 606,374 |
| Cash, end of the period | 909 | 118,700 |
| 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 nine months ended September 30, 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 September 30, 2023, the Company had a working capital deficiency of \$1,667,416 (December 31, 2022 – \$1,543,515) and had a deficit of \$14,788,728 (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.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS issued by the IASB.

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 nine months ended September 30, 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 nine months ended September 30, 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 nine months ended September 30, 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 | - | (2,004) | - | (2,004) |
| Balance at September 30, 2023 | 1 | 2,126 | - | 2,127 |

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

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 September 30, 2023, the loan was valued at \$14,304 (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 September 30, 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 nine months ended September 30, 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 nine months ended September 30, 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 (Previw)

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 nine months ended September 30, 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 nine months ended September 30, 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 nine months ended September 30, 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 September 30, 2023 and December 31, 2022:

| As at | September 30, 2023 | December 31, 2022 |
|--|-------------------------------|----------------------|
| | \$ | \$ |
| Canada Emergency Business Account Loan | 40,000 | 40,000 |
| Due to related parties | 4,472 | 112 |
| Total | 44,472 | 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. The repayment deadline for the loan to qualify for forgiveness of \$10,000 was extended from December 31, 2023 to January 18, 2024. It is uncertain whether the Company will be able to repay the \$30,000 by January 18, 2024, therefore no loan forgiveness is recognized at this point. Any remaining balance after January 19, 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 nine months ended September 30, 2023.

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

For the nine months ended September 30, 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 September 30, 2023 and December 31, 2022, the following options remain outstanding:

| | Nine months ended September 30, 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 | (3,800,000) | 0.13 | (2,854,557) | 0.12 |
| Ending | 2,375,000 | \$0.21 | 6,175,000 | \$0.16 |
| Weighted average remaining life of stock options outstanding | 0.81 years | | 0.85 years | |
| | Number of options | Exercise price | Expiry date | |
| | 725,000 | \$0.24 | March 19, 2024 | |
| | 1,650,000 | \$0.195 | September 15, 2024 | |
| | 2,375,000 | \$0.21 | | |

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

For the nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(d) Warrants:

| | Nine months ended September 30, 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 | 0.46 years | | 1.21 years | |

As at September 30, 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 nine months ended September 30, 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 September 30, 2023, the Company had cash of \$909 (December 31, 2022 - \$30,689) to settle the total current liabilities of \$1,687,964 (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 September 30, 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.

| | September 30, 2023 | | December 31, 2022 | |
|------------------|---------------------------|-----------------|-------------------|----------|
| Cash | USD\$ | 1,006 | 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 \$1,400 (2022 - \$3,000) 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 nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

The key management personnel compensation for the nine months ended September 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|--|--------|---------|
| | \$ | \$ |
| Professional fees paid / accrued to CFO | 30,000 | 36,125 |
| Management fees paid / accrued to CEO | 45,000 | 45,750 |
| Consulting fees paid / accrued to CEO | - | 20,000 |
| Research and development paid / accrued to CEO | - | 20,000 |
| Total | 75,000 | 121,875 |

- (a) Included in accounts payable and accrued liabilities as at September 30, 2023 is \$197,625 (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 September 30, 2023 is \$4,472 (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. The government grant was credited against research and development during the nine months ended September 30, 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. 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 in grants. As at September 30, 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 nine months ended September 30, 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:

| | September 30, 2023 | September 30, 2022 |
|---------------|-------------------------------|-----------------------|
| United States | \$ 10,484 | \$ 32,127 |
| Canada | 795 | 3,675 |
| | 11,279 | 35,802 |

During the nine months ended September 30, 2023, 100% (2022 - 66%) of the Company's revenue was generated from four (2022 - three) customers.

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.