BLOCPLAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

JONES & O'CONNELL LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

43 CHURCH ST., SUITE 500, P.O. BOX 1237
ST. CATHARINES, ON L2R 7A7
PHONE: (905) 688-4842 • FAX: (905) 688-1746

Independent Auditor's Report

To the Shareholders of Blocplay Entertainment Inc.

Opinion

We have audited the consolidated financial statements of **Blocplay Entertainment Inc.** ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Blocplay Entertainment Inc.** as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has accumulated losses of $9,857,658 (2017 - $7,383,955) and expects to incur future losses in the development of its business. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of **Blocplay Entertainment Inc.** for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on April 19, 2018.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued)

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As a part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identity and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Wayne O'Connell.

Jones & O'Connell LLP

Jones & O'Connell LLP
Chartered Professional Accountants
Licensed Public Accountants

St. Catharines, Ontario
June 28, 2019

BLOCPLAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(Expressed in Canadian dollars)

	December 31, 2018	December 31, 2017
	$	$
ASSETS		
Current		
Cash	**17,673**	2,567,244
GST receivable	**55,870**	24,121
Prepaid expenses	**-**	4,579
Total current assets	**73,543**	2,595,944
Non-current		
Intangibles (Note 8)	**-**	816,949
	73,543	3,412,893
LIABILITIES AND EQUITY		
Current		
Trade payables (Note 14)	**311,646**	1,279,142
Accrued liabilities	**75,000**	307,637
Loan payable (Note 9)	**300,000**	300,000
Convertible debentures (Note 10)	**-**	99,426
Total current liabilities	**686,646**	1,986,205
Equity		
Share capital (Note 11)	**7,268,379**	6,456,403
Equity reserve (Notes 10, 11)	**-**	7,009
Warrant reserve (Note 11)	**1,797,500**	1,916,634
Share based payment reserve (Notes 11, 12)	**178,886**	430,597
Deficit	**(9,857,868)**	(7,383,955)
	(613,103)	1,426,688
	73,543	3,412,893

Nature of operations (Note 1)
Going concern (Note 2)

On behalf of the Board of Directors on June 28, 2019:

("signed")	("signed")
Jon Gill	Chris Irwin
Director	Director

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

BLOCPLAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)
Consolidated Statements of Comprehensive Loss
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
	$	**$**
Operating expenses		
Consulting and management fees (Note 14)	**1,551,060**	225,302
General and administrative	**359,821**	54,910
Professional fees	**236,445**	154,748
Royalty expense (Note 7)	**-**	11,092
Sales and marketing	**164,824**	30,438
Share based payment expense (Note 12)	**307,506**	41,614
Technology acquisition expense (Note 13)	**-**	3,078,589
	2,619,656	3,596,693
Other items		
Unverifiable expenses (Note 16)	**294,312**	-
Write-down of intangibles (Note 8)	**815,546**	-
Reversal of trade payables and accrued liabilities	**(462,211)**	-
Gain on debt settlements	**(153,889)**	-
Interest on convertible debentures (Note 10)	**-**	54,075
Write-off of advance royalties (Note 7)	**-**	819,329
Loss on foreign exchange	**5,284**	2,700
	499,042	876,104
Net loss and comprehensive loss	**(3,118,698)**	(4,472,797)
Loss per share - basic and diluted	(0.017)	(0.061)
Weighted average number of common shares outstanding - basic and diluted	179,931,346	73,655,448

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

BLOCPLAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	Shares Issued						
	Number of Shares	Amount	Equity Reserve	Warrant Reserve	Share-based Payment Reserve	Deficit	Total
		$	$	$	$	$	$
Balance, December 31, 2016	**67,284,208**	**2,772,517**	**14,494**	**117,680**	**403,890**	**(2,911,158)**	**397,423**
Acquisition of TokenPlay (Note 13)	60,399,982	3,019,999	-	341,634	-	-	3,361,633
Shares issued for cash, net (Note 11)	40,333,333	386,323	-	1,476,931	-	-	1,863,254
Convertible debentures (Notes 10)	-	-	4,110	1,467	-	-	5,577
Shares issued for conversion of debentures (Note 10)	3,588,012	190,996	(11,595)	-	-	-	179,401
Exercise of warrants (Note 11)	480,832	61,161	-	(21,078)	-	-	40,083
Exercise of options/founders options paid (Note 11)	250,000	25,407	-	-	(14,907)	-	10,500
Share based payments (Note 12)	-	-	-	-	41,614	-	41,614
Net loss for the year	-	-	-	-	-	(4,472,797)	(4,472,797)
Balance, December 31, 2017	**172,336,367**	**6,456,403**	**7,009**	**1,916,634**	**430,597**	**(7,383,955)**	**1,426,688**
Share issue costs	-	(2,500)	-	-	-	-	(2,500)
Exercise of options (Note 12)	250,000	44,152	-	-	(17,497)	-	26,655
Exercise of warrants (Note 11)	1,184,213	124,490	-	(16,069)	-	-	108,421
Shares issued for conversion of debentures (Note 10)	2,016,591	106,435	(7,009)	-	-	-	99,426
Shares issued on debt settlements (Note 11)	7,191,981	539,399	-	-	-	-	539,399
Share-based payments (Note 12)	-	-	-	-	307,506	-	307,506
Expiry of warrants (Note 11)	-	-	-	(103,065)	-	103,065	-
Expiry of options (Note 12)	-	-	-	-	(541,720)	541,720	-
Net loss for the year	-	-	-	-	-	(3,118,698)	(3,118,698)
Balance, December 31, 2018	**182,979,152**	**7,268,379**	**-**	**1,797,500**	**178,886**	**(9,857,868)**	**(613,103)**

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

BLOCPLAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
	$	$
Operating activities		
Loss for the year	**(3,118,698)**	(4,472,797)
Adjustments to reconcile net loss to cash used in operating activities:		
Write-down of intangibles	**815,546**	-
Reversal of trade payables and accrued liabilities	**(462,211)**	-
Share-based payments	**307,506**	3,120,203
Gain on settlement of debts	**(153,889)**	-
Accrued interest on convertible debentures	**-**	54,075
Royalty expense	**-**	7,628
Development expense	**-**	1,853
Write-off of advance royalty	**-**	819,329
Changes in non-cash working capital:		
GST receivable	**(31,749)**	338
Prepaid expenses	**4,579**	27,296
Trade payables and accrued liabilities	**(44,634)**	533,510
Cash provided from (used in) operating activities	**(2,683,550)**	91,435
Investing activities		
Testing revenue	**1,403**	-
Purchase of intangible assets	**-**	(339,457)
Acquisition of TokenPlay	**-**	523,937
Cash provided from (used in) investing activities	**1,403**	184,480
Financing activities		
Share issue costs	**(2,500)**	-
Issuance of capital stock, net	**-**	1,863,254
Issuance of convertible debentures, net	**-**	50,000
CMF funding loan payable	**-**	60,000
Exercise of warrants	**108,421**	40,083
Exercise of options	**26,655**	10,500
Cash provided from financing activities	**132,576**	2,023,837
Increase (decrease) in cash	**(2,549,571)**	2,299,752
Cash, beginning of year	**2,567,244**	267,492
Cash, end of year	**17,673**	2,567,244

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

1. NATURE OF OPERATIONS

BlocPlay Entertainment Inc. (formerly Stompy Bot Corporation, the "Company") was incorporated under the *British Columbia Business Corporations Act* ("BCBCA") on October 30, 2014. The Company is a developer of platforms and video game publisher that publishes video games that the Company either develop internally or engage a video game developer to develop for them. The Company's registered office is located at 217 Queen Street West, Suite 401, Toronto, Ontario M5V 0R2, Canada. The Company's shares trade on the Canadian Securities Exchange under the symbol "PLAY".

2. GOING CONCERN

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain equity investment and borrowings sufficient to meet current and future obligations. The Company has a net loss for the year ended December 31, 2018 of $3,118,698 (2017 - $4,472,797). The Company's cumulative deficit was $9,857,868 as of December 31, 2018 (2017 - $7,383,955). As the Company continues to develop its core offerings, it will require additional financing to meet its working capital requirements. During the year ended December 31, 2018, the Company raised gross proceeds of $132,576 (2017 - $2,020,000) through the issuance of 1,434,213 common shares (2017 - 40,333,333 common shares); however there is no guarantee of the Company's ability to obtain future financing. These conditions cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with debt offerings and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

These consolidated financial statements were approved and authorized by the Board of Directors of the Company on June 28, 2019.

3.2 Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, TokenPlay Inc ("TokenPlay"), which was acquired on December 22, 2017 (Note 13). All inter-company transactions and balances have been eliminated upon consolidation.

3. BASIS OF PREPARATION (continued)

3.3 Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3.4 Use of management estimates, judgments and measurement uncertainty

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:

Going concern
Determining whether there exists material uncertainty that casts significant doubt about the Company's ability to continue as a going concern requires management to exercise its judgment, in particular about its ability to obtain funds to continue operations (Note 2).

Calculation of share-based payments
The Black-Scholes Option Pricing Model is used to determine the fair value for the stock options and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

Capitalization of intangible assets
Management evaluates the progress of video game development activities in order to determine if the criteria of capitalizing those costs under IAS 38 – Intangible Assets have been met. Costs are only capitalized when the technical feasibility of the project is established, the Company has identified a market for the video games and platforms which will generate revenue, the Company has established an adequate plan that identifies the technical resources to complete the project and expenses related to the development project can be reliably measured.

3.5 New and revised standards

New standards and interpretations to be adopted in future periods

At the date of authorization of these Financial Statements, the IASB and IFRS Interpretations Committee (IFRIC) have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.

(Expressed in Canadian dollars)

3. BASIS OF PREPARATION (continued)

3.5 New and revised standards (continued)

IFRS 16, Leases (“IFRS 16”) was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Management has determined that IFRS 16 is not expected to have any impact on the Company.

3.6 Changes in accounting policy

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively. There were no changes to balances reported for the previous year ended December 31, 2017.

IFRS 9, Financial Instruments

IFRS 9 replaces International Accounting Standard (“IAS”) 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss (“FVPL”) or through other comprehensive income (“FVOCI”); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company’s financial instruments:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenue recognition

The Company derives its revenues from two sources: (a) development fees, which is contract specific for development of technology; and (b) online game sales and platform sales. Development fee revenue is recognized when there is persuasive evidence of an agreement, the fee is measurable, the company has performed its service in accordance with the agreement and collectability is reasonably assured.

Online game sales are sold to end customers through the Company's website and platform. These sales are recognized when the product is delivered to the customer. Testing sales are deferred against their related capitalized development costs and recognized once the game reaches commercialization.

4.2 Earnings per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

4.3 Share-based payments

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity - settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the

Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payments reserve.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share - based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.4 Taxation

Income tax (expense) recovery represents the sum of tax currently payable or recoverable and deferred tax.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred tax
Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.5 Financial assets and liabilities

Accounting policy under IFRS 9 applicable from January 1, 2018.

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial assets and liabilities (continued)

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of loss.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss. The Company does not measure any financial assets at FVOCI.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of loss and when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade and other payables, which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial assets and liabilities (continued)

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

4.6 Foreign currency transactions

Functional and presentation currency
The functional currency of the Company and its subsidiary is the Canadian dollar. The financial statements are presented in Canadian dollars which is the group's presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

4.7 Intangible assets

Intangible assets acquired from third parties are measured initially at their fair value and either classified as indefinite life or finite life depending on their characteristics. Internally generated intangible assets, such as development costs, are capitalized only when the product is technically and commercially feasible, the costs of generating the asset can be reliably measured, and there is an adequate plan to complete the project. Revenues associated with testing products under development is recorded as a reduction of development costs. Intangible assets with indefinite lives are tested for impairment as least annually and intangible assets with finite lives are reviewed for indicators of impairment at least annually.

5. CAPITAL MANAGEMENT

The Company manages its common shares and accumulated deficit as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk, as there are no external restrictions on it.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets in order at adjust the amount of cash on its balance sheet.

5. CAPITAL MANAGEMENT (continued)

In order to facilitate the management of its capital requirements, the Company may prepare expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company is not subject to any restrictions in the management of its capital. There were no changes in the Company's approach to capital management during the year.

6. FAIR VALUE AND FINANCIAL RISK FACTORS

Fair value of financial instruments

The Company has designated its cash as FVTPL which are measured at fair value. Fair value of cash is determined based on transaction value and is categorized as a Level one measurement.

- Level One includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two includes inputs that are observable other than quoted prices included in Level One.
- Level Three includes inputs that are not based on observable market data.

Cash is measured using Level One inputs.

As at December 31, 2018 and 2017, both the carrying and fair value amounts of the Company's cash, trade and other payables, and convertible debentures are approximately equivalent due to their short term nature.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash consists of cash on hand deposited with reputable financial institutions which is closely monitored by management. Management believes credit risk with respect to financial instruments included in cash is minimal. The Company's maximum exposure to credit risk as at December 31, 2018 and 2017 is the carrying value of cash.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting it operations and anticipating its operating and investing activities. All amounts in trade and other payables are due within one year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

6. FAIR VALUE AND FINANCIAL RISK FACTORS (continued)

Interest rate risk

Interest rate risk consists of a) the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities. The Company is not exposed to interest rate price risk.

Foreign currency risk

The Company is exposed to foreign currency risk due to the timing of their accounts payable balances. This risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. The Company is not exposed to significant foreign currency risk based on its current operations.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

7. ADVANCED ROYALTIES

The Company made advanced royalty payments under two agreements. Under a development agreement Studio Mektek Inc. ("Mektek") will develop and create products for the Company. The Company agreed to advance certain funds to Mektek to assist with funding these development activities which will be considered an advance royalty to be drawn down from sales of the products developed. The royalty rate is 5% and is effective for a period of 15 years from the release of Version 1 of the first product developed. During the year ended December 31, 2017, the Company terminated the agreement with Mektek and recognized a write-off of the advanced royalty of $819,329. There were no advanced royalty net of any royalties applied during the year ended December 31, 2018 and 2017 (Note 14).

The Company also entered into an agreement with Dream Pod 9 Inc., to license certain IP for a period of 5 years, ending July 18, 2017. The license is subject to a 15% royalty rate on sales, with an initial advance of $20,000 made under the agreement. The balance at December 31, 2018 and 2017 was $nil. During the year ended December 31, 2017, the license was renewed for an additional 5 years.

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS

	Heavy Gear Development	Sabotage License	Bit Raider License	TokenPlay. com	Total
	$	$	$	$	$
Cost					
As at December 31, 2016	**284,910**	**166,582**	**1,853**	**-**	**453,345**
Additions (Note 13)	247,361	107,596	-	26,000	380,957
Testing revenue	(15,500)	-	-	-	(15,500)
Development expense	-	-	(1,853)	-	(1,853)
As at December 31, 2017	**516,771**	**274,178**	**-**	**26,000**	**816,949**
Testing revenue	(1,403)	-	-	-	(1,403)
Write-down	(515,368)	(274,178)	-	(26,000)	(815,546)
As at December 31, 2018	**-**	**-**	**-**	**-**	**-**

Development costs are capitalized based on the criteria in IAS 38 – Intangible Assets and any corresponding testing revenue is offset against these costs. Once commercialization of the game is reached, these costs and corresponding revenue will be systematically recognized in the statement of comprehensive loss over the expected life of the game, estimated at four years.

As at December 31, 2018, the Company wrote down its intangibles to $nil. The Company has decided to perform this write down given the current financial position of the Company as well as the legal issues surrounding its intellectual property. Such legal issues pertain to a claim served by the Company against two parties who have misappropriated the Company's intellectual property that was created during their tenure with the Company. The outcome of this claim is currently not determinable.

9. LOAN PAYABLE

During the year ended December 31, 2016, the Company signed a partnership agreement with the Canada Media Fund ("CMF") and has secured development funding for up to $300,000 for Sabotage development. This funding is subject to certain conditions and may be repayable if certain conditions are not met. The funding may, at the option of the Company, be converted into a recoupable investment where CMF could be entitled to a percentage of the project's revenues or profits. The terms of this investment would be negotiated by the Company and CMF under a separate agreement. The balance payable to CMF at December 31, 2018 was $300,000 (2017 - $300,000) and is non-interest bearing.

(Expressed in Canadian dollars)

10. CONVERTIBLE DEBENTURES

During the year ended December 31, 2016, the Company issued 200 debentures and 1,600,000 warrants raising gross proceeds of $200,000. Each debenture was issued at a price of $1,000, and consisted of 8,000 common share purchase warrants. Each warrant entitled the holder to acquire one common share in the capital of the Company at a price of $0.05 per common share for two years from the date of issuance. The debentures have an interest rate of 12% per year, calculated semi-annually from their date of issuance and will mature on the date that is one year from the date of issuance. A total of $19,671 ($14,494 equity and $5,177 attributable to warrants) has been recognized in equity assuming a 1 year maturity and a discount rate of 20%. At the option of the holder, principal and accrued interest under the debenture is convertible into common shares of the Company (the "Conversion Shares") at a conversion price of $0.05 per Conversion Share.

During the year ended December 31, 2017, the Company issued 50 debentures and 400,000 warrants raising gross proceeds of $50,000. Each debenture was issued at a price of $1,000, and consisted of 8,000 common share purchase warrants. Each warrant entitles the holder to acquire one common share in the capital of the Company at a price of $0.05 per common share for two years from their date of issuance. The debentures have an interest rate of 12% per year, calculated semi-annually from their date of issuance and will mature on the date that is one year from the date of issuance. A total of $5,577 ($4,110 equity and $1,467 attributable to warrants) has been recognized in equity assuming a 1 year maturity and a discount rate of 20%. At the option of the holder, principal and accrued interest under the debenture is convertible into common shares of the Company at a conversion price of $0.05 per Conversion share.

Proceeds raised from the offerings were used to fund development of the Company's video games, and for general working capital purposes.

The debentures, the warrants, the Conversion Shares issuable upon any principal conversion, and the warrant Shares issuable upon exercise of the warrants are subject to a statutory four months and one day hold period.

During the year ended December 31, 2017, $179,401 (principal plus interest) of the convertible debentures were converted into 3,588,012 common shares (Note 11).

During to year ended December 31, 2018, the outstanding balance of convertible debentures of $99,426 (principal plus interest) was converted into 2,016,591 common shares.

	2018	2017
	$	$
Balance, beginning	**99,426**	180,329
Proceeds from issuance of convertible debentures	-	50,000
Amount allocated to equity on issuance of convertible debentures debenture	-	(5,577)
Interest expense	-	54,075
Amount converted to common shares	(99,426)	(179,401)
Balance, ending	-	99,426

(Expressed in Canadian dollars)

11. SHARE CAPITAL

Authorized: An unlimited number of common shares.

a) Issued and outstanding:

	Number of Shares	Amount ($)
Balance December 31, 2017		
Common shares issued	172,336,367	6,456,403
Balance December 31, 2018		
Common shares issued	182,979,152	7,268,379

During the year ended December 31, 2017, the Company issued a total of 333,333 units at a price of $0.06 per unit for gross proceeds of $20,000, including a half share purchase warrant to acquire one common share of $0.10 within eighteen months. The fair value attributed to the warrants was $7,241 using the relative fair value method.

On November 29, 2017, the Company closed its non-brokered private placement for gross proceeds of $2,000,000 through the issuance of 40,000,000 units of the Company at a price of $0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $0.10 for a period of twenty-four months following the date of issuance. The fair value attributed to the warrants was $931,454 using the relative fair value method. In connection with the closing of the private placement, the Company paid a cash commission equal to 7% of the gross proceeds in the amount of $140,000 and also issued an aggregate of 2,800,000 finder warrants with a fair value of $538,236, each finder warrant entitling the holder to acquire one common share at a price of $0.05 for a period of twenty-four months from the date of issuance. The Company incurred additional cash share issuance costs of $16,746 related to this private placement.

During the year ended December 31, 2017, the Company issued a total of 60,399,982 common shares and 18,861,836 share purchase warrants for the acquisition of TokenPlay. The warrants are exercisable at $0.10 per share for two years (Note 13).

During the year ended December 31, 2017, the Company issued a total of 480,832 common shares from exercise of warrants for gross proceeds of $40,083, and 250,000 common shares from exercise of options for gross proceeds of $10,500.

During the year ended December 31, 2017, the Company issued 3,588,012 common shares on conversion of convertible debentures with a fair value of $179,401. An amount of $11,595 was transferred from equity portion of convertible debentures to share capital.

During the year ended December 31, 2018, the Company issued 1,184,213 common shares for warrants exercised at exercise prices ranging between $0.05 and $0.12 for gross proceeds of $108,421. The Company issued 250,000 common shares for options exercised at $0.11 for proceeds of $26,655. In addition, the Company issued 7,191,981 common shares to settle $539,399 of debt.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

b) Warrants:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, December 31, 2016	**8,132,376**	**0.10**
Warrants issued	62,228,502	0.10
Warrants cancelled	(5,047,374)	0.12
Warrants exercised	(480,832)	0.08
Balance, December 31, 2017	**64,832,669**	**0.10**
Warrants exercised	(240,000)	0.05
Warrants exercised	(100,000)	0.12
Warrants exercised	(844,213)	0.10
Warrants expired	(125,000)	0.12
Warrants expired	(1,200,000)	0.05
Warrants expired	(1,105,836)	0.10
Balance, December 31, 2018	**61,217,620**	**0.10**

Warrants to acquire common shares outstanding were as follows:

Issuance Date	Number of Warrants	Weighted Average Exercise Price	Expiry Dates
		$	
March 31, 2017	400,000	0.05	March 31, 2019
November 28, 2017	39,472,364	0.10	November 28, 2019
November 28, 2017	2,800,000	0.05	November 28, 2019
December 22, 2017	18,545,256	0.10	December 22, 2019
	61,217,623	**0.10**	

The fair value of the warrants issued was estimated using the Black Sholes Option Pricing Model with the following assumptions:

	December 31, 2017
Expected life	18 - 24 months
Expected volatility	100% to 257%
Risk-free interest rate	0.75% to 1.64%
Dividend	Nil
Underlying share price	$0.02 - $0.21
Strike price	$0.05 - $0.10

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

c) Reserves

The warrant reserve records items recognized as share based payments for warrants until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

The share based payment reserve records items recognized as share based payment expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

The equity reserve records items recognized as the equity portion of convertible debentures until such time that the convertible debentures are exercised, at which time the corresponding amount will be transferred to share capital.

12. STOCK OPTIONS

The Company has a stock option plan (the "Plan") under which the Company may grant options to directors, officers, employees and consultants. The number of shares to be reserved and set aside for issue under this plan is determined from time to time by the Board. The continuity of outstanding stock options outstanding is as follows:

	Number of Options	Weighted Average Exercise Price
		$
Balance December 31, 2016	**6,306,272**	**0.07**
Options granted	1,000,000	0.20
Options exercised	(250,000)	0.05
Balance December 31, 2017	**7,056,272**	**0.09**
Options granted	1,900,000	0.10
Options exercised	(250,000)	0.05
Options expired	(5,706,272)	0.09
Balance December 31, 2018	**3,000,000**	**0.05**

The following table provides additional information about outstanding stock options at December 31, 2018:

Issuance Date	Number of Outstanding Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price – Exercisable Options
September 2, 2016	3,000,000	7.68	$0.050	3,000,000	$0.050
	3,000,000	**7.68**	**$0.050**	**3,000,000**	**$0.050**

(Expressed in Canadian dollars)

12. STOCK OPTIONS (continued)

On September 2, 2016, the Company granted 3,680,000 stock options to officers, directors and consultants, exercisable at $0.05 for a period of 10 years.

On November 17, 2017, the Company granted 1,000,000 stock options to an investor relations consultant, exercisable at $0.20 for a period of 2 years. The options vest 25% on the date of grant and 25% every three months following grant date.

On February 2018, the Company granted 1,500,000 stock options to certain directors, officers and consultants of the Company, which are exercisable at $0.10 per share for a period of five years. These options vest immediately on the date of grant.

On April 10, 2018, the Company granted 400,000 options to purchase common shares of the Company exercisable at a price of $0.10 per share and expiring on April 10, 2023, to a director and officer of the Company.

For the year ended December 31, 2018, the Company recognized share based payment expense of $307,506 (2017 - $41,614).

The fair value of the options granted during the years ended December 31, 2018 and 2017 was estimated using the Black Sholes Option Pricing Model with the following assumptions:

	December 31, 2018	December 31, 2017
Expected life	5 years	2 years
Expected volatility	160.53% - 242.17%	100%
Risk-free interest rate	1.99% - 2.00 %	1.44 %
Dividend yield	Nil	Nil
Underlying share price	$0.05 - $0.12	$0.18
Exercise price	$0.10	$0.20
Vesting	immediately after grant	¼ each quarter

13. ACQUISITION

On December 22, 2017, the Company closed the acquisition of all the issued and outstanding securities of TokenPlay, a private Ontario corporation, for the issuance of: (i) 58,999,982 common shares of the Company with a fair value of $2,949,999; and (ii) 18,861,836 common share purchase warrants with a fair value of $341,634 (Note 11). Each warrant entitles the holder to acquire one common share in the capital of the Company at a price of $0.10 per share for two years from the date of issue. TokenPlay is now a wholly-owned subsidiary of the Company.

TokenPlay is a technology company involved in the development of blockchain technology in the video game space which will seek to provide a platform for the exchange of in-game currencies and tokens. TokenPlay does not currently have any revenues.

In connection with the acquisition, the Company paid a finder's fee to First Canadian Capital Corp., in the form of the issuance of 1,400,000 common shares of the Company with a fair value of $70,000 (Note 11).

(Expressed in Canadian dollars)

13. ACQUISITION (continued)

In accordance with IFRS 3 Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination, as the primary asset is an intangible asset for Tokenplay.com, which was not fully developed and was not operational at the time of acquisition. Consequently, the transaction has been recorded as an acquisition of an asset. The results of operations from TokenPlay are included in the consolidated financial statements since the date of acquisition.

The acquisition of TokenPlay included certain intellectual property including the TokenPlay.com domain name, the TokenPlay trademark, and the TokenPlay White Paper, which is a technical architecture and summary of the TokenPlay business model. The domain name and trademark have been recognized as intangible assets totaling $26,000. The White Paper did not meet the criteria for capitalization under IAS 38 – Intangible Assets, therefore the excess fair value of consideration over identifiable net assets acquired of $3,078,589 was included in technology acquisition expense for the year ended December 31, 2017.

The following table summarizes the consideration paid and the allocation to the assets and liabilities acquired as the date of acquisition:

	$
Fair value of common shares issued (58,999,982 shares)	2,949,999
Fair value of finder's shares issued (1,400,000 shares)	70,000
Fair value of warrants issued (18,861,836 warrants)	341,634
Total purchase consideration	3,361,633
Cash	523,937
GST receivable	2,201
Intellectual property (Note 8)	26,000
Accounts payable	(269,094)
Net assets acquired	283,044
Excess of consideration over net assets acquired	3,078,589

The fair value of the warrants was determined using the Black-Scholes Option Pricing model using the following assumptions:

Average risk-free interest rate	1.64%
Expected share price volatility	100%
Expected life	2 years
Expected dividend yield	0%

(Expressed in Canadian dollars)

14. RELATED PARTIES AND KEY MANAGEMENT

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to former and current key management includes the following:

	2018	2017
	$	$
Short-term employee benefits	931,312	243,717
Total compensation to key management	931,312	243,717

Included in trade and other payables as at December 31, 2018 are amounts of $172,740 (2017 - $252,375) due to directors and former directors of the Company and companies with common directors. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The company issued 7,191,981 common shares to settle $693,288 of debt to current directors, resulting in a gain on settlement of $153,889.

15. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2018	2017
	$	$
Net loss	**(3,118,698)**	(4,472,797)
Statutory tax rate	**26%**	26%
Expected income tax recovery	**(826,455)**	(1,162,927)
Non-deductible items and other	**81,489**	749,384
Effect of changes in tax rates	**-**	58,975
Temporary differences not recognized	**744,966**	354,568
Income tax recovery	**-**	-

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can utilize these benefits:

	2018	2017
	$	$
Non-capital losses	**5,529,900**	3,617,319
Share issuance costs	**249,194**	332,259
	5,779,094	3,949,578

The Canadian non-capital losses carried forward will expire between 2034 and 2038. Share issue and financing costs will be fully amortized in 2021.

16. UNVERIFIABLE EXPENSES

On September 28, 2018, a new board of directors was elected, who then appointed a new management team. The new board and management team subsequently undertook a review of assets and financial position of the Company. During the review, management identified $294,312 of payments made to former officers and consultants, for which documentation could not be located to support the business purpose or such payments. Management is currently assessing its position with respect to such payments and whether legal recourse options are available to recoup any of such payments.

17. ITEMS UNDER DISPUTE AND LEGAL CLAIM

Items under dispute

The Company has received $479,457 of vendor invoices with respect to consulting and management fees, which are currently under dispute. It is management's position that either such services were never received or the amounts charged for such services in relation to the level of services received is not reasonable. As such, these vendor invoices have not been recognized as expenses for the year ended December 31, 2018 as management does not intent to pay such amounts. There is a potential that such vendors may seek legal action against the Company for failure to pay these disputed invoices. It is management's belief that they would be able to legally defend any such claims against the Company. However, the outcomes as to whether there would be any legal requirement for the Company to pay such amounts is currently not determinable.

Legal claim

The Company has received a statement of claim from a former officer with respect to wrongful dismissal, claiming they are owed for payment of outstanding fees in the amount of $77,392, as well as damages of $650,000 plus interest and costs. Management believes it is possible they will be held liable for the payment of outstanding fees and have accrued a reserve for $75,000 for the potential payout of such amount. Management, however, believes that they will be able to successfully defend the claim with respect to damages and costs and as such have not setup any reserves with respect to such amounts. The outcome of this claim is currently not determinable.