



BLOCPAY
ENTERTAINMENT

BLOCPAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2019 and 2018

(Expressed in Canadian dollars)

Notice of No Auditor Review of Interim Financial Statements

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

The accompanying unaudited 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 financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

June 28, 2019

"Chris Irwin"
Chief Executive Officer

"Arvin Ramos"
Chief Financial Officer

BLOCPPLAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	March 31, 2019	December 31, 2018
	\$	\$
	(unaudited)	(audited)
ASSETS		
Current		
Cash	15,508	17,673
GST receivable	57,531	55,870
	73,039	73,543
LIABILITIES AND EQUITY		
Current		
Trade payables (Note 12)	325,837	311,646
Accrued liabilities	139,000	75,000
Loan payable (Note 7)	300,000	300,000
Convertible debentures (Note 8)	-	-
Total current liabilities	764,837	686,646
Equity		
Share capital (Note 9)	7,268,379	7,268,379
Warrant reserve (Note 9)	1,796,032	1,797,500
Share based payment reserve (Notes 9, 10)	178,886	178,886
Deficit	(9,935,095)	(9,857,868)
	(691,798)	(613,103)
	73,039	73,543

Nature of operations (Note 1)

Going concern (Note 2)

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

("signed")
Jon Gill
 Director

("signed")
Chris Irwin
 Director

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

BLOCPPLAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)
Condensed Interim Consolidated Statements of Comprehensive Loss
For the Three Months Ended March 31, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

	2018	2017
	\$	\$
Operating expenses		
Consulting and management fees (Note 12)	60,000	415,630
General and administrative	4,276	75,569
Professional fees (recovery)	14,153	(1,558)
Sales and marketing	-	26,778
Share based payment expense (Note 10)	-	204,460
	78,429	720,879
Other items		
Loss on foreign exchange	266	4,581
	266	4,581
Net loss and comprehensive loss	(78,695)	(7 25,460)
Loss per share - basic and diluted	(0.000)	(0.004)
Weighted average number of common shares outstanding - basic and diluted	182,979,152	175,013,703

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

BLOCPPLAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)
Condensed Interim Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

	Shares Issued		Subscriptions Receivable	Equity Reserve	Warrant Reserve	Share-based Payment Reserve	Deficit	Total
	Number of Shares	Amount						
		\$	\$	\$	\$	\$	\$	\$
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 10)	250,000	36,119	-	-	-	(9,465)	-	26,654
Exercise of warrants (Note 9)	1,184,213	142,755	(31,658)	-	(34,334)	-	-	76,763
Shares issued for conversion of debentures (Note 8)	2,016,591	106,435	-	(7,009)	-	-	-	99,426
Share-based payments (Note 10)	-	-	-	-	-	204,460	-	204,461
Net loss for the period	-	-	-	-	-	-	(725,460)	(725,460)
Balance, March 31, 2018	175,787,171	6,739,212	(31,658)	-	1,882,300	625,592	(8,109,415)	1,106,031
Balance, December 31, 2018	182,979,152	7,268,378	-	-	1,797,500	178,886	(9,857,868)	(613,103)
Expiry of warrants	-	-	-	-	(1,468)	-	1,468	-
Net loss for the period	-	-	-	-	-	-	(78,695)	(78,695)
Balance, March 31, 2019	182,979,152	7,268,379	-	-	1,796,032	178,886	(9,935,095)	(691,798)

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

BLOCPLAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)
Condensed Interim Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

	2018	2017
	\$	\$
Operating activities		
Loss for the period	(78,695)	(725,460)
Adjustments to reconcile net loss to cash used in operating activities:		
Share-based payments	-	204,460
Changes in non-cash working capital:		
GST receivable	(1,661)	(566)
Prepaid expenses	-	(32,392)
Trade payables and accrued liabilities	78,191	(496,616)
Cash provided from (used in) operating activities	(2,165)	(1,050,574)
Investing activities		
Purchase of intangible assets	-	(9,761)
Cash provided from (used in) investing activities	-	(9,761)
Financing activities		
Share issue costs	-	(2,500)
Exercise of warrants	-	76,763
Exercise of options	-	26,654
Cash provided from financing activities	-	100,917
Decrease in cash	(2,165)	(959,418)
Cash, beginning of period	17,673	2,567,244
Cash, end of period	15,508	1,607,826

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

BLOCPLAY ENTERTAINMENT INC.
(formerly STOMPY BOT CORPORATION)
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

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 three months ended March 31, 2019 of \$78,695 (December 31, 2018 - \$3,118,698). The Company’s cumulative deficit was \$9,936,563 as of March 31, 2019. As the Company continues to develop its core offerings, it will require additional financing to meet its working capital requirements. 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 condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial reporting on the basis of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). These condensed interim financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2018, which has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These condensed interim 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 condensed interim 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 11). All inter-company transactions and balances have been eliminated upon consolidation.

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3. BASIS OF PREPARATION (continued)

3.3 Basis of presentation

The condensed interim 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 condensed interim 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 condensed interim 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 condensed interim 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

Effective January 1, 2019, the Company adopted IFRS 16 – Leases. The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, “Leases”. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The Company assessed that the new standard does not have any impact on the Company's financial statements.

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4. 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 to adjust the amount of cash on its balance sheet.

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 period.

5. 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 March 31, 2019 and 2018, 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 March 31, 2019 and 2018 is the carrying value of cash.

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5. FAIR VALUE AND FINANCIAL RISK FACTORS (continued)

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 its 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.

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.

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6. 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 11)	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 March 31, 2019 and 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.

7. 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 March 31, 2019 was \$300,000 (December 31, 2018 - \$300,000) and is non-interest bearing.

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8. 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 9).

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

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9. 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, March 31, 2019 and 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 11).

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.

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9. SHARE CAPITAL (continued)

b) Warrants:

	Number of Warrants	Weighted Average Exercise Price
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 expired	(400,000)	0.05
Balance, March 31, 2019	60,817,620	0.10

Warrants to acquire common shares outstanding were as follows:

Issuance Date	Number of Warrants	Weighted Average Exercise Price	Expiry Dates
		\$	
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
	60,817,620	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

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9. 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.

10. 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, 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, March 31, 2019 and December 31, 2018	3,000,000	0.05

The following table provides additional information about outstanding stock options at March 31, 2019:

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	7.43	\$0.050	3,000,000	\$0.050
	3,000,000	7.43	\$0.050	3,000,000	\$0.050

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10. STOCK OPTIONS (continued)

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

11. 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 9). 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 9).

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(Unaudited)

11. 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 6)	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%

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12. 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:

<i>Three Months Ended March 31</i>	2019	2018
	\$	\$
Short-term employee benefits	60,000	158,370
Total compensation to key management	60,000	158,370

Included in trade and other payables as at March 31, 2018 are amounts of \$234,989 (December 31, 2018 - \$172,740) 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.

During the year ended December 31, 2018, the Company issued 7,191,981 common shares to settle \$539,399 of debt to current directors.

13. 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.

14. ITEMS UNDER DISPUTE AND LEGAL CLAIM

Items under dispute

During the year ended December 31, 2018, 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.

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14. ITEMS UNDER DISPUTE AND LEGAL CLAIM (continued)

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.