



BLOCPAY
ENTERTAINMENT

BLOCPAY ENTERTAINMENT INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2020 and 2019

(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.

August 25, 2020

"Chris Irwin"
Chief Executive Officer

"Arvin Ramos"
Chief Financial Officer

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

	June 30, 2020	December 31, 2019
	\$	\$
	(unaudited)	(audited)
ASSETS		
Current		
Cash	28,484	44,719
GST receivable	1,192	1,774
	29,666	46,493
LIABILITIES AND EQUITY		
Current		
Trade payables (note 9)	228,616	364,773
Accrued liabilities	424,500	307,000
Total current liabilities	653,116	671,773
Equity		
Share capital (note 7)	7,268,379	7,268,379
Share based payment reserve (note 8)	178,886	178,886
Deficit	(8,070,715)	(8,072,545)
	(623,450)	(625,280)
	29,666	46,493

Nature of operations (Note 1)

Going concern (Note 2)

On behalf of the Board of Directors on August 25, 2020:

("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.**Condensed Interim Consolidated Statements of Comprehensive Income (Loss)****For the Three and Six Months Ended June 30, 2020 and 2019***(Expressed in Canadian dollars)**(Unaudited)*

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Operating expenses				
Consulting and management fees (Note 12)	\$ 60,000	\$ 60,000	\$ 120,000	\$ 120,000
General and administrative	4,840	1,880	6,224	6,156
Professional fees	11,420	24,688	18,556	38,841
	(76,260)	(86,568)	(144,880)	(164,997)
Other item				
Loss on foreign exchange	-	-	(4)	(266)
Gain on reversal of trade payables and accrued liabilities	146,714	-	146,714	-
Net loss and comprehensive loss	\$ 70,454	\$ (86,568)	\$ 1,830	\$ (165,263)
Gain (loss) per share - basic and diluted	\$ 0.008	\$ (0.000)	\$ 0.000	\$ (0.001)
Weighted average number of common shares outstanding - basic and diluted	9,148,957	9,148,957	9,148,957	9,148,957

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

BLOCPPLAY ENTERTAINMENT INC.
Condensed Interim Consolidated Statements of Changes in Equity
For the Six Months Ended June 30, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

	Shares Issued		Equity Reserve	Warrant Reserve	Share-based Payment Reserve	Deficit	Total
	Number of Shares	Amount					
		\$	\$	\$	\$	\$	\$
Balance, December 31, 2018	9,148,957	7,68,379	-	1,797,500	178,886	(9,587,868)	(613,103)
Expiry of warrants (Note 9)	-	-	-	(1,468)	-	1,468	-
Net loss for the period	-	-	-	-	-	(165,263)	(165,263)
Balance, June 30, 2019	9,148,957	7,268,379	-	1,796,032	178,886	(10,021,663)	(778,366)
Expiry of warrants (Note 9)	-	-	-	(1,796,032)	-	1,796,032	-
Net income for the period	-	-	-	-	-	153,086	153,086
Balance, December 31, 2019	9,148,957	7,268,37	-	-	178,886	(8,072,545)	(625,280)
Net income for the period	-	-	-	-	-	1,830	1,830
Balance, June 30, 2020	9,148,957	7,268,379	-	-	178,886	(8,070,715)	(623,450)

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

BLOCPAY ENTERTAINMENT INC.
Condensed Interim Consolidated Statements of Changes in Equity
For the Six Months Ended June 30, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

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

BLOCPLAY ENTERTAINMENT INC.
Condensed Interim Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

	2020	2019
	\$	\$
Operating activities		
Income (loss) for the period	1,830	(165,263)
Adjustment to reconcile net loss to cash used in operating activities:		
Reversal of trade payables and accrued liabilities	146,714	-
Changes in non-cash working capital:		
GST receivable	582	(6,195)
Prepaid expenses	-	-
Trade payables and accrued liabilities	(165,371)	(166,952)
Cash used in operating activities	(16,245)	(4,506)
Decrease in cash	(16,245)	(4,506)
Cash, beginning of period	44,719	17,673
Cash, end of period	28,474	13,167

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

BLOCPLAY ENTERTAINMENT INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

1. NATURE OF OPERATIONS

BlocPlay Entertainment Inc. (“Blocplay” or the “Company”) was incorporated under the *British Columbia Business Corporations Act* (“BCBCA”) on October 30, 2014. 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”.

The COVID-19 pandemic has not resulted in any material impact on operations and the Company currently does not expect it will impact its 2020 operations. Preventative measures are in place to ensure the well-being of employees and contractors and no risks were noted at the end of the interim reporting period. Management continues to monitor the situation at the site and corporate office to identify any issues that may affect operational or financial reporting activities.

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 income for the six months ended June 30, 2020 of \$1,830 (December 31, 2019 - \$12,177). The Company’s cumulative deficit was \$8,070,715 as of June 30, 2020. As the Company continues to explore its business development options, 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, 2019, 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 August 25, 2020.

BLOCPLAY ENTERTAINMENT INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019
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3. BASIS OF PREPARATION (continued)

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”). All inter-company transactions and balances have been eliminated upon consolidation.

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, and 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.

BLOCPLAY ENTERTAINMENT INC.
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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 June 30, 2020 and 2019, both the carrying and fair value amounts of the Company's cash, GST receivable and trade payables and accrued liabilities 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 June 30, 2020 and 2019 is the carrying value of cash.

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Notes to the Condensed Interim Consolidated Financial Statements
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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.

6. 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 Company wrote-off this loan, during the fiscal year ended December 31, 2019, as the project relating to the loan has been terminated.

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7. SHARE CAPITAL

Authorized: An unlimited number of common shares.

a) Issued and outstanding:

	Number of Shares	Amount (\$)
Balance, December 31, 2019		
Common shares issued	9,148,957	7,268,379
Balance, June 30, 2020		
Common shares issued	9,148,957	7,268,379

Effective June 24, 2020, the Company consolidated its common shares on the basis of one (1) new common share for every twenty (20) old common shares issued and outstanding at that time. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

b) Warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2018	3,060,881	\$ 2.00
Warrants expired	(3,060,881)	2.00
Balance, June 30, 2020 and December 31, 2019	-	\$ 2.00

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.

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8. 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, June 30, 2020 and December 31, 2019	150,000	1.00

The following table provides additional information about outstanding stock options at June 30, 2020:

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	150,000	6.18	\$1.00	150,000	\$1.00
	150,000	6.18	\$1.00	150,000	\$1.00

9. 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>Six Months Ended June 30,</i>	2020	2019
	\$	\$
Short-term employee benefits	120,000	120,000
Total compensation to key management	120,000	120,000

Included in trade and other payables as at June 30, 2020 are amounts of \$520,503 (December 31, 2019 - \$390,637) 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.

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10. 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.

11. 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 intend 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. On July 24, 2020, this claim has been settled by the Company (see Note 12).

12. SUBSEQUENT EVENT

Subsequent to June 30, 2020, the Company entered into a settlement agreement with a former officer. BlocPlay has agreed to pay a monetary settlement to resolve all existing claims against the Company for breach of contract, loss of competitive advantage, and other tort-based claims. BlocPlay will also be discontinuing its counterclaim against the said officer as part of the settlement. BlocPlay believes this settlement is fair and satisfactory to both parties and in the best interest of its shareholders in light of potential outcomes if this litigation were to proceed.