



BLOCPAY
ENTERTAINMENT

BLOCPAY ENTERTAINMENT INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

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, 2020 and December 31, 2019, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years 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, 2020, 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 a net loss for the year ended December 31, 2020 of \$149,263 (2019 - \$12,177) and has accumulated losses of \$8,221,808 (2019 - \$8,072,545) 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.

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.

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.

Independent Auditor's Report

To the Shareholders of Blocplay Entertainment Inc. (Continued)

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:

- Identify 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
April 28, 2021

BLOCPPLAY ENTERTAINMENT INC.
Consolidated Statements of Financial Position
As at December 31, 2020 and 2019
(Expressed in Canadian dollars)

	December 31, 2020	December 31, 2019
	\$	\$
ASSETS		
Current		
Cash	148,449	44,719
HST receivable	18,977	1,774
Prepaid expenses and other assets (Note 7)	255,417	-
	422,843	46,493
Intangible assets (Note 8)	1,123,552	-
	1,546,395	46,493
LIABILITIES AND EQUITY		
Current		
Trade payables (Note 12)	200,478	364,773
Accrued liabilities	10,000	307,000
Total current liabilities	210,478	671,773
Equity		
Share capital (Note 10)	8,880,287	7,268,379
Warrant reserve (Note 10)	498,552	-
Share based payment reserve (Note 11)	178,886	178,886
Deficit	(8,221,808)	(8,072,545)
	1,335,917	(625,280)
	1,546,395	46,493

Nature of operations (Note 1)

Going concern (Note 2)

Subsequent event (Note 15)

On behalf of the Board of Directors on April 28, 2021:

(“signed”)
Jon Gill
 Director

(“signed”)
Chris Irwin
 Director

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

BLOCPPLAY ENTERTAINMENT INC.
Consolidated Statements of Comprehensive Loss
For the Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
	\$	\$
Operating expenses		
Consulting and management fees (Note 12)	224,583	240,000
General and administrative	25,783	23,222
Professional fees	30,567	60,547
	280,933	323,769
Other items		
Reversal of trade payables	(166,325)	-
Loss on debt settlements	34,654	-
Loss on foreign exchange	1	640
Other income	-	(12,232)
Write-off of loan payable (Note 9)	-	(300,000)
	(131,670)	(311,592)
Net loss and comprehensive loss	(149,263)	(12,177)
Loss per share - basic and diluted	(0.01)	(0.00)
Weighted average number of common shares outstanding - basic and diluted	10,430,338	9,148,921

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

BLOCPPLAY ENTERTAINMENT INC.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	Shares Issued		Warrant Reserve	Share-based Payment Reserve	Deficit	Total
	Number of Shares	Amount				
		\$	\$	\$	\$	\$
Balance, December 31, 2018	9,148,921	7,268,379	1,797,500	178,886	(9,857,868)	(613,103)
Expiry of warrants (Note 10)	-	-	(1,797,500)	-	1,797,500	-
Net loss for the year	-	-	-	-	(12,177)	(12,177)
Balance, December 31, 2019	9,148,921	7,268,379	-	178,886	(8,072,545)	(625,280)
Share issued on private placements (Note 10)	8,527,272	861,000	-	-	-	861,000
Units issued on acquisition of 1279078 BC Ltd. (Notes 8, 10)	5,000,000	625,000	498,552	-	-	1,123,552
Shares issued on debt settlements	1,155,140	150,168	-	-	-	150,168
Cost of share issuance	-	(24,260)	-	-	-	(24,260)
Net loss for the year	-	-	-	-	(149,263)	(149,263)
Balance, December 31, 2020	23,831,333	8,880,287	498,552	178,886	(8,221,808)	1,335,917

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

BLOCPPLAY ENTERTAINMENT INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
	\$	\$
Operating activities		
Loss for the year	(149,263)	(12,177)
Adjustments to reconcile net loss to cash used in operating activities:		
Reversal of trade payables and accrued liabilities	(166,325)	-
Loss on settlement of debts	34,654	
Reversal of loan payable	-	(300,000)
Changes in non-cash working capital:		
HST receivable	(17,203)	54,096
Prepaid expenses	(105,417)	-
Trade payables and accrued liabilities	(179,456)	285,127
Cash provided from (used in) operating activities	(583,010)	27,046
Investing activities		
Advances on demand promissory note	(150,000)	-
Cash provided from financing activities	(150,000)	-
Financing activities		
Share issuance, net of costs	836,740	-
Cash provided from financing activities	836,740	-
Increase in cash	103,730	27,046
Cash, beginning of year	44,719	17,673
Cash, end of year	148,449	44,719

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

BLOCPLAY ENTERTAINMENT INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

BlocPlay Entertainment Inc. 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, 2020 of \$149,263 (2019 - \$12,177). The Company’s cumulative deficit was \$8,221,808 as of December 31, 2020 (2019 - \$8,072,545). 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, 2020, the Company raised \$861,000 (2019 - \$nil) through the issuance of 8,527,272 (2019 – nil) common shares and 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 April 28, 2021.

3.2 Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Stompy Bot Productions Inc., TokenPlay Inc. (“TokenPlay”) and 1279078 BC Ltd. (“BCCo”), from the date of obtaining control, being the effective date of December 16, 2020 (see Note 8). All inter-company transactions and balances have been eliminated upon consolidation.

BLOCPPLAY ENTERTAINMENT INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

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.

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.

BLOCPLAY ENTERTAINMENT INC.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4.4 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.

BLOCPLAY ENTERTAINMENT INC.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Taxation (continued)

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

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.

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.

BLOCPLAY ENTERTAINMENT INC.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial assets and liabilities (continued)

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.

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.

BLOCPLAY ENTERTAINMENT INC.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Foreign currency transactions

Functional and presentation currency

The functional currency of the Company and its subsidiaries 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 at 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 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 year.

BLOCPPLAY ENTERTAINMENT INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

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, 2020 and 2019, both the carrying and fair value amounts of the Company's cash, demand promissory note, trade and other payables 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 and demand promissory note receivable (note 7). Cash consists of cash on hand deposited with reputable financial institutions which is closely monitored by management and cash held in trust with the lawyers. 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, 2020 and 2019 is the carrying value of cash and the demand promissory note receivable.

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.

BLOCPPLAY ENTERTAINMENT INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

6. FAIR VALUE AND FINANCIAL RISK FACTORS (continued)

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. PREPAID EXPENSES AND OTHER ASSETS

	December 31, 2020	December 31, 2019
Prepaid management fees	\$ 105,417	\$ -
Demand promissory note	150,000	-
Total prepaid expenses	\$ 255,417	\$ -

On December 1, 2020, the Company entered into an agreement with a company whose director is also a director of Blocplay whereby the Company was charged \$110,000 as a signing bonus. The term of the agreement is for two years. The Company recognized the amount as a prepaid and will amortize over the term of the agreement. During the year ended December 31, 2020, the Company amortized \$4,583 on the consolidated statement of loss. In addition, under this agreement, the company is committed to a monthly consulting fee of \$5,000 per month until December 1, 2022.

The Company has advanced \$150,000 to Countervail Games as a demand promissory note in connection with an exclusivity agreement between the Company and Countervail Games with respect to a potential investment, with terms to be defined and subject to due diligence. The demand promissory note bears 3% interest and due on demand.

8. INTANGIBLE ASSETS

	Modern Miner	Total
	\$	\$
Cost		
As at December 31, 2018 and 2019	-	-
Addition	1,123,552	1,123,552
As at December 31, 2020	1,123,552	1,123,552

BLOCPPLAY ENTERTAINMENT INC.
Notes to the Consolidated Financial Statements
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8. INTANGIBLE ASSETS (continued)

Development costs are capitalized based on the criteria in IAS 38 – Intangible Assets. 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.

On December 16, 2020, the Company acquired all issued and outstanding common shares BCCo through a non-arm’s length share purchase agreement dated December 16, 2020 (the “Transaction”). As consideration for the Transaction, the Company issued an aggregate of 5,000,000 common shares in the capital of the Company (the “Consideration Shares”) and issued an aggregate of 5,000,000 common share purchase warrants (the “Warrants”). Each Warrant shall entitle the holder thereof to acquire one common share in the capital of the Company (each a, “Common Share”) at a price of \$0.15 per Common Share for a period of five years from the date of issuance. The Consideration Shares were valued at \$625,000 and the Warrants were valued at \$498,552 and both recorded as an increase in intangible assets (see note 10).

BCCo is a private company formed under the laws of British Columbia, that creates, develops and publishes software related to mobile games and applications. BCCo is currently developing Modern Miner, a mobile game application that will connect the value of exploration to gaming, which it expects to release in the coming year.

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, 2019 was \$nil (2018 - \$300,000) and is non-interest bearing. As at December 31, 2019, the Company wrote-off this loan as the project relating to this loan has been terminated.

10. SHARE CAPITAL

Authorized: An unlimited number of common shares.

a) Issued and outstanding:

	Number of Shares	Amount (\$)
Balance, December 31, 2019 and 2018	9,148,921	7,268,379
Common shares issued on private placements	8,527,272	861,000
Shares issued on acquisition of BCCo	5,000,000	625,000
Shares issued on debt settlements	1,155,140	150,168
Cost of share issuance	-	(24,260)
Balance, December 31, 2020	23,831,333	8,880,287

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10. SHARE CAPITAL (continued)

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.

Private Placements

During the year, the Company issued an aggregate of 7,700,000 common shares at a price of \$0.10 each common share for gross of \$770,000.

On December 22, 2020, the Company issued an aggregate of 827,272 common shares at a price of \$0.11 per common shares for gross proceeds of \$91,000.

Acquisition of BCCo

Blocplay issued 5,000,000 common shares to acquire all of the issued and outstanding common shares of BCCo. At the time of issuance, the fair market value of the Company's stock price on the open market was \$0.125 per common share. Therefore, the fair market value assigned to 5,000,000 common shares of the Company was \$625,000.

Debt Settlements

On November 2, 2020, the Company issued an aggregate 1,155,140 common shares at a price of \$0.13 per common shares to settle an aggregate of \$115,514 indebtedness with arm's length and non-arm's length creditors. Due to the debt settlements, the company incurred a loss of \$34,654 on debt settlement.

b) Warrants:

The following table reflects the continuity of warrants for the periods presented:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, December 31, 2018	3,060,881	0.10
Warrants expired	(3,060,881)	0.10
Balance, December 31, 2019	-	-
Warrants issued	5,000,000	0.15
Balance, December 31, 2020	5,000,000	0.15

The following table reflects the warrants issued and outstanding as of December 31, 2020:

Issue date	Number of warrants outstanding	Grant date fair value (\$)	Exercise price (\$)	Expiry date
December 16, 2020	5,000,000	498,552	0.15	December 16, 2025
	5,000,000	498,552	0.15	

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10. SHARE CAPITAL (continued)

b) Warrants: (continued)

The fair value of the warrants issued during the year ended December 31, 2020 was estimated using the Black Sholes Option Pricing Model with the following assumptions:

	December 16, 2020
Expected life	5 years
Expected volatility	118.02%
Risk-free interest rate	0.45%
Dividend yield	Nil
Underlying share price	\$0.125
Exercise price	\$0.150

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.

11. 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, 2020 and 2019	150,000	0.05

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11. STOCK OPTIONS

The following table provides additional information about outstanding stock options at December 31, 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	5.67	\$0.05	150,000	\$0.05
	150,000	5.67	\$0.05	150,000	\$0.05

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:

	2020	2019
	\$	\$
Short-term employee benefits	200,000	240,000
Total compensation to key management	200,000	240,000

Included in trade and other payables as at December 31, 2020 are amounts of \$129,950 (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.

The Company has an amount of \$105,417 in prepaid expenses to a company whose director is also a director of Bloeplay.

During the year ended December 31, 2020, the Company issued 933,270 common shares to settle \$93,327 of debt to current and former directors, resulting in a loss on the settlement of \$27,998.

13. INCOME TAXES

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

	2020	2019
Net loss	\$ (149,263)	\$ (12,177)
Statutory tax rate	26.5%	26.5%
Expected income tax recovery	(39,555)	(3,277)
Temporary differences not recognized	39,555	3,277
Income tax recovery	\$ -	\$ -

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13. INCOME TAXES (continued)

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:

	2020	2019
	\$	\$
Non-capital losses	12,830,831	5,625,142
Capital losses	34,654	-
Share issuance costs	102,472	166,129
	12,967,947	5,791,271

The Canadian non-capital losses carried forward will expire between 2034 and 2040. Share issue and financing costs will be fully amortized in 2024.

14. LEGAL CLAIM

The Company was party to a statement of claim from a former officer with respect to wrongful dismissal, claiming they were owed for payment of outstanding fees in the amount of \$77,392, as well as damages of \$650,000 plus interest and costs. The company had previously accrued \$75,000 as required anticipated payment on this claim. During the year ended December 31, 2020, this claim was settled for a total payment of \$45,000 plus costs of \$10,000.

15. SUBSEQUENT EVENTS

Stock Options

Subsequent to December 31, 2020, the Company granted an aggregate 3,800,000 stock options to purchase common shares of the Company to certain directors, officers and consultants. The stock options are exercisable at \$0.165, \$0.18 and \$0.20 and \$0.28 per common share with expiry dates of January 8, 2026, January 12, 2026, February 3, 2026 and March 5, 2026.

On January 8, 2021, the Company issued 500,000 common shares through the exercise of stock options for gross proceeds \$82,500.

Debt Settlement

On January 13, 2021, the Company issued 1,155,682 commons shares to settle \$127,125 of indebtedness.

Demand promissory note

Subsequent to December 2021, the Company extended its due diligence period with Countervail games to the end May 2021 and the demand promissory note has increased to \$620,000.

Private Placements

On January 20, 2021, the Company issued 2,141,450 common shares through non-brokered private placement financing at a price of \$0.11 per common share for gross proceeds of \$235,560.

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15. SUBSEQUENT EVENTS (continued)

Private Placements (continued)

On March 8, 2021, the Company closed a non-brokered private placement financing for gross proceeds of \$563,948 through the issuance of 3,759,658 units in the capital of the Company (the "Units") at a price \$0.15 per Unit. Each Unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.20 per common share for a period of three years from the date of issuance.

Consulting Agreement

In February 2021, the company entered into a consulting agreement for the amount of \$15,000 per month up to December 1, 2023.

Letter of Intent

On April 12, 2021, The Company has entered into binding letter of intent (the "LOI") with Ludare Games Group Inc. ("Ludare Games") to acquire a forty percent (40%) interest of a mobile game project (the "Acquisition"). As consideration for the Acquisition, the Company will issue 1,670,000 common shares in the capital of the Company to Ludare Games and make an investment in the amount of \$300,000 into the project. Closing of the Acquisition is set to close on or about May 31, 2021, subject to completed due diligence and closing conditions.