LDRLY (TECHNOLOGIES) INC.

Financial Statements

(Presented in Canadian dollars)

For the Years Ended December 31, 2019 and 2018

D&H Group LLP
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Independent Auditor's Report

To the Shareholders of LDRLY (Technologies) Inc.

Opinion
We have audited the financial statements of LDRLY (Technologies) Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of income (loss) and comprehensive income (loss), statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment 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 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 financial statements, including the disclosures, and whether the 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.

"D&H Group LLP"

Vancouver, B.C.
June 19, 2020

Chartered Professional Accountants

LDRLY (TECHNOLOGIES) INC.
Index to Financial Statements
(Presented in Canadian dollars)
For the Years Ended December 31, 2019 and 2018

LDRLY (TECHNOLOGIES) INC.
Statements of Income (Loss) and Comprehensive Income (Loss)
(Presented in Canadian dollars)
For the Years Ended December 31, 2019 and 2018

	2019	2018
REVENUE		
Gaming	**$ 6,410,231**	$ 1,989,213
Advertising	**2,038,282**	242,009
	8,448,513	2,231,222
COST OF SALES	**2,131,747**	790,594
GROSS PROFIT	**6,316,766**	1,440,628
EXPENSES		
Administrative expenses, net of government assistance	**964,739**	143,138
Amortization of equipment and right-of-use asset	**57,073**	2,479
Other operating expenses	**365,387**	33,338
Research and development expenses, net of government assistance	**63,377**	799,625
Selling and distribution expenses *(Note 8)*	**4,744,115**	514,081
	6,194,691	1,492,661
INCOME (LOSS) FROM OPERATIONS	**122,075**	(52,033)
OTHER INCOME (LOSS)		
Foreign exchange gain (loss)	**(54,832)**	51,989
NET AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**$ 67,243**	$ (44)
BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE	**$ 0.08**	$ 0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**791,916**	791,916

See notes to financial statements

LDRLY (TECHNOLOGIES) INC.
Statements of Financial Position
(Presented in Canadian dollars)
December 31, 2019 and 2018

	December 31 2019	December 31 2018
ASSETS		
CURRENT		
Cash	**$ 351,771**	$ 363,484
Trade and other receivables *(Note 6)*	**1,327,843**	294,478
Government assistance receivable	**160,489**	-
Prepaid expenses	**101,742**	33,366
	1,941,845	691,328
NON-CURRENT		
Equipment *(Note 5)*	**44,097**	17,165
Right-of-use asset *(Note 12)*	**39,334**	-
	$ 2,025,276	$ 708,493
LIABILITIES		
CURRENT		
Trade and other payables *(Notes 7, 8)*	**$ 1,806,582**	$ 598,726
Lease obligation *(Note 12)*	**41,684**	-
	1,848,266	598,726
EQUITY		
Share capital *(Note 10)*	**77,470**	77,470
Retained earnings	**99,540**	32,297
	177,010	109,767
	$ 2,025,276	$ 708,493

DESCRIPTION OF OPERATIONS *(Note 1)*

EVENTS AFTER THE REPORTING PERIOD *(Note 13)*

These financial statements were approved and authorized for issue by the Board of Directors on June 19, 2020 and signed on its behalf by:

"Jason Bailey" *Director*

"Joshua Nilson" *Director*

LDRLY (TECHNOLOGIES) INC.
Statements of Changes in Equity
(Presented in Canadian dollars)
For the Years Ended December 31, 2019 and 2018

	Number of shares		Share capital		Retained earnings		**Total equity**
As at January 1, 2018	791,916	$	77,470	$	32,341	**$**	**109,811**
Comprehensive loss for the year	-		-		(44)		**(44)**
As at December 31, 2018	791,916	$	77,470	$	32,297	**$**	**109,767**
As at January 1, 2019	791,916	$	77,470	$	32,297	**$**	**109,767**
Comprehensive income for the year	-		-		67,243		**67,243**
As at December 31, 2019	791,196	$	77,470	$	99,540	**$**	**177,010**

See notes to financial statements

LDRLY (TECHNOLOGIES) INC.
Statements of Cash Flows
(Presented in Canadian dollars)
For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING ACTIVITIES		
Net and comprehensive income (loss)	**$ 67,243**	$ (44)
Item not affecting cash:		
Amortization of equipment and right-of-use asset	**57,073**	2,479
Changes in non-cash working capital:		
Trade and other receivables	**(1,033,364)**	93,214
Trade and other payables	**1,207,856**	255,266
Prepaid expenses	**(68,376)**	(33,366)
Government assistance receivable	**(160,489)**	-
Cash flow from operating activities	**69,943**	317,549
INVESTING ACTIVITY		
Purchase of equipment	**(41,095)**	(18,164)
FINANCING ACTIVITY		
Payment of lease obligation	**(40,561)**	-
INCREASE (DECREASE) IN CASH	**(11,713)**	299,385
Cash - beginning of year	**363,484**	64,099
CASH - END OF YEAR	**$ 351,771**	$ 363,484

See notes to financial statements

1. DESCRIPTION OF OPERATIONS

LDRLY (Technologies) Inc. (the "Company") was incorporated provincially under the Business Corporations Act of British Columbia on August 15, 2013. The head office of the Company is 550 - 555 West 12th Avenue, Vancouver, British Columbia, V5Z 3X7.

The Company was created as a subsidiary of Eastside Games Inc. It originally was developing a social and mobile gaming leaderboard software which will integrate users' social media friends with their leaderboards. The platform was unsuccessful and the Company transitioned its focus to online game development. The focus of the Company is to develop a brand in counter culture mobile gaming and is currently an industry leader in the development of counter culture mobile games. None of the Company's games promotes the sale of cannabis, nor do they include any advertisements for cannabis producers, nor do they display any use of cannabis. See Note 8.

These financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company's ability to continue as a going concern is dependent upon its ability to generate profits and positive cash flows from operations from the launch of its online games under development, to obtain additional funding from financing arrangements, if and when needed by the Company and the continued support by its related parties. However, there can be no assurance that these activities will be successful.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption determined to be inappropriate and these adjustments could be material.

2. BASIS OF PRESENTATION

Statement of Compliance

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

Basis of Measurement

The financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments that are measured at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

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2. BASIS OF PRESENTATION *(continued)*

Significant Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgements that affect the application of policies and reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the financial statements, along with reported amounts of expenses and net losses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet reporting date that could result in a material adjustment to the carrying value of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgements:

a) Financial assets and liabilities are designated upon inception to various classifications. The designation determines the method by which the financial instruments are carried on the balance sheet subsequent to inception and how changes in value are recorded. The designation may require the company to make certain judgement, taking into account management's intention of the use of the financial instruments.

b) The assumption that the company is a going concern and will continue in operation for the foreseeable future and at least one year.

c) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

d) Evaluation of whether costs incurred by the Company in developing its products meet the criteria for capitalization as intangible assets requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which are based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized in excess of the recoverable value is written off to profit or loss in the period the new information becomes available.

e) Management is required to assess impairment in respect of equipment and intangible assets. The triggering events are defined in IAS 36. Management has determined that there were no triggering events present as at December 31, 2019 and 2018, as defined in lAS 36, for equipment and intangible assets, and, as such, no impairment test was performed.

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2. BASIS OF PRESENTATION *(continued)*

f) Management applies judgement when determining if a good or service that is promised to a customer is distinct based on whether the customer can benefit from the good or service on its own or together with other readily available resources and whether the good or service is separately identifiable. Based on these criteria, the Company determined the primary performance obligation relating to its sales contracts is purchase of the games by customers and serving of the advertisement to the customer.

g) Management uses judgment in estimating amounts receivable for various refundable and non-refundable tax credits earned from the federal and provincial governments and in assessing the eligibility of research and development and other expenses which give rise to these credits. Government assistance may be overstated if the underlying project is determined to be ineligible or if certain costs claimed are determined to be ineligible.

Estimates:

a) Useful lives of equipment

The estimated useful lives and residual value of equipment which are included in the statement of financial position and the related amortization included in the statement of comprehensive income (loss).

b) Income Taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and short-term investments

Cash includes cash equivalents. Cash equivalents are considered to be any term deposit with a maturity of three months or less that the Company may hold. As at December 31, 2019 and 2018, the Company did not hold any cash equivalents.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Equipment is amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method

The company regularly reviews its equipment to eliminate obsolete items.

Equipment acquired during the year but not placed into use are not amortized until they are placed into use. In the year of acquisition one-half of the stated rate is claimed.

Leases

The Company recognizes a right-of-use asset and a lease liability for its leases. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is re-measured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in profit or loss. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of long-lived assets

The company's assets are assessed for impairment at each financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognized in the statement of comprehensive income (loss) when incurred. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Trade and other payables

Payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers and contractors. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any related income tax effects.

Income (loss) per share

Basic and diluted income (loss) per share is determined by dividing the income available (loss attributable) to common shareholders by the weighted average number of common shares outstanding during the reporting period. The computation of diluted income (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilute effect on earnings.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Current and Deferred Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current Income Tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date in the country where the Company operates and generates taxable income. Management periodically evaluates position taken in the tax return with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax
Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Government assistance

Amounts receivable resulting from government assistance programs, including investment tax credits under the Scientific Research and Experimental Development (SR&ED) and Digital Media Tax Credit (DMTC) programs are recognized where there is reasonable assurance that the amount of government assistance will be received, and amounts can be reasonably estimated. When the government assistance relates to an expense item, it is recognized as a reduction of the corresponding expense on the statement of comprehensive income. Where government assistance relates to an asset, it is deducted from the cost of the related asset.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. The following steps are considered when recognising revenues:

1. Identify the contract with customers.
2. Identify the performance obligation in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to performance obligations.
5. Recognize revenue when/as performance obligation(s) are satisfied.

Advertising services
Advertising revenue is generated from digital advertising when the players click on an advertisement or when players view the advertisement for a specified period or based on cost-per-impression, which is based on the number of times an advertisement is displayed.

Revenue associated with advertising is recognized when a contractual exchange agreement has been entered into, the performance obligations have been performed, and the Company expects to receive consideration in exchange for the services provided.

Software games
Revenue from sales of interactive software games on PCs and mobile apps are recognized as revenue when the performance obligations are satisfied, which is when the games are purchased by a customer. Sales of the company's games are made by third party gaming platform companies pursuant to license agreements, and these gaming platform companies retain agreed upon portion of sales as fees. The company reports revenues related to these arrangements on a gross basis and the fees retained by the gaming platform companies are presented as part of cost of sales.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and Development Costs

Costs associated with research activities are expensed as incurred. Costs that are directly attributable to development activities, are recognized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; there is intention to complete the intangible asset and use or sell it, and the Company has the ability to do so; the intangible asset can generate probable future economic benefits through internal use or sale; sufficient technical, financial and other resources are available for completion; and the costs attributable to the intangible asset can be reliably measured.

After initial recognition, internally generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The intangible asset is amortized on a straight-line basis over its useful life from the point that it is ready for use.

The costs of developing internally-generated software include personnel costs of the Company's development group and consulting fees. Software development costs that meet capitalization criteria to date have been insignificant.

Financial instruments policy

a) Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

b) Measurement
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Trade receivables and trade and other payables are classified as amortized cost.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in comprehensive income or loss in the period in which they arise. Cash is classified as FVTPL.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income or loss in the period in which they arise. As at December 31, 2019 and 2018, the Company has not classified any financial assets as FVOCI.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Impairment of financial asset at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

d) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income.

Foreign currency translation

Transactions entered into in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates applicable when the transactions occur. The Company's functional currency is the Canadian dollar. Foreign currency monetary assets and liabilities are translated at the rates applicable at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognized immediately in the statement of comprehensive income (loss).

(continues)

(Presented in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounting pronouncements adopted

The Company has adopted IFRS 16 Leases ("IFRS 16") as of January 1, 2019. IFRS 16 requires lessees to recognize most leases on the balance sheet to reflect the right to use an asset for a period of time and the associated liability for payments. The Company has adopted IFRS 16 using the modified retrospective method, under which the cumulative effect of the initial application is recognized in retained earnings at January 1, 2019.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases and applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 Leases were not reassessed for whether a lease existed.

On transition to IFRS 16, the Company has elected to not recognize right-of-use assets and lease liabilities that have lease terms which end within 12 months of the date of initial application and leases of low-value assets.

Lease obligation was measured at the present value of the remaining lease payments discounted at the incremental borrowing rate as at January 1, 2019. Right-of-use asset was measured at an amount equal to the lease obligation.

The following summarizes the impacts of adopting IFRS 16 on the financial statements:

	($)
Operating lease obligation at December 31, 2018	92,542
Discounted using the incremental borrowing rate at January 1, 2019	82,245

(Presented in Canadian dollars)

4. FINANCIAL INSTRUMENTS

Categories of financial assets and financial liabilities

Financial instruments are classified into one of the following three categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVOCI"); and amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2019	December 31, 2018
Cash	FVTPL	351,771	363,484
Trade receivables	Amortized Cost	1,323,121	292,098
Trade and other payables	Amortized Cost	1,806,582	598,726

Fair value

IFRS 13 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

- Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 - applies to assets or liabilities for which there are unobservable market data.

The carrying values of trade receivables and trade and other payables approximates their fair value due to their short-term nature. The Company's fair value of cash under fair value hierarchy are measured using Level 1 inputs.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company's main exposure to credit risk relates to its trade receivables. The credit risk is minimal since the balance of the company's receivables come from large corporations who pay the company advertising and software sales revenue. There is no bad debt expense in the current year and in the opinion of management, none of the amounts comprising this balance were considered impaired.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

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4. FINANCIAL INSTRUMENTS *(continued)*

	Contractual Maturity Analysis at December 31, 2019				
	Less than 3 months	**3-12 months**	**1-5 years**	**over 5 years**	**Total**
Cash	351,771	-	-	-	351,771
Trade receivables	1,323,121	-	-	-	1,323,121
Trade and other payables	1,806,582	-	-	-	1,806,582

	Contractual Maturity Analysis at December 31, 2018				
	Less than 3 months	**3-12 months**	**1-5 years**	**over 5 years**	**Total**
Cash	363,484	-	-	-	363,484
Trade receivables	292,098	-	-	-	292,098
Trade and other payables	598,726	-	-	-	598,726

(c) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The company is exposed to foreign currency exchange risk on cash, trade receivable, and trade payable held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

At December 31, 2019, 1 Canadian Dollar was equal to $0.7699 US Dollar (2018 - $0.7330 USD).

	December 31 2019		December 31 2018	
	US Dollar	**CDN Equivalent**	**US Dollar**	**CDN Equivalent**
Cash	75,628	98,231	56,209	76,680
Trade receivables	660,078	857,356	156,126	212,987
Trade and other payables	(38,390)	(49,861)	-	-

Based on the net exposures as of December 31, 2019 and if all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in a change to the Company's net income by approximately $90,572 (2018 - $28,967).

Unless otherwise noted, it is management's opinion that the company is not exposed to significant other price risks arising from these financial instruments.

(Presented in Canadian dollars)

5. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
December 31, 2019			
Computer equipment	$ 44,701	$ (23,461)	**$ 21,240**
Furniture and fixtures	29,139	(6,282)	**22,857**
	$ 73,840	$ (29,743)	**$ 44,097**
December 31, 2018			
Computer equipment	$ 18,570	$ (13,142)	**$ 5,428**
Furniture and fixtures	14,175	(2,438)	**11,737**
	$ 32,745	$ (15,580)	**$ 17,165**

6. TRADE AND OTHER RECEIVABLES

	2019	2018
Trade receivables, net of allowance for impairment	**$ 1,323,121**	$ 292,098
GST recoverable	**4,722**	2,380
	$ 1,327,843	$ 294,478

There is no bad debt expense for the year. There are no trade receivables owing from related parties, and all trade and other receivables are current.

7. TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	**$ 1,790,434**	$ 596,560
Vacation payables	**16,148**	2,166
	$ 1,806,582	$ 598,726

(Presented in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

During the course of the year, the company's parent Eastside Games Inc. (ESG) rendered services to support the company's games. These services are charged and paid for on a recurring basis. These costs are included as part of selling and distribution expenses on the company's Statements of Income (Loss) and Comprehensive Income (Loss) and include:

	2019	2018
Game development and support fees, including user acquisition and promotion, live team support and general administrative support	**$ 4,687,638**	$ -
Management fees	**129,491**	-
Royalty fees	**-**	75,884
	$ 4,817,129	$ 75,884

At December 31, 2019, $1,781,135 (2018 - $595,689) of amount owing to ESG is included in trade and other payables.

(Presented in Canadian dollars)

9. INCOME TAXES

The reported income tax recovery differs from the amount computed by applying the Canadian basic statutory rate to income (loss) before income taxes. The reasons for the difference and the related tax effect are reflected below:

	2019	2018
Income tax recovery		
Net income (loss) before income taxes	**$ 67,243**	$ (44)
Corporate tax rate (%)	**27.00**	27.00
Expected income tax expense (recovery) at statutory rates	**18,156**	(12)
Deductible SR&ED expenditures	**22,286**	-
Other	**(60,230)**	(791)
Unrecognized benefit of non-capital losses	**19,788**	802
Current income tax recovery for the year	**-**	-

The company has accumulated non-capital losses of $73,290 as of December 31, 2019 (2018 - $2,971).

The company has provided a full valuation allowance against its potential future income tax assets (liabilities) due to the immaterial amounts of temporary differences. The valuation allowance reflected the company's estimate that the tax assets (liabilities) will likely not be realized.

The significant components of the company's future income tax assets (liabilities) are as follows:

Deferred income tax		
Equipment	**2,601**	(1,223)
Unused tax losses	**19,788**	802
Subtotal	**22,389**	(421)
Valuation allowance	**(22,389)**	421
	-	-

10. SHARE CAPITAL

Authorized:
Unlimited Common voting shares without par value

All issued common shares are fully paid.

(Presented in Canadian dollars)

11. CAPITAL RISK MANAGEMENT

The Company manages, as capital, the components of shareholders' equity and its cash. The Company's objectives, when managing capital, are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue common shares, borrow or adjust the amount of cash. The Company does not anticipate the payment of dividends in the foreseeable future.

12. LEASE OBLIGATION

Lease obligation has been measured by discounting future lease payments using the Company's incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 12%. Rates implicit in the leases were not readily determinable. Interest expense on lease obligations for the year ended December 31, 2019 was $7,687.

	2019
Lease obligation at December 31, 2018	**$ 92,542**
Discounted balance at January 1, 2019	**82,245**
Lease payments	**(40,561)**
Balance, as at December 31, 2019	**41,684**
Current portion of lease obligation	41,684

Right-of-use asset

The following table presents the right-of-use asset for the Company. The right-of-use asset consists of an office lease which is amortized over its estimated useful life of 23 months on a straight-line basis.

Balance, January 1, 2019	**82,245**
Additions	**-**
Depreciation	**(42,911)**
Balance, as at December 31, 2019	**39,334**

13. EVENTS AFTER THE REPORTING PERIOD

a) On October 29, 2019, 1182533 B.C. Ltd. (the "Purchaser") entered into a Share Purchase Agreement (the "SPA") with Eastside Games Inc. (the "Vendor") to purchase all issued and outstanding shares of the Company. Pursuant to the agreement, the purchase price of $5,655,000 is to be paid by the Purchaser as follows:

- Cash advance of $1,250,000 (paid on February 14, 2019), and
- Issuance of 55,187,500 common shares.

This transaction comprises, in part, a qualifying transaction of Caprice Business Development Canada Inc. ("Caprice"), a capital pool company listed on the TSX Venture Exchange. Therefore, the closing of the SPA is subject to receipt of applicable regulatory and TSX Venture Exchange approvals. The transaction closed on April 21, 2020 upon receipt of TSX Venture Exchange approvals and satisfaction of SPA conditions.

b) Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a disease caused by a strain of a novel coronavirus (“COVID-19”), as a pandemic. This has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.