

Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Playgon Games Inc. (formerly, “**Global Daily Fantasy Sports Inc.**”)
(the “**Company**”)
#656 – 1500 West Georgia Street
Vancouver, BC V6G 2Z6

1.2 Executive Officer

Harry Nijjar
Chief Financial Officer
Tel (604) – 639-3892

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

The Company has closed its acquisition (the “**Acquisition**”) of all the issued and outstanding shares of Playgon Interactive Inc. (“**Playgon Interactive**”) on June 19, 2020. Playgon Interactive is a company incorporated under the laws of the Province of British Columbia. Playgon Interactive is in the business of developing software and proprietary technology for online multi-player E-Table games and Live Dealer content that streams live casino games with dealers to online players

2.2 Acquisition Date

June 19, 2020.

2.3 Consideration

The aggregate purchase price was CDN\$9,500,000, payable by the issuance of 63,333,333 common shares in the capital of the Company (“**Common Shares**”) having a deemed value of CDN\$0.15 per Common Share.

2.4 Effect on Financial Position

Upon completion of the Acquisition, Playgon Interactive became a wholly-owned subsidiary of the Company. The business and operations of Playgon Interactive have been combined with those of the Company and are managed concurrently. On closing, the CEO of Playgon Interactive became a director of the Company and certain other key personnel of Playgon Interactive have been retained.

The Company will be focused on the development of the online multi-player E-Table games and Live Dealer content.

2.5 Prior Valuations

No valuation opinion was obtained within the last 12 months by either the Company or Playgon Interactive.

2.6 Parties to Transaction

Not applicable. The Acquisition was not with an informed person (as defined in Section 1.1 of *National Instrument 51-102 Continuous Disclosure Obligations*), associate or affiliate of the Company.

2.7 Date of Report

October 19, 2020.

Item 3 Financial Statements and Other Information

Pursuant to Part 8 of NI 51-102, the following financial statements are attached and form part of this Business Acquisition Report:

- a) The audited consolidated financial statements for Playgon Interactive for the year ended May 31, 2020 with comparative statements for the year ended May 31, 2019.



PLAYGON INTERACTIVE INC.

Consolidated Financial Statements
For the years ended May 31, 2020 and 2019
(Expressed in Canadian Dollars)

PLAYGON INTERACTIVE INC.

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(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Playgon Interactive Inc.

Opinion

We have audited the accompanying consolidated financial statements of Playgon Interactive Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits 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 Consolidated 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 consolidated 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated 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.



Auditor's Responsibilities for the Audit of the Consolidated 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 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 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 consolidated 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 consolidated 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Stephen Hawkshaw.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

October 13, 2020

PLAYGON INTERACTIVE INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	May 31, 2020 \$	May 31, 2019 \$
ASSETS			
Current assets			
Cash		40,153	23,200
Sales taxes receivable		50,389	19,946
Prepays		1,241	-
		91,783	43,146
Security deposit		92,548	90,803
Property and equipment	3	656,378	962,353
Intangible asset	4	408,495	1,112,943
Right-of-use asset	5	201,029	-
		1,450,233	2,209,245
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	1,446,540	911,772
Loans payable	7	3,836,988	2,316,973
Current portion of lease liability	5	151,392	-
Current portion of long-term debt	8	894,087	-
		6,329,007	3,228,745
Lease liability	5	67,837	-
Long-term debt	8	2,705,120	3,564,293
		9,101,964	6,793,038
SHAREHOLDERS' DEFICIENCY			
Share capital	9	9,352,342	9,352,342
Reserves	9	1,761,332	717,771
Accumulated other comprehensive income		(152,966)	(103,687)
Accumulated deficit		(18,612,439)	(14,550,219)
		(7,651,731)	(4,583,793)
		1,450,233	2,209,245

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

Approved on behalf of the Board of Directors on October 13, 2020:

"Guido Ganschow"
Director

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

PLAYGON INTERACTIVE INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Year ended May 31	
		2020	2019
		\$	\$
Operating expenses			
Amortization	3,4,5	1,118,427	1,000,239
Advertising and promotion		2,136	676
Equipment rentals		-	51,574
Foreign exchange loss		6,021	40,793
Interest and bank charges	7	1,237,542	133,387
Interest on long-term debt	8	219,136	186,662
Memberships and licenses		60,566	35,165
Other general and administrative expenses		31,158	70,666
Product development		5,127	3,292
Professional fees		448,842	249,941
Rent		161,358	277,580
Share-based compensation	9	53,397	162,280
Salaries and benefits	10	571,337	1,276,632
Subcontractors		92,505	138,290
Telephone and utilities		46,780	56,373
Travel		6,623	10,434
		4,060,955	3,693,984
Loss before other income (expenses)		(4,060,955)	(3,693,984)
Other income (expenses)			
Interest income		3,131	2,634
Project investigation		(4,396)	-
		(1,265)	2,634
Loss for the year		(4,062,220)	(3,691,350)
Foreign currency translation adjustment		(49,279)	(121,009)
Comprehensive loss for the year		(4,111,499)	(3,812,359)
Basic and diluted loss per common share		\$ (0.35)	\$ (0.32)
Weighted average number of common shares outstanding			
Basic and diluted		11,706,341	11,706,341

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

PLAYGON INTERACTIVE INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended May 31,	
	2020	2019
	\$	\$
Cash flows used in operating activities		
Loss for the year	(4,062,220)	(3,691,350)
Items not affecting cash:		
Accrued interest expense	417,875	236,832
Amortization	1,118,427	1,000,239
Share-based compensation	53,397	162,280
Interest on lease liability	19,815	-
Accretion of debt financing costs	990,164	-
Unrealized foreign exchange	29,532	53,558
Changes in non-cash working capital:		
Sales tax receivable	(30,443)	(3,017)
Due from related party	-	98,700
Prepays	(1,241)	100,095
Accounts payable and accrued liabilities	123,639	208,194
	(1,341,055)	(1,834,469)
Cash flows provided by investing activities		
Acquisition of property and equipment	(9,489)	(1,095)
Development costs	(490,258)	(585,779)
Recovery of development costs	538,610	730,798
	38,863	143,924
Cash flows provided by financing activities		
Loan proceeds	1,675,000	610,458
Loan repayments to related parties	(179,603)	-
Interest paid on loans	(6,746)	-
Long-term debt proceeds	30,000	1,236,490
Repayment of lease liability	(140,109)	-
	1,378,542	1,846,948
Effect of foreign exchange on cash	(59,397)	(170,400)
Change in cash during the year	16,953	(13,997)
Cash, beginning of year	23,200	37,197
Cash, end of year	40,153	23,200

Supplemental disclosure with respect to cash flows (Note 13)

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

PLAYGON INTERACTIVE INC.
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Shares	Amount	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
		\$	\$	\$	\$	\$
Balance, May 31, 2018 (unaudited)	11,706,341	9,352,342	555,491	17,322	(10,858,869)	(933,714)
Share-based compensation	-	-	162,280	-	-	162,280
Foreign exchange on translation	-	-	-	(121,009)	-	(121,009)
Loss for the year	-	-	-	-	(3,691,350)	(3,691,350)
Balance, May 31, 2019	11,706,341	9,352,342	717,771	(103,687)	(14,550,219)	(4,583,793)
Share-based compensation	-	-	53,397	-	-	53,397
Warrants issued	-	-	990,164	-	-	990,164
Foreign exchange on translation	-	-	-	(49,279)	-	(49,279)
Loss for the year	-	-	-	-	(4,062,220)	(4,062,220)
Balance, May 31, 2020	11,706,341	9,352,342	1,761,332	(152,966)	(18,612,439)	(7,651,731)

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

PLAYGON INTERACTIVE INC.
Notes to Consolidated Financial Statements
May 31, 2020 and 2019
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Playgon Interactive Inc. (“Playgon”) was incorporated on June 30, 2016 under the laws of the Province of British Columbia. The Company is in the business of developing Live Dealer technology, which are online multi-player table games content that are streamed live from Las Vegas by casino dealers to online players. All references in this document to the “Company” refer to Playgon Interactive Inc. and its wholly owned subsidiaries Cleebo Games Inc. (“Cleebo”) and Bitrate Productions (“Bitrate”). The head office is at Suite 656, 1500 West Georgia St. Vancouver, BC. V6G 2Z6 and registered records office of the Company is Suite 1700, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

These consolidated 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 business. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at May 31, 2020, the Company had a working capital deficiency of \$6,237,224 and was not able to finance day-to-day activities through operations; however, subsequent to May 31, 2020, the Company closed a definitive share purchase agreement with Playgon Games Inc. (formerly Global Daily Fantasy Sports Inc.) (“GDFS”) (Note 16) whereby the Company received \$1,150,000 in cash and was able to settle total debt of \$6,224,685. The Company’s continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These material uncertainties may 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 current cash on hand and new loans. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect demand for our product and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance

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

Basis of presentation

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Cleebo, incorporated under the laws of the Province of British Columbia, Canada, and Bitrate, incorporated under the laws of the State of Nevada, USA. All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the assessment of recoverability of intangible assets and the valuation of share-based compensation and other equity based payments.

Significant judgments includes the determination of functional currency and the recoverability and measurement of deferred tax assets.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

Functional currency

As at May 31, 2020, the functional currency of Playgon and Cleebo is the Canadian dollar ("CAD") and the functional currency of Bitrate is the United States dollar ("USD"); however, determination of functional currency may involve certain judgments to determine the primary economic environment which is re-evaluated for each new entity or if conditions change.

Valuation of right-of-use asset and lease liabilities

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include assessing lease agreements to determine the contract term and interest rate used for discounting of future cash flows.

The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The present value of future lease payment is determined using the discount rate implicit in the lease, or if the rate implicit in the lease cannot be determined, the Company's incremental borrowing rate. Management estimates the Company's incremental borrowing rate based on a commercial mortgage rate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation and fair value of warrants

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and other equity based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Economic recoverability and probability of future economic benefits of intangible assets and amortization

Management has determined that intangible asset costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. The amortization expense related to intangible assets is determined using estimates relating to the useful life of the intangible asset.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of Playgon and Cleebo is the CAD and the functional currency of Bitrate is the USD. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than CAD are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities in foreign currencies are translated at historical rates. Revenues and expenses are translated at the average exchange rates approximating those in effect during the reporting period.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's USD operations are translated into CAD at the exchange rate at the reporting date. The income and expenses are translated using average rate. Foreign currency differences that arise on translation for consolidation purposes are recognized in other comprehensive loss.

Property and equipment

Property and equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

PLAYGON INTERACTIVE INC.
Notes to Consolidated Financial Statements
May 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Amortization is charged to earnings over the estimated useful lives using the declining balance method or straight-line basis as follows:

Computer equipment	55%
Computer software	100%
Furniture and equipment	20%
Other equipment	20%
Leasehold improvements	term of lease

In the year of acquisition, amortization is charged at one-half the above rates.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Intangible asset

Intangible assets acquired in business combinations and pursuant to asset purchases are recorded at their fair values.

Development expenditures, including the cost of material, direct labour, and other direct costs are recognized as an intangible asset when the following recognition requirements are met:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Company intends to and has sufficient resources to complete the project;
- the Company has the ability to use or sell the asset, and
- the asset will generate probable future economic benefits.

Intangible assets being developed are amortized once development is complete and the asset starts to generate income. During the year ended May 31, 2020, the Company capitalized development costs of \$490,258 (2019 - \$585,779), allocated \$53 (2019 - \$15,206) of income earned during the testing phase, and allocated \$538,557 (2019 - \$715,592) in Scientific Research and Experimental Development tax credits received from the Canadian government against the intangible asset.

The Company's intangible asset has a finite life and is being amortized using the straight-line method over 3 years.

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

PLAYGON INTERACTIVE INC.
Notes to Consolidated Financial Statements
May 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Government grants

The Company claims investment tax credits as a result of research and development. Investment tax credits are recognized against the related asset when they have been realized.

Leases

On June 1, 2019, the Company adopted IFRS 16 – Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office leases. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company’s estimated incremental borrowing rate as at June 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

As at June 1, 2019, the Company recognized \$336,465 (US\$248,736) in right-of-use assets and \$336,465 (US\$248,736) in lease liabilities as summarized below.

	\$
Minimum lease payments under operating leases as of May 31, 2019	368,008
Effect from discounting at the incremental borrowing rate as of June 1, 2019	(31,543)
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Lease liabilities and right-of-use assets recognized as of June 1, 2019	336,465
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The lease liabilities were discounted at a discount rate of 7% as at June 1, 2019.	

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, options, and warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements:

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Loss per share

Basic and diluted loss per share is computed by dividing net loss available to common shareholders by the weighted-average number of shares outstanding during the reporting period. If applicable, diluted income per share is computed similar to basic income per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share options, warrants, and restricted share units, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

Share-based compensation

The Company grants stock options to employees to buy common shares of the Company.

All share-based payments made to employees are measured and recognized using the Black-Scholes option pricing mode with the fair value of the options being measured at grant date. Stock options that vest over time are recognized using the graded vesting method. Share-based compensation is recognized as an expense with a corresponding increase in reserves. At each financial reporting period, the amount recognized as expense is adjusted to reflect the number of share options expected to vest. If and when the stock options are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

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 fair value of the share-based compensation. Otherwise, share-based compensation is measured at the fair value of goods or services received.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation (continued)

Where the terms of a stock option is 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 stock-based compensation arrangement or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Revenue recognition

The Company recognizes revenue when it is earned and realizable based on the following criteria: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed and determinable, and collectability is reasonably assured.

The Company has elected to early adopt the standards under IFRS 15, "Revenue from Contracts with a Customer". Revenues are recognized on a net basis, when a service has been delivered, with the cost of obtaining the service being net against revenues. When evaluating presentation of revenue, the Company looks at whether the transaction represents a principal or agency relationship. A party is considered a principal if:

- The entity has the primary responsibility for providing the services to the customer,
- The entity has inventory risk before or after the customer order, during shipping or return,
- The entity has latitude in establishing prices, either directly or indirectly,
- The entity bears the customer's credit risk on the receivable due from the customer.

The Company has determined it is an Agent in online sales revenue streams. To date, all income has been incidental in nature and realized against intangible assets.

Online games

Revenue from the sale of credits through interactive online games sold through Facebook, Google, and Paypal are recognized as revenue when credits are purchased by a customer and the Company has received the related income.

Sales of the Company's games are made by third party gaming platform companies pursuant to license agreements, and these gaming platform companies retain an agreed upon portion of sales as fees. The Company reports revenues related to these arrangements net of the fees retained by the gaming platform companies, as the Company has determined that the gaming platform companies are considered the primary obligors to the end consumers for the sale of the games.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Sales tax receivables and security deposit are measured at amortized cost with subsequent impairments recognized in profit or loss and cash is classified as FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, loans payable, lease liability, and long-term debt are classified as other financial liabilities and carried on the statement of financial position at amortized cost. Derivative liabilities are measured at FVTPL.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period 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, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred income tax

Deferred income tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current income and deferred tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting pronouncements not yet adopted

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended May 31, 2020 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its financial statements.

3. PROPERTY AND EQUIPMENT

	Computers	Computer Software	Furniture and Equipment	Other Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
Cost:						
At May 31, 2018 (unaudited)	147,901	-	729,369	164,945	945,279	1,987,494
Additions	-	-	-	1,095	-	1,095
Net exchange differences	2,627	-	30,202	7,400	42,270	82,499
At May 31, 2019	150,528	-	759,571	173,440	987,549	2,071,088
Additions	-	9,489	-	-	-	9,489
Net exchange differences	1,180	-	13,563	3,334	18,982	37,059
At May 31, 2020	151,708	9,489	773,134	176,774	1,006,531	2,117,636
Amortization:						
At May 31, 2018 (unaudited)	74,667	-	221,462	35,656	376,250	708,035
Additions	40,543	-	103,558	26,519	193,085	363,705
Net exchange differences	1,906	-	11,639	2,203	21,247	36,995
At May 31, 2019	117,116	-	336,659	64,378	590,582	1,108,735
Additions	18,324	4,744	83,894	21,619	195,758	324,339
Net exchange differences	1,140	-	8,292	1,850	16,902	28,184
At May 31, 2020	136,580	4,744	428,845	87,847	803,242	1,461,258
Net book value:						
At May 31, 2019	33,412	-	422,912	109,062	396,967	962,353
At May 31, 2020	15,128	4,745	344,289	88,927	203,289	656,378

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4. INTANGIBLE ASSET

	Gaming Platform
	\$
Cost:	
At May 31, 2018 (unaudited)	2,657,395
Internally developed additions	585,779
Income earned during testing phase	(15,206)
Recovery	(715,592)
At May 31, 2019	2,512,376
Internally developed additions	490,258
Income earned during testing phase	(53)
Recovery	(538,557)
At May 31, 2020	2,464,024
Amortization:	
At May 31, 2018 (unaudited)	762,899
Additions	636,534
At May 31, 2019	1,399,433
Additions	656,096
At May 31, 2020	2,055,529
Net book value:	
At May 31, 2019	1,112,943
At May 31, 2020	408,495

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5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use asset

	Office Lease
	\$
Cost:	
At May 31, 2019	-
Adjustment on initial adoption of IFRS 16 (Note 2)	336,465
Net exchange difference	6,467
At May 31, 2020	342,932
Depreciation:	
At May 31, 2019	-
Additions	137,992
Net exchange difference	3,911
At May 31, 2020	141,903
Net book value:	
At May 31, 2019	-
At May 31, 2020	201,029

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

Lease liability

	May 31, 2020
Balance, beginning of year	-
Lease liability recognized as of June 1, 2019	336,465
Lease payments	(140,109)
Interest expense	19,815
Net exchange difference	3,058
	219,229
Less: current portion	(151,392)
Balance, end of year	67,837

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease including assumed renewal periods are as follows:

June 1, 2020 to May 31, 2021	\$ 161,966 (US\$117,477)
June 1, 2021 to May 31, 2022	\$ 69,036 (US\$50,073)
Thereafter	\$ -

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
	\$	\$
Accounts payable	668,738	595,757
Accrued liabilities	63,583	19,671
Accrued interest payable (Notes 7 and 8)	714,219	296,344
	1,446,540	911,772

7. LOANS PAYABLE

- a) As at May 31, 2020, the Company owes the Chief Executive Officer a total of \$1,179,443 (2019 - \$1,343,528) which is non-interest bearing and payable on demand.
- b) As at May 31, 2020, the Company owes \$500,000 (2019 - \$500,000) for a loan bearing interest at 5% per annum, payable on demand. In November 2019, the creditor amended the agreement to increase the interest to 7% per annum. During the year ended May 31, 2020, the Company accrued interest of \$25,219 (2019 - \$14,452), which is included in interest and bank charges. As at May 31, 2020, interest of \$39,671 (2019 - \$14,452) has been accrued and is included in accounts payable and accrued liabilities.
- c) As at May 31, 2020, the Company owes a creditor USD\$350,000 (\$482,545) (2019 - USD\$350,000 (\$473,445)) for loans which bear interest of 10% per annum and have a term of one year. During the year ended May 31, 2020, the Company accrued interest of \$49,394 (2019 - \$50,170) which is included in interest and bank charges. As at May 31, 2020, interest of \$101,816 (2019 - \$52,422) has been accrued and is included in accounts payable and accrued liabilities. The loans are in default as they were not repaid by their respective maturity dates.
- d) As at May 31, 2020, the Company owes \$1,675,000 to various debenture holders for debentures which bear interest at 12% per annum and are payable on December 26, 2019 ("Debentures"). In connection with these Debentures, the Company issued 4,135,729 warrants to the Debenture Holders resulting a debt discount of \$990,164. During the year ended May 31, 2020, the Company accrued interest of \$124,126 and fully accreted the debt discount of \$990,164 which is included in interest and bank charges. As at May 31, 2020, interest of \$124,126 has been accrued and is included in accounts payable and accrued liabilities. The loans are in default as they were not repaid by their respective maturity dates. Subsequent to May 31, 2020, the loans and accrued interest were settled in full through the issuance of 4,587,914 common shares of the Company (Note 16).

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8. LONG-TERM DEBT

	Related parties	Third party	CEBA	Total
	\$	\$	\$	\$
Balance, May 31, 2018 (unaudited)	1,744,220	550,290	-	2,294,510
Advance	753,087	483,403	-	1,236,490
Foreign exchange adjustment	8,685	24,608	-	33,293
Balance, May 31, 2019	2,505,992	1,058,301	-	3,564,293
Advance	-	-	30,000	30,000
Repayment - cash	(23,000)	-	-	(23,000)
Foreign exchange adjustment	9,880	18,034	-	27,914
Total	2,492,872	1,076,335	30,000	3,599,207
Less: current portion	-	894,087	-	894,087
Balance, May 31, 2020	2,492,872	182,248	30,000	2,705,120

Related parties loans

As at May 31, 2020, the Company owes various shareholders \$1,969,000 (2019 - \$1,992,000) and US\$379,975 (\$523,872) (2019 - US\$379,975 (\$513,992)) for loans which bear interest at 6% per annum and mature at various times between December 2022 and May 2024. During the year ended May 31, 2020, the Company accrued interest of \$150,163 (2019 - \$130,638) which is included in interest on long-term debt. As at May 31, 2020, interest of \$314,765 (2018 - \$164,602) has been accrued and is included in accounts payable and accrued liabilities.

Third party loans

As at May 31, 2020, the Company owes various third party lenders \$120,000 (2019 - \$120,000) and US\$693,650 (\$956,335) (2019 - US\$693,650 (\$938,300)) for several loans which bear interest between 6% and 8% per annum and mature at various times up to January 2024. Of the balance owing, US\$648,500 (\$894,087) is due within the next twelve months. During the year ended May 31, 2020, the Company accrued interest of \$68,973 (2019 - \$56,024) which is included in interest on long-term debt. As at May 31, 2020, interest of \$133,841 (2019 - \$64,867) has been accrued and is included in accounts payable and accrued liabilities. No amounts were repaid during the year.

Canada Emergency Business Account ("CEBA")

As at May 31, 2020, the Company owes the Government of Canada \$30,000 in relation to a loan received under the CEBA program. The CEBA loans are interest free and mature on December 31, 2022. Should the Company repay the balance of the loans before the maturity date, 25% of the loan will be forgiven.

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9. SHARE CAPITAL AND RESERVES

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued share capital

During the years ended May 31, 2020 and 2019, the Company did not issue any shares.

Stock options

On July 15, 2016, the Company implemented an Equity Incentive Plan which allows the Company to grant stock options to directors, officers, employees, and consultants enabling them to acquire up to 1,000,000 common shares of the Company.

The exercise price of each option is set by the Board of Directors at the time of grant. Options can have a maximum term of ten years and typically terminate sixty days following the termination of the optionee's employment or engagement. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

During the year ended May 31, 2018, the Company granted 220,000 stock options with a total fair value of \$843,503 (USD \$623,570 (unaudited)). The stock options granted are subject to graded vesting whereby 25% of the options vest 12 months after the vesting start date with the remaining 75% vesting monthly over the following three years. The weighted average assumptions used in the Black-Scholes option-pricing model for the valuation of the stock options granted were: risk free interest rate of 2.32%, dividend yield of \$nil, expected life of 10 years, and volatility of 100%.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
		\$
Balance, May 31, 2018 (unaudited) and 2019	530,000	1.38 (US\$1.00)
Forfeited	(315,000)	1.38 (US\$1.00)
Balance, May 31, 2020	215,000	1.38 (US\$1.00)

A summary of the share options outstanding and exercisable at May 31, 2020 is as follows:

Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Expiry Date
		\$	
60,000	60,000	1.38 (USD\$1.00)	July 14, 2026
20,000	16,667	1.38 (USD\$1.00)	February 28, 2028
135,000	110,417	1.38 (USD\$1.00)	April 30, 2028
215,000	187,083		

The weighted average life of share options outstanding at May 31, 2020 was 7.40 years.

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9. SHARE CAPITAL AND RESERVES (continued)

Warrants

During the year ended May 31, 2020, the Company issued 4,135,729 warrants to the Debenture holders which are exercisable until June 24, 2020 and have an exercise price equal to the lesser of (a) \$0.41 per common share or (b) 70% of the ascribed value of the common shares in connection with a Change of Control Transaction.

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the valuation of the warrants issued:

	2020
Risk-free interest rate	1.45%
Dividend yield	Nil
Expected life	0.69 year
Volatility	100%

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, May 31, 2018 (unaudited) and 2019	-	-
Issued	4,135,729	0.41
Balance, May 31, 2020	4,135,729	0.41

A summary of the warrants outstanding at May 31, 2020 is as follows:

Number of Warrants Outstanding	Exercise Price	Expiry Date
	\$	
4,135,729	0.41	June 24, 2020

**subsequent to May 31, 2020, the warrants expired unexercised*

The weighted average life of warrants outstanding at May 31, 2020 was 0.07 years.

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10. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

A summary of related party loans and related transactions is included in Notes 7 and 8. Interest paid or accrued to related parties during the year ended May 31, 2020 was \$150,163 (2019 - \$130,638).

Summary of key management personnel compensation:

	For the years ended	
	May 31, 2020	May 31, 2019
	\$	\$
Salaries and benefits	16,875	322,523
Interest on long-term debt	150,163	130,638
	167,038	453,161

11. CAPITAL DISCLOSURE AND MANAGEMENT

The Company defines its capital as shareholders' deficiency. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company is not subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, sales taxes receivable, accounts payable and accrued liabilities, loans payable, and long-term debt. The fair value of sales taxes receivable, security deposit, accounts payable and accrued liabilities, loans payable, and long-term debt approximates their carrying values. Cash is measured at fair value using level 1 inputs.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, and liquidity risk.

a) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are carried out in Canada and the United States. As at May 31, 2020, the Company had assets totaling US\$72,155 and liabilities totalling US\$2,928,370. These factors expose the Company to foreign currency exchange rate risk, which could have an adverse effect on the profitability of the Company. A 1% change in the exchange rate would change other comprehensive income/loss by approximately CAD\$39,400. At this time, the Company currently does not have plans to enter into foreign currency future contracts to mitigate this risk, however it may do so in the future.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash is held in a large Canadian financial institution. The Company maintains certain cash deposits with Schedule I financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk. The Company's sales tax receivable is due from the Government of Canada; therefore, the credit risk exposure is low.

c) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The loans included in loans payable and long-term debt bear interest at rates ranging from 0% to 12% per annum with maturity dates of between June 2020 and May 2024. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

d) Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through borrowings. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company intends to meet its current obligations in the following year with funds to be raised through private placements and debt settlements. The Company is exposed to liquidity risk.

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13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	For the years ended	
	May 31, 2020	May 31, 2019
	\$	\$
Supplemental cash-flow disclosure		
Interest paid	6,746	-
Taxes paid	-	-
Supplemental non-cash disclosures		
Initial set-up of right-of-use asset and associated lease liability	336,465	-

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	May 31, 2020	May 31, 2019
	\$	\$
Loss before income taxes	(4,062,220)	(3,691,350)
Expected income tax expense (recovery) at statutory rates	(447,000)	(406,000)
Change in statutory, foreign tax, foreign exchange rates and other	(42,000)	(86,000)
Permanent difference	6,000	19,000
Change in unrecognized deferred tax assets	483,000	473,000
Income tax expense	-	-

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

	2020	Expiry Date Range	2019	Expiry Date Range
	\$		\$	
Property and equipment	457,000	No expiry date	322,000	No expiry date
SRED Pool	728,000	No expiry date	1,075,000	No expiry date
Intangible assets	1,098,000	No expiry date	-	-
Allowable capital losses		No expiry date		No expiry date
- Canada	11,057,000	2037 to 2040	8,119,000	2037 to 2039
- United States of America	2,155,000	2037 to 2040	1,911,000	2037 to 2039

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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15. SEGMENTED INFORMATION

During the years ended May 31, 2020 and 2019, the Company had two offices: a head-office in Vancouver, BC, and Bitrate's office in Las Vegas, Nevada. In evaluating performance, management does not distinguish or group its sales and cost of sales on a geographic basis. The Company has determined it has one reportable operating segment: the development of online multi-player games.

Incidental income derived in the Company's online multi-player games segment is earned from a large number of customers located throughout the world. No one customer exceeds 5% of the Company's income. During the year ended May 31, 2020, the Company allocated \$53 (2019 – \$15,206) of income earned to the intangible asset as this income was derived from testing the gaming platform.

16. SUBSEQUENT EVENTS

On November 29, 2019, the Company entered into a definitive share purchase agreement (the "Agreement") with GDFSI, a publicly listed company, pursuant to which GDFSI will acquire all of the issued and outstanding common shares of the Company (inclusive of those shares of the Company issued to the holders of the Debentures on consummation of the Transaction (as defined below)) in exchange for the shareholders of the Company receiving 63,333,333 common shares of GDFSI at a price of \$0.15 per share (the "Transaction"), being total consideration of \$9,500,000.

Completion of the Transaction was subject to regulatory approval, conversion of a portion of outstanding debt of the Company into common shares of the Company, and completion of a concurrent financing for proceed of not less than \$5,000,000 by GDFSI. The Transaction closed on June 19, 2020.

In connection with the Agreement and immediately preceding the closing, the Company also executed the following:

- wrote off \$179,946 and US\$863,359 of loans payable and accrued interest (Note 7(a)) owed to the CEO of the Company in connection to debt forgiveness agreements received;
- wrote off US\$752,695 of long-term debt and accrued interest owed to various third party lenders (Note 8) in connection to debt forgiveness agreements received;
- issued 2,056,192 common shares for the conversion of \$1,793,000 in long-term debt owed to a related party (Note 8) and wrote off \$254,341 of accrued interest on these loans;
- issued 4,587,914 common shares for the conversion of \$1,675,000 debentures and related accrued interest of \$135,666 (Note 7(d)); and
- repurchased 1,500,000 common shares for \$210,000.