LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.

Consolidated Financial Statements
December 31, 2013 and 2012
(Expressed in Canadian Dollars)

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.

We have audited the accompanying consolidated financial statements of Las Vegas From Home.com Entertainment Inc., which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Las Vegas From Home.com Entertainment Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP
Chartered Accountants

Vancouver, British Columbia
April 23, 2014

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LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.
Consolidated Balance Sheets
As at December 31
(Expressed in Canadian Dollars)

		2013		2012
Assets				
Current				
Cash and cash equivalents	$	285,658	$	23,288
Accounts receivable		18,760		23,411
Due from related parties (note 12)		-		44,973
Prepaid expenses		-		4,805
		304,418		96,477
Equipment (note 6)		38,897		88,222
Total Assets	$	343,315	$	184,699
Liabilities				
Current				
Accounts payable and accrued liabilities	$	320,989	$	413,311
Due to related parties (note 12)		54,088		180,320
Loans from related parties (note 12)		324,513		562,937
Obligation to issue shares (note 9)		147		132,397
Total Liabilities		699,737		1,288,965
Shareholders' Deficiency				
Capital Stock (note 8)		39,119,306		36,925,290
Reserves (note 8)		814,715		513,667
Deficit		(40,290,443)		(38,543,223)
Total Shareholders' Deficiency		(356,422)		(1,104,266)
Total Liabilities and Shareholders' Deficiency	$	343,315	$	184,699

On behalf of the Board:

"Bedo H. Kalpakian" (signed)
.... Director
Bedo H. Kalpakian

"Neil Spellman" (signed)
.... Director
Neil Spellman

See notes to consolidated financial statements.

LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.
Consolidated Statements of Comprehensive Loss
Years Ended December 31
(Expressed in Canadian Dollars)

		2013		2012
Revenues				
Sales	$	14,080	$	71,486
Licensing		-		71,754
		14,080		143,240
Expenses				
Salaries and benefits (notes 8(d), 11 and 12)		690,885		980,105
Consulting fees (note 8(d) and 10)		618,825		189,845
Management fees (note 12)		396,000		396,000
Travel, meals and entertainment		168,011		144,765
Rent, office and miscellaneous (note 12)		166,333		245,006
Legal, accounting and audit		115,640		164,014
Loss on disposal of equipment		55,541		57,009
Regulatory and transfer agent fees		23,464		13,980
Shareholder communications		4,570		-
Advertising and promotion		820		47,288
Impairment of investment deposit (note 7)		-		500,000
Bad debt		-		34,993
Interest and other income		(149)		(2,270)
Foreign exchange gain		(2,468)		(655)
Amortization (note 6)		14,314		48,373
		2,251,786		2,818,453
Net Loss and Comprehensive Loss for the Year	$	(2,237,706)	$	(2,675,213)
Basic and Diluted Loss Per Share	$	(0.04)	$	(0.10)
Weighted Average Number of Common Shares Outstanding		50,455,364		26,389,594

LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.
Consolidated Statements of Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Capital Stock		Reserves			
	Common Shares	**Amount**	**Warrants**	**Options**	**Deficit**	**Total Shareholders' Deficiency**
Balance, December 31, 2011	24,694,194	$ 36,041,909	$ 91,826	$ 610,184	$ (36,074,881)	669,038
Net loss for year	-	-	-	-	(2,675,213)	(2,675,213)
Private placement, net of issuance costs	4,520,188	883,381	6,869	-	-	890,250
Expiry of warrants	-	-	(58,780)	-	58,780	-
Expiry of options	-	-	-	(75,658)	75,658	-
Cancellation of options	-	-	-	(72,433)	72,433	-
Share-based payment	-	-	-	11,659	-	11,659
Adjustment due to fractional rounding up pursuant to consolidation	7	-	-	-	-	-
Balance, December 31, 2012	29,214,389	36,925,290	39,915	473,752	(38,543,223)	(1,104,266)
Net loss for year	-	-	-	-	(2,237,706)	(2,237,706)
Private placement, net of issuance costs	60,770,815	2,078,055	761,597	-	-	2,839,652
Issuance of shares upon agreement (note 10)	1,500,000	112,500				112,500
Exercise of warrants	20,000	1,000	-	-	-	1,000
Reclassification of reserves on exercise of warrants	-	2,461	(2,461)	-	-	-
Expiry of warrants	-	-	(34,101)	-	34,101	-
Expiry of options	-	-	-	(454,783)	454,783	-
Cancellation of options	-	-	-	(1,602)	1,602	-
Share-based payment	-	-	-	32,398	-	32,398
Balance, December 31, 2013	91,505,204	$ 39,119,306	$ 764,950	$ 49,765	$ (40,290,443)	(356,422)

See notes to consolidated financial statements.

LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.
Consolidated Statements of Cash Flows
Years Ended December 31
(Expressed in Canadian Dollars)

	2013	2012
Operating Activities		
Net loss	$ (2,237,706)	$ (2,675,213)
Items not affecting cash		
Amortization	14,314	48,373
Shares issued for consulting fees (note 10)	112,500	-
Effect of foreign currency translation on cash	(282)	49
Share-based payment	32,398	11,659
Impairment of investment deposit	-	500,000
Loss on disposal of equipment	55,541	57,009
	(2,023,235)	(2,058,123)
Changes in non-cash working capital		
Short-term investment	-	50,000
Accounts receivable	4,651	9,966
Due from/to related parties	(81,259)	(36,573)
Prepaid expenses	4,805	16,138
Unearned revenues	-	(83,362)
Accounts payable and accrued liabilities	(92,322)	176,334
	(164,125)	132,503
Cash Used in Operating Activities	(2,187,360)	(1,925,620)
Financing Activities		
Issuance of common shares and warrants issued, net of share issuance costs	2,707,402	890,250
Exercise of warrants	1,000	-
Loans from (to) related parties	(238,424)	743,257
Share subscriptions received	-	132,397
Cash Provided by Financing Activities	2,469,978	1,765,904
Investing Activities		
Proceeds from lease deposit	-	23,557
Proceeds from sale of equipment	-	9,740
Purchase of equipment	(20,530)	-
Cash Provided by (Used in) Investing Activities	(20,530)	33,297
Effect of Foreign Currency Translation on Cash	282	(49)
Net Change in Cash and Cash Equivalents	262,370	(126,468)
Cash and Cash Equivalents, Beginning of Year	23,288	149,756
Cash and Cash Equivalents, End of Year	$ 285,658	$ 23,288

Supplemental Cash Flow Information (note 16)

1. NATURE OF OPERATIONS

The principal business of Las Vegas From Home.com Entertainment Inc. (the "Company" or "LVFH") is the developing and marketing of software for online multi-player interactive card games (the "Company's Gaming Software"). The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "LVH".

The Company's office is located at Suite 300 – 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1.

During the year ended December 31, 2013, the Company consolidated its common shares on the basis of eight pre-consolidated common shares for one post-consolidation common share. All figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants as well as loss per share in these consolidated financial statements are consolidated amounts and have been retroactively restated to present the post-consolidation amounts.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company has incurred significant operating losses over the past two fiscal years (2013 - $2,237,706; 2012 - $2,675,213), has a deficit of $40,290,443 (2012 - $38,543,223), a working capital deficiency of $395,319 (2012 - $1,192,488), has limited revenues and resources, and has no assurances that sufficient funding will be available to continue operations for an extended period of time.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its shareholders. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management's plan will be successful.

Although management believes that the revenues generated from the Company's Gaming Software represent lawful businesses, there is the risk that the legality may be challenged by Canadian or other legal authorities. If the legality is challenged by any legal authority and the challenge is sustained, it may have a material adverse impact on the financial affairs of the Company.

If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

3. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

3. BASIS OF PRESENTATION (Continued)

(b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for financial instruments classified as for available-for-sale ("AFS") and assets and liabilities at fair value through profit or loss ("FVTPL"), which are measured at fair value. These consolidated financial statements have been prepared under the accrual basis of accounting, except for cash flow information. The accounting policies set in note 4 have been applied consistently by the Company and its subsidiaries to all years present in these consolidated financial statements.

(c) Approval of the consolidated financial statements

The consolidated financial statements of LVFH for the year ended December 31, 2013 were approved and authorized for issue by the Board of Directors on April 23, 2014.

(d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's and Subsidiary's functional currency.

(e) Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates 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 estimated uncertainty that management has made as at the consolidated statements of financial position date that could result in a material adjustment to the carrying amount of assets and liabilities in the event that actual results differ from assumptions made, related to, but are not limited to, the following:

Critical accounting estimates

Critical accounting estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities include, but are not limited to, the following:

- Fair value of equity instruments

  The fair value of equity instruments are subject to the limitations of the Black-Scholes option pricing model as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

3. BASIS OF PRESENTATION (Continued)

(e) Significant accounting judgments, estimates and assumptions (Continued)

- Recovery of deferred tax assets

  The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Critical accounting judgments

- Research and development expenditures

  The application of the Company's accounting policy for research and development expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

- Bifurcation of unit offerings

  The Company uses the residual value method when valuing equity components within a unit offering. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to warrants.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following:

(a) Principles of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of the Company's wholly-owned subsidiary, MT Ventures Inc. (incorporated in Antigua), and Blue Cactus Enterprises Inc. (incorporated in Antigua) are included in the consolidated financial statements from the date that control commenced.

Due to the limited activities by the Company's subsidiaries, the Company's subsidiaries were wound-up as of December 31, 2013.

Intercompany balances and transactions and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Cash and cash equivalents

Cash and cash equivalents comprises cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

(c) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in profit or loss. The Company classifies its cash and cash equivalents as FVTPL.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method. The Company classifies its due from related parties, accounts receivable (excluding GST/HST receivable) as loans and receivables.

Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method.

Available-for-sale

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(ii) Financial liabilities

The Company classifies its financial liabilities as FVTPL, or other financial liabilities.

Fair value through profit or loss

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest rate method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. The Company classifies accounts payable and accrued liabilities, due to related parties and loans from related parties as other financial liabilities.

(iii) Impairment

The Company assesses at each consolidated statement of financial position date whether there is objective evidence that financial assets, other than those designated as FVTPL, are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of comprehensive loss. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

(d) Research and development

Research costs are expensed as incurred. Costs related to the development of software are expensed as incurred unless such costs meet the criteria for deferral and amortization under IFRS. The criteria includes identifiable costs attributable to a clearly defined product, the establishment of technical feasibility, demonstration of the Company's intention and ability to complete the software and use or sell it, identification of a market for the software, the Company's intent to market the software and the existence of adequate resources to complete the project. Capitalized development costs are amortized over an estimated useful life of five years or prorated over its expected revenue stream, whichever is higher, beginning in the year when commercial sales of the products commence.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Equipment

Items of equipment are measured at cost less accumulated amortization and accumulated impairment loss.

Amortization of equipment is calculated on the declining-balance basis at the following annual rates:

Computer equipment	- 30% - 55%
Office furniture	- 20%

Gain and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized net in the consolidated statements of operations.

(f) Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(g) Revenue recognition

The Company recognizes revenues from licensees upon completion of each game according to the terms and conditions of the license agreement. Revenue is recognized to the extent that the economic benefit will flow to the Company and the amount be measured reliably. Revenue comprises the fair value of the consideration received or receivable for the product or service in the ordinary course of the Company's activities.

(i) Rake percentages from licensees

Rake revenue from licensees is recognized based on negotiated percentages of gross rake revenue as specified in the agreements with licensees, which varies from agreement to agreement. The Company recognizes its percentage of rake revenue at the end of each month based on the rake collected on behalf of the licensees.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Revenue recognition (Continued)

(ii) Sales revenue

From time to time, the Company may sell copies of its source code. Revenue from these sales is recognized in accordance with the specific terms of the respective sale agreement.

(h) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in option reserves is transferred to capital stock. For those options that expire or are cancelled after vesting, the recorded value is transferred to deficit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Joint arrangements

The Company has a joint arrangement for the development and marketing of a software platform, which has been accounted for as a joint operation. The Company recognizes its share of assets, liabilities, revenues and expenses related to this arrangement in its consolidated financial statements.

(k) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net loss attributable to common shares of the Company by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(l) Capital stock

Proceeds from the exercise of stock options and warrants are recorded as capital stock in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Capital stock issued for non-monetary consideration is valued at the pre-determined private placement price. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and the related residual value is transferred from warrant reserve to capital stock. For unexercised warrants that expire, the recorded value is transferred to deficit.

(m) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;

(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

Gains and losses arising from this translation of foreign currency are included in the determination of net income (loss) for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) New accounting pronouncements

IFRS 9 Financial Instruments (2009)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in the profit or loss.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

IFRS 9 Financial Instruments (2010)

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at FVTPL; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of “currently has a legally enforceable right of set-off”
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to the Company’s annual period beginning on January 1, 2014.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Risk management overview

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The fair values of cash and cash equivalents, accounts payable and accrued liabilities, due to related parties and loans from related parties approximate their carrying values due to the short-term maturity of these instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. The levels of the fair value hierarchy are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3: Inputs for assets or liabilities that are not based on observable market data.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents. The Company mitigates its exposure to credit loss associated with cash by placing its cash and cash equivalents in a major financial institution.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they are due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due.

At December 31, 2013, the Company has cash and cash equivalents of $285,658 (2012 - $23,288) available to apply against short-term business requirements and current liabilities of $699,737 (2012 - $1,288,965). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2013. Amounts due to related parties and loans from related parties are due on demand.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return on capital.

(i) Currency risk

The Company is exposed to foreign currency risk, as it holds cash denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company is not exposed to significant currency risk on its financial instruments at year-end. The Company's reported earnings include gains/losses on foreign exchange, largely reflecting revaluation of its foreign operations. The future foreign exchange gain or loss would change based on the level of foreign operating activities.

At December 31, 2013, the Company is exposed to currency risk for its US dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Held in US dollars (stated in Canadian dollars)	
	2013	**2012**
Cash	$ 3,780	$ 4,624
Accounts receivable	-	308
Accounts payable	-	(685)
Net financial assets	$ 3,780	$ 4,247

Based upon the above net exposure as at December 31, 2013 and assuming all other variables remain constant, a 6% depreciation or appreciation of the US dollar relative to the Canadian dollar would result in a nominal change in the Company's net loss and comprehensive loss.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates, and therefore the Company does not consider interest rate risk to be significant.

The Company's payables to key management personnel (included in due to related parties) comprise one loan with an interest rate of 5% per annum compounded daily and another loan with an interest rate of prime plus 1%. A 1% change at December 31, 2013 would result in an immaterial change in net loss and comprehensive loss.

(Expressed in Canadian Dollars, unless otherwise stated)

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(e) Market risk (Continued)

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

6. EQUIPMENT

		Computer Equipment		Furniture		Total
Cost						
Balance at December 31, 2011	$	885,313	$	21,400	$	906,713
Disposals		(350,959)		-		(350,959)
Balance at December 31, 2012		534,354		21,400		555,754
Additions		20,530		-		20,530
Disposals		(462,998)		-		(462,998)
Balance at December 31, 2013	$	91,886	$	21,400	$	113,286
Accumulated Amortization						
Balance at December 31, 2011	$	691,520	$	11,849	$	703,369
Amortization expense		46,629		1,744		48,373
Disposals		(284,210)		-		(284,210)
Balance at December 31, 2012		453,939		13,593		467,532
Amortization expense		12,888		1,426		14,314
Disposals		(407,457)		-		(407,457)
Balance at December 31, 2013	$	59,370	$	15,019	$	74,389
Carrying Amounts						
December 31, 2012	$	80,415	$	7,807	$	88,222
December 31, 2013	$	32,516	$	6,381	$	38,897

7. INVESTMENT DEPOSIT

On June 15, 2010, the Company entered into an Advance Payment Agreement by paying a $1,000,000 deposit in respect of an Asset Purchase and Sales Agreement (the “Agreement”) to acquire 99% of a Mexican online gaming company (the “Mexican Gaming Company”), which operates online gaming in Mexico pursuant to Mexican laws.

7. INVESTMENT DEPOSIT (Continued)

The Company entered into the Agreement on March 17, 2011 with certain parties in Mexico. The consideration payable by the Company would have been as follows:

(i) A cash payment of $1,000,000 non-refundable deposit (paid);

(ii) A cash payment of 2,970,000 Mexican pesos on or before March 17, 2014;

(iii) The issuance of 3,750,000 units of the Company. Each unit would have consisted of one common share and one share purchase warrant. Each share purchase warrant would have entitled the holder to purchase one additional common share of the Company at a price of $0.80 in the first year or at a price of $2 in the second year. Each unit would have been subject to hold periods and restrictions on resale in accordance with applicable securities laws, and the policies of the TSX-V;

(iv) An earn-out bonus of one common share of the Company for each US $1.00 of net profit that would have been be earned by the Mexican Gaming Company for a period of three years for a maximum number of 3,750,000 common shares of the Company;

(v) This transaction was subject to the approval of the TSX-V; and

(vi) Finder’s fees would have been payable in respect to this transaction in accordance with the policies of the TSX-V.

As at December 31, 2013 and 2012, the Company had not obtained approval from the TSX-V as required by the terms of the agreement. As a result of the delay, management recorded an impairment provision for the year ended December 31, 2012 of $500,000 (2011 - $500,000) against the investment deposit to bring the carrying value to a recoverable value of $nil.

8. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares and an unlimited number of preferred shares, without par value

(b) Issued and outstanding

Preferred shares

No preferred shares have been issued.

Common shares

During the year ended December 31, 2013, the following share transactions occurred:

- Effective April 4, 2013, the Company consolidated its common shares on the basis of eight pre-consolidated common shares for one post-consolidation common share. All figures as to the numbers of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants as well as loss per share in these consolidated financial statements have been retroactively restated to reflect the consolidation.

8. CAPITAL STOCK (Continued)

(b) Issued and outstanding (Continued)

During the year ended December 31, 2013, the following share transactions occurred (Continued):

- During June 2013, the Company closed the first tranche of the private placement financing, which was announced on June 4, 2013, and issued an aggregate 3,860,000 units at a price of $0.05 per unit for gross proceeds of $193,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. In connection with this first tranche closing, the Company also issued 20,000 common shares fair valued at $1,000 as finder's fee to an arm's length party. All the securities issued had a hold period that expires four months and a day after issuance date.

- During July 2013, the Company closed the second, third and fourth tranches of the private placement financing, which was announced on June 4, 2013, and issued an aggregate 20,567,500 units at a price of $0.05 per unit for gross proceeds of $1,028,375. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. In connection with these tranches closing, the Company paid finder's fees of $41,670 cash, issued 90,000 common shares fair valued at $4,500, issued 47,850 units fair valued at $2,393, issued 79,750 broker warrants fair valued at $3,320 and issued 975,000 compound warrants valued at $120,023. The warrants are exercisable into common shares at a price of $0.075 per share up to 12 months after issuance and thereafter at a price of $0.10 per share until 24 months after issuance. Each compound warrant is exercisable into a unit for a two year period at $0.05 in both years. Each unit comprises of one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. All the securities issued had a hold period that expires four months and a day after issuance date.

- During August 2013, the Company closed the fifth tranche of the private placement financing, which was announced on June 4, 2013, and issued an aggregate 10,449,000 units of the Company's securities at $0.05 per unit for gross proceeds of $522,450. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. In connection with the fifth tranche closing, the Company paid finder's fee of $46,993 cash, issued 701,040 units fair valued at $35,052 and issued 1,594,900 compound warrants fair valued at $258,616 to arm's length parties and the Company has incurred share issue cost of $15,000. All compound warrants are exercisable into units for a two year period at $0.05 in both years. Each unit comprises one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. All the securities issued had a hold period that expires four months and a day after issuance date.

8. CAPITAL STOCK (Continued)

(b) Issued and outstanding (Continued)

During the year ended December 31, 2013, the following share transactions occurred (Continued):

- During October 2013, the Company closed the first and second tranches of the private placement financing, which was announced on September 30, 2013, and issued an aggregate 18,320,000 units of the Company's securities at $0.05 per unit for gross proceeds of $916,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. In connection with the first and second tranches closing, the Company paid finder's fee of $84,000 cash, issued 30,000 common shares fair valued at $1,500 and issued 1,680,000 compound warrants fair valued at $255,936 to an arm's length party. All compound warrants are exercisable into units for a two year period at $0.05 in both years. Each unit comprises of one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. All the securities issued had a hold period that expires four months and a day after issuance date.

- During November 2013, the Company closed the third and final tranche of the non-brokered private placement financing, which was announced on September 30, 2013, and issued an aggregate 1,680,000 units of the Company's securities at $0.05 per unit for gross proceeds of $84,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. In connection with this third tranche closing, the Company paid finder's fee of $3,360 cash, issued 100,800 units fair valued at $5,040 and issued 168,000 compound warrants fair valued at $30,408 to an arm's length party. All compound warrants are exercisable into units for a two year period at $0.05 in both years. Each unit comprises of one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. All the securities issued have a hold period that expires four months and a day after issuance date.

- During November 2013, the Company closed the first and second tranches of the private placement financing, which was announced on October 31, 2013, and issued an aggregate 4,869,385 units of the Company's securities at $0.065 per unit for gross proceeds of $316,510. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. In connection with the first and second tranches closing, the Company paid as finder's fee $29,261 cash, issued 20,000 common shares fair valued at $1,300, issued 15,240 units fair valued at $991 and issued 466,938 compound warrants fair valued at $93,294 to arm's length parties. All compound warrants are exercisable into units for a two year period at $0.065 in both years. Each unit comprises of one common share and one share purchase warrant exercisable at a price of $0.075 up to 12 months after issuance and thereafter at a price of $0.10 until 24 months after issuance. All the securities have a hold period that expires four months and a day after issuance date.

8. CAPITAL STOCK (Continued)

(b) Issued and outstanding (Continued)

During the year ended December 31, 2012, the following share transactions occurred:

- During January 2012, the Company completed the second tranche of a private placement financing, which was announced on December 5, 2011, and issued 325,000 units at a price of $0.40 per unit for gross proceeds of $130,000. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share of the Company at $1.20 until January 25, 2014. Finder's fees paid in connection with the private placement consisted of $13,000 cash, 32,500 common shares of the Company fair valued at $13,000 and 16,250 warrants to purchase a common share at $1.20 until January 25, 2013, fair valued at $1,055.

- During February 2012, the Company completed the third tranche of a private placement financing, which was announced on December 5, 2011, and issued 433,125 units at a price of $0.40 per unit for gross proceeds of $173,250. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share of the Company at $1.20 until February 28, 2014. Finder's fees paid in connection with the private placement consisted of 18,313 common shares of the Company fair valued at $7,325.

- During March 2012, the Company completed the final tranche of a private placement financing, which was announced on December 5, 2011, and issued 250,000 units at a price of $0.40 per unit for gross proceeds of $100,000. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share of the Company at $1.20 until March 30, 2014. Finder's fees paid in connection with the private placement consisted of 25,000 common shares of the Company fair valued at $10,000.

- During October 2012, the Company completed a non-brokered private placement financing, which was announced on September 7, 2013, and issued 3,125,000 units at a price of $0.16 per unit for gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.40 until October 10, 2013, and thereafter at an exercise price of $0.80 until October 10, 2014. Finder's fees paid in connection with the private placement consisted of 311,250 common shares of the Company fair valued at $49,800 and 62,500 finders warrants exercisable at $0.40 per common share in the first year from closing and at an exercise price of $0.80 per common share in the second year from closing fair valued at $5,814.

(Expressed in Canadian Dollars, unless otherwise stated)

8. CAPITAL STOCK (Continued)

(c) Warrants

Warrants activity for the years ended December 2013 and 2012 are as follows

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2011	8,012,250	$ 2.00
Issued	3,707,813	$ 0.88
Expired	(5,871,875)	$ 2.00
Balance, December 31, 2012	5,848,188	$ 1.20
Issued	60,710,565	$ 0.10
Expired	(2,156,625)	$ 1.99
Balance, December 31, 2013	64,402,128	$ 0.14

Compound warrants activity for the years ended December 2013 and 2012 are as follows

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2012	-	$ 0.00
Issued	4,884,838	$ 0.05
Exercised	(20,000)	$ 0.05
Balance, December 31, 2013	4,864,838	$ 0.05

(Expressed in Canadian Dollars, unless otherwise stated)

8. CAPITAL STOCK (Continued)

(c) Warrants (Continued)

At December 31, 2013 and 2012, the following warrants and compound warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants 2013	2012
January 23, 2013	$ 1.20	-	16,250
June 8, 2013	$ 2.00	-	934,125
June 22, 2013	$ 2.00	-	931,250
December 29, 2013	$ 1.20	-	275,000
January 23, 2014	$ 1.20	162,500	162,500
February 28, 2014	$ 1.20	216,563	216,563
March 30, 2014	$ 1.20	125,000	125,000
October 10, 2014	$ 0.80*	3,187,500	3,187,500
June 26, 2015	$ 0.10**	3,860,000	-
July 10, 2015	$ 0.10**	7,100,000	-
July 17, 2015	$ 0.10**	925,100	-
July 24, 2015	$ 0.10**	12,690,000	-
August 9, 2015	$ 0.10**	11,150,040	-
October 3, 2015	$ 0.10**	14,020,000	-
October 22, 2015	$ 0.10**	4,300,000	-
November 5, 2015	$ 0.10**	4,901,800	-
November 18, 2015	$ 0.10**	1,763,625	-
July 24, 2015	$ 0.05***	955,000	-
August 9, 2015	$ 0.05***	1,594,900	-
October 3, 2015	$ 0.05***	1,280,000	-
October 22, 2015	$ 0.05***	400,000	-
November 5, 2015	$ 0.05***	168,000	-
November 5, 2015	$ 0.065***	312,100	-
November 18, 2015	$ 0.065***	154,838	-
	$ 0.14	69,266,966	5,848,188

* Exercisable at $0.40 in the first year and at $0.80 in the second year into common shares of the Company.

** Exercisable at $0.075 in the first year and at $0.10 in the second year into common shares of the Company.

*** These warrants are exercisable into one unit. Each unit consists of one common share and one share purchase warrant. Once exercised, each share purchase warrant is exercisable at $0.075 in the first year and $0.10 in the second year from the date of issuance.

The weighted average remaining contractual life for warrants outstanding at December 31, 2013 is 1.61 (2012 – 1.26) years.

The Company applies the fair value method using option pricing models in accounting for its warrants issued in 2013.

(Expressed in Canadian Dollars, unless otherwise stated)

8. CAPITAL STOCK (Continued)

(c) Warrants (Continued)

The fair value of each warrant and compound warrant issued was calculated using the following weight average assumptions:

	2013	**2012**
Expected life (years)	2.00	N/A
Grant date fair value per share	0.08	N/A
Interest rate	1.16%	N/A
Volatility	224%	N/A
Dividend yield	0.00%	N/A

Expected stock price volatility is based on the historical volatility of the Company to the extent of the expected life of the warrant.

(d) Stock options

Pursuant to the Company's Amended 2004 Plan Stock Option Plan which has received TSX.V approval, the Company grants stock options to employees, directors, officers and consultants. As at December 31, 2013, there are 734,762 (2012 - 163,137) stock options available for granting. The terms of the options are determined at the date of grant.

The following summarizes the officer, director, employee and consultant stock options that were granted, cancelled and expired during the years ended December 31, 2013 and 2012. The options vest 25% on grant and thereafter at 25% every four or six months.

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2011	1,313,625	$ 0.80
Granted	143,750	$ 0.80
Cancelled	(141,250)	$ 0.80
Expired	(156,250)	$ 0.80
Balance, December 31, 2012	1,159,875	$ 0.80
Granted	425,750	$ 0.11
Cancelled	(3,125)	$ 0.80
Expired	(994,250)	$ 0.80
Balance, December 31, 2013	588,250	$ 0.30

(Expressed in Canadian Dollars, unless otherwise stated)

8. CAPITAL STOCK (Continued)

(d) Stock options (Continued)

At December 31, 2013 and 2012, the following stock options were outstanding and exercisable:

Exercise Price	Expiry Date	Outstanding 2013	Exercisable 2013	Outstanding 2012	Exercisable 2012
$ 0.80	March 20, 2013	-	-	100,000	100,000
$ 0.80	May 18, 2013	-	-	772,375	772,375
$ 0.80	June 22, 2013	-	-	125,000	125,000
$ 0.80	April 12, 2014	125,000	125,000	125,000	62,500
$ 0.96	June 1, 2014	18,750	18,750	18,750	18,750
$ 0.80	July 27, 2014	18,750	14,063	18,750	4,688
$ 0.10	February 1, 2015	30,000	7,500	-	-
$ 0.80	January 3, 2016	3,750	1,875	-	-
$ 0.10	August 8, 2016	200,000	50,000	-	-
$ 0.10	August 26, 2016	192,000	48,000	-	-
		588,250	265,188	1,159,875	1,083,313

The weighted average remaining contractual life for options outstanding at December 31, 2013 is 1.91 (2012 - 0.51) years.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. Accordingly, share-based payments of $106 (2012 - $nil) were recognized as salaries expense and $32,292 (2012 - $11,659) was recognized as consulting fees for options granted to consultants.

The fair value of each option grant was calculated using the following weighted average assumptions:

	2013	**2012**
Expected life (years)	1.74	1.63
Grant date fair value per share	0.10	0.08
Interest rate	1.13	1.12%
Volatility	216%	117%
Dividend yield	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

Expected stock price volatility is based on the historical volatility of the Company to the extent of the expected life of the option.

9. OBLIGATION TO ISSUE SHARES

During 2012, the Company received $132,397 on a private placement in advance of the shares being issued.

During 2013, the amount of $7,250 was returned to an investor due to a subscription cancellation and the amount of $125,000 was applied against subscription of shares in a private placement. As at December 31, 2013, the amount of $147 remains in obligation to issue shares.

(Expressed in Canadian Dollars, unless otherwise stated)

10. VIRAL JOINT VENTURE

During 2013, the Company has entered into a joint venture agreement (the “Agreement”) with Viral Network Inc. (“Viral”), whereby Viral shall assist the Company to develop a software product that can be utilized for use in the social media sphere (the “JV Software Product”). Upon the completion of the JV Software Product, the JV Software Product shall be equally owned by the Company and Viral. The Company has issued 1,500,000 common shares in the capital of the Company to Viral fair valued at $112,500 which was recorded as consulting fees in the consolidated statement of comprehensive loss. The Company is obligated to issue an additional 1,500,000 common shares in the capital of the Company to Viral after 12 months from the date when the JV Software Product commences generating its first revenue. All net revenues that shall be generated from the JV Software Product shall be equally shared by the Company and Viral. This transaction has received TSX-V approval.

11. RESEARCH AND DEVEOLPMENT

The Company’s included research and development costs in salaries and benefits in the consolidated statement of comprehensive loss for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Administrative salaries and benefits	$ 287,565	$ 265,180
Research and development salaries	622,075	714,925
Platform recoveries	(218,755)	-
	$ 690,885	$ 980,105

In February 2013, the Company entered into a one-time agreement with a third party to develop a software platform (the “Platform”).Terms of the agreement includes the third party reimbursing the Company development and customization expenditures towards the platform. Once the development of the Platform is completed, the Company and the third party are entitled to share the net profits from future revenues. Funds of $218,755 have been offset against salaries and benefits in the consolidated statements of comprehensive loss. During the year ended December 31, 2013, the Company terminated the agreement due to delayed payments from the third party. All recorded reimbursements during the year ended December 31, 2013 have been received.

12. RELATED PARTY TRANSACTIONS

Amounts due from related parties are unsecured, due on demand without interest and consist of the following:

	2013	2012
An entity with common directors	$ -	$ 44,973

Amounts due to related parties are unsecured, payable on demand and consist of the following:

	2013	2012
An entity controlled by key management personnel	$ -	$ (110,880)
Key management personnel	(324,513)	(562,937)
An entity with common directors	(54,088)	(69,440)
	$ (378,601)	$ (743,257)

(Expressed in Canadian Dollars, unless otherwise stated)

12. RELATED PARTY TRANSACTIONS (Continued)

During the year ended December 31, 2012, the Company entered into two credit facilities with two directors, whereby the Company may draw-down up to $170,000 from each of the two facilities ($340,000 in the aggregate) as and when needed by the Company. Amounts advanced under the facilities bear interest at 5% per annum and are due on demand. As at December 31, 2013, the Company has drawn $300,000 (2012 - $300,000) from these two credit facilities. Included in loans from related parties is accrued interest of $24,513 (2012 - $9,329) related to these two credit facilities.

As of December 31, 2012, included in loans from related parties is $253,608 in unsecured advances due on demand, with an interest rate of prime plus 1%.

The amounts due to related parties do not bear interest.

		2013		2012
Rent charged by entities with common directors	$	83,753	$	72,000
Rent recovered from entities with common directors	$	-	$	2,400
Office and other expenses recovered from entities with common directors	$	126,108	$	68,449
Interest charged on amounts due to related parties	$	25,927	$	12,946

The remuneration of key management personnel during the year is as follows:

		2013		2012
Management fees	$	396,000	$	396,000
Short-term benefits		85,061		60,941
Total key management personnel compensation	$	481,061	$	456,941

13. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 25.75% (2012 - 25.00%) to income before income taxes. The reasons for the differences are as follows:

		2013		2012
Loss before income taxes	$	(2,237,706)	$	(2,675,213)
Statutory income tax rate		25.75%		25.00%
Income tax benefit computed at statutory tax rate		(576,209)		(668,803)
Items not deductible for income tax purposes		22,013		5,542
Change in timing differences		(3,644)		(98,501)
Effect of change in tax rate		(236,181)		-
Differences attributable to income tax rates of other countries		764,503		408
Unrecognized benefit of deferred income tax assets		29,518		761,354
Deferred income tax expense (recovery)	$	-	$	-

(Expressed in Canadian Dollars, unless otherwise stated)

13. INCOME TAXES (Continued)

Effective April 1, 2013, the British Columba provincial tax rate increased from 10.00% to 11.00% and the Canadian federal corporate tax rate remained unchanged at 15.00%. The overall increase in tax rates has resulted in an increase in the Company's statutory tax rate from 25.00% to 25.75%.

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of December 31 are as follows:

	2013	2012
Excess of unused exploration expenditures for Canadian tax purposes over carrying value of mineral property interests	$ 268,000	$ 268,000
Excess of undepreciated capital cost over carrying value of equipment	2,730,000	2,665,000
Excess of tax cost over carrying value of investment deposit	1,000,000	1,000,000
Share issuance costs	302,000	198,000
Non-capital losses carried forward	18,053,000	19,023,000
Net capital losses carried forward	1,209,000	1,209,000
Unrecognized deductible temporary differences	$ 23,562,000	$ 24,363,000

The Company's unrecognized unused non-capital losses have the following expiry dates:

2014	$ 87,000
2026	687,000
2027	3,875,000
2028	3,503,000
2029	2,935,000
2030	2,520,000
2031	2,405,000
2032	2,041,000
	$ 18,053,000

The Company has available approximate net capital losses of $1,209,000 that may be carried forward indefinitely.

14. COMMITMENTS

(a) The Company entered into an agreement for management services (the "Agreement") with Kalpakian Bros. of B.C. Ltd. ("Kalpakian Bros."), a private company owned by two directors of the Company. The Company is entitled to receive management services from Kalpakian Bros. at a monthly rate of $33,000 plus applicable taxes. The Agreement has been renewed effective as of July 1, 2010 for a term of five years. Kalpakian Bros. is also entitled to reimbursement for all traveling and other expenses incurred by it in connection with performing its services. If the Agreement is terminated by the Company other than for just cause, or is terminated by Kalpakian Bros. for good reason, then Kalpakian Bros. is entitled to be paid the annual remuneration for the unexpired term of the Agreement and is also entitled to immediate vesting of all unvested stock options. Kalpakian Bros. may terminate the Agreement on giving four months' notice.

(b) The Company entered into an agreement for office support services with High 5 Ventures Inc. ("High 5"), a public company with common directors. Under the agreement, the Company has committed to provide office support services for $7,000 plus applicable taxes per month. The agreement expires April 30, 2014. The agreement can be terminated by either party upon giving three months' written notice.

(c) The Company entered into an agreement for office support services with Green Arrow Resources Inc. ("Green Arrow"), a public company with common directors. Under the agreement, the Company has committed to provide office support services for $5,000 plus applicable taxes per month. The agreement expires April 30, 2014. The agreement can be terminated by either party upon giving three months' written notice.

(d) The Company, together with High 5 and Green Arrow, has entered into a sub-lease agreement with an arm's length party for office space, which expires July 30, 2014. Under the sub-lease agreement, the three companies are required to pay a base rent of $5,687 plus property and operating expenses for the leased premises. Effective as of May 1, 2013, Green Arrow pays the rent for the leased premises and charges the Company $6,268 per month for basic rent, operating costs and applicable taxes.

(e) The Company entered into an investor relations service agreement with Transcend Resources Group ("Transcend") of Vancouver. Under the agreement, the Company is obligated to pay Transcend $5,000 plus applicable taxes per month. The agreement expires July 15, 2014.

15. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' deficiency and loans.

The Company's objective when managing capital is to maintain adequate levels of funding support for the development and marketing of the Company's online multi-player interactive games while maintaining the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds on acceptable terms in the future. There were no changes to the Company's approach to capital management during the year ended December 31, 2013. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars, unless otherwise stated)

16. SUPPLEMENTAL CASH FLOW INFORMATION

		2013		2012
Cash and Cash Equivalents consists of:				
Cash	$	268,408	$	6,038
Term deposit (interest rate of 0.75% maturing July 29, 2014)		17,250		17,250
	$	285,658	$	23,288

		2013		2012
Supplemental information				
Non-cash items				
Share subscriptions converted to capital stock	$	(125,000)	$	-
Reclassification of reserves on exercise of warrants	$	2,461	$	-
Interest paid	$	-	$	-
Income taxes paid	$	-	$	-

17. OPERATING SEGMENT

The Company has one operating segment, the licensing of gaming software. All assets are located in Canada.

18. EVENTS AFTER THE REPORTING PERIOD

The following events occurred after December 31, 2013:

(a) On January 30, 2014, the Company closed a non-brokered private placement financing and issued an aggregate 14,375,000 units of the Company's securities at $0.08 per unit for gross proceeds of $1,150,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.10 per share up to January 30, 2016. In connection with this closing, the Company has paid as finder's fee $10,000 cash, has issued 125,000 warrants and has issued a total of 1,142,500 units to three arm's length parties as finder's fees. All the securities issued are subject to a hold period of four months and a day from the issuance date;

(b) On March 25, 2014, the Company closed a non-brokered private placement financing and issued an aggregate 15,000,000 units of the Company's securities at $0.08 per unit for gross proceeds of $1,200,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.10 per share up to March 25, 2016. In connection with the private placement, the Company has paid as finder's fees $102,000 cash, issued 1,280,000 compound warrants, and 98,250 warrants to arm's length parties and the Company has incurred share issue cost of $500. Each compound warrant is exercisable at $0.08 per unit for two years. Each unit comprises of one common share and one share purchase warrant exercisable at $0.10 for two years. All the securities issued are subject to a hold period of four months and a day from the issuance date;

(c) 100,000 stock options exercisable at $0.10 per share have been granted to a consultant with a two year term, 400,000 stock options exercisable at $0.10 per share have been granted to a consultant with a three year term and 75,000 stock options exercisable at $0.12 per share have been granted to a consultant with a two year term;

18. EVENTS AFTER THE REPORTING PERIOD (Continued)

(d) 75,000 warrants were exercised at $0.075 for gross proceeds of $5,625;

(e) 504,063 warrants with an exercise price of $1.20 expired unexercised;

(f) 125,000 stock options with an exercise price of $0.80 expired unexercised;

(g) The Company entered into an investor and financial relations agreement with the Howard Group of Calgary, Alberta. Under the agreement, the Company is obligated to pay the Howard Group $7,500 plus applicable taxes per month. Furthermore, the Company issued to the Howard Group 800,000 incentive stock options exercisable at $0.10 per share for a period of three years (of which 400,000 stock options will be released upon receipt of shareholder approval at the Company's upcoming annual general meeting). The agreement expires March 15, 2015;

(h) The Company has entered into an Advisory Agreement (the "Agreement") with Kingsdale Capital Markets Inc. of Toronto, Ontario ("Kingsdale"). Under the Agreement, Kingsdale will act as the Company's strategic market advisor on a non-exclusive basis for a period of twelve months. The remuneration payable to Kingsdale is $120,000 plus applicable taxes. In addition, the Company shall issue to Kingsdale 1,500,000 common shares and 1,500,000 warrants exercisable into one common share for a period of three years. The common shares and warrants will be issued in stages. The Agreement is subject to the approval of the TSX-V;

(i) In respect to the two credit facilities which were entered into by the Company and the two directors during the year ended December 31, 2012, on April 1, 2014 the Company has repaid the principal amounts totalling $300,000 plus $28,027 accrued interest to the two directors; and

(j) The Company has entered into an Asset Purchase Agreement with BaddaMedia Inc. of Vancouver, BC ("Badda") whereby the Company has agreed to purchase from Badda a copy of certain assets related to online slot machine games that have been developed by Badda. The consideration payable by the Company to Badda shall be 229,167 common shares in the capital of the Company. This transaction is subject to the approval of the TSX-V.