LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.

Condensed Interim Financial Statements
Six months ended June 30, 2014 and 2013
(Expressed in Canadian Dollars)

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at June 30, 2014 and for the six months ended June 30, 2014 and 2013.

LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.
Condensed Interim Balance Sheets
(Expressed in Canadian Dollars)

		June 30, 2014		December 31, 2013
Assets				
Current				
Cash and cash equivalents	$	629,345	$	285,658
Accounts receivable		39,977		18,760
Due from related parties (note 8)		57,714		-
Prepaid expenses		25,000		-
		752,036		304,418
Equipment		53,061		38,897
Total Assets	$	805,097	$	343,315
Liabilities				
Current				
Accounts payable and accrued liabilities	$	196,291	$	320,989
Due to related parties (note 8)		-		54,088
Loans from related parties (note 8)		-		324,513
Obligation to issue shares		-		147
Total Liabilities		196,291		699,737
Shareholders' Equity (Deficiency)				
Capital Stock (note 6)		41,168,111		39,119,306
Reserves (note 6)		1,135,984		814,715
Deficit		(41,695,289)		(40,290,443)
Total Shareholders' Equity (Deficiency)		608,806		(356,422)
Total Liabilities and Shareholders' Equity	$	805,097	$	343,315

On behalf of the Board:

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

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

LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.
Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	**2014**	2013
Revenues				
Sales	$ **4,367**	$ 4,916	$ **7,781**	$ 9,408
Licensing	**21,340**	-	**49,025**	-
	25,707	4,916	**56,806**	9,408
Expenses (Income)				
Advertising and promotion	**-**	820	**3,399**	820
Amortization	**3,145**	3,472	**5,701**	9,645
Consulting fees	**340,049**	25,257	**537,946**	46,788
Foreign exchange loss (gain)	**49**	636	**3,161**	(1,951)
Loss (gain) on disposal of equipment	**-**	55,541	**2,748**	55,541
Interest and other income	**(64)**	(77)	**(408)**	(77)
Legal, accounting and audit	**8,103**	21,237	**36,211**	60,711
Management fees (note 7)	**99,000**	99,000	**198,000**	198,000
Regulatory and transfer agent fees	**2,713**	5,982	**4,489**	12,240
Rent, office and miscellaneous	**7,675**	35,202	**42,783**	69,527
Salaries and benefits	**280,012**	210,109	**537,342**	310,138
Shareholder communications	**-**	932	**-**	2,761
Travel, meals and entertainment	**62,948**	14,175	**105,614**	60,577
	803,630	472,286	**1,476,986**	824,720
Net Loss and Comprehensive Loss for the Period	$ **(777,923)**	$ (467,370)	$ **(1,420,180)**	$ (815,312)
Basic and Diluted Loss per common share	$ **(0.01)**	$ (0.02)	$ **(0.01)**	$ (0.03)
Weighted average number of common shares outstanding	**122,643,088**	29,384,938	**112,806,485**	29,300,135

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

	Capital Stock		Reserves			Total
	Common Shares	Amount	Warrants	Options	Deficit	Shareholders' Equity (Deficiency)
Balance, January 1, 2013	29,214,389	$ 36,925,290	$ 39,915	$ 473,752	$ (38,543,223)	$ (1,104,266)
Net loss for the period	-	-	-	-	(815,312)	(815,312)
Private placement, net of issuance costs	3,880,000	192,600				192,600
Expiry of warrants	-	-	(34,101)	-	34,101	-
Expiry of options	-	-	-	(445,253)	445,253	-
Cancellation of options	-	-	-	(1,602)	1,602	-
Share-based payment	-	-	-	(1,376)	-	(1,376)
Balance, June 30, 2013	33,094,389	37,117,890	5,814	25,521	(38,877,579)	(1,728,354)
Net loss for the period	-	-	-	-	(1,422,394)	(1,422,394)
Private placement, net of issuance costs	56,890,815	1,885,455	761,597	-	-	2,647,052
Issuance of shares upon agreement (note 7)	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 options	-	-	-	(9,530)	9,530	-
Share-based payment	-	-	-	33,774	-	33,774
Balance, December 31, 2013	91,505,204	39,119,306	764,950	49,765	(40,290,443)	(356,422)
Net loss for the period	-	-	-	-	(1,420,180)	(1,420,180)
Private placement, net of issuance costs	30,615,750	1,948,680	288,420	-	-	2,237,100
Issuance of shares upon agreements	604,167	58,125	-	-	-	58,125
Exercise of warrants	560,000	42,000	-	-	-	42,000
Expiry of options	-	-	-	(15,334)	15,334	-
Share-based payment	-	-	-	48,183	-	48,183
Balance, June 30, 2014	123,285,121	$ 41,168,111	$ 1,053,370	$ 82,614	$ (41,695,289)	$ 608,806

See notes to financial statements.

LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

	June 30, 2014	June 30, 2013
Operating Activities		
Net loss	$ (1,420,180)	$ (815,312)
Items not affecting cash		
Amortization	5,701	9,645
Effect of foreign currency translation on cash	3,161	(1,951)
Shares issued for advisory agreement (note 6(b))	37,500	-
Share-based payment	48,183	(1,376)
Loss on disposal of equipment	2,748	55,541
	(1,322,887)	(753,453)
Changes in non-cash working capital		
Accounts receivable	(21,217)	11,613
Due from/to related parties	(111,802)	140,838
Prepaid expenses	(25,000)	4,805
Accounts payable and accrued liabilities	(124,845)	67,825
Loan payable	-	4,999
	(282,864)	230,080
Cash Used in Operating Activities	(1,605,751)	(523,373)
Financing Activities		
Issuance of common shares and warrants issued, net of share issuance costs	2,279,100	192,600
Loans from related parties	(324,513)	287,883
Share subscriptions	-	12,750
Cash Provided by Financing Activities	1,954,587	493,233
Investing Activities		
Purchase of equipment	(1,988)	(9,708)
Cash Provided by (Used in) Investing Activities	(1,988)	(9,708)
Effect of Foreign Currency Translation on Cash	(3,161)	1,951
Net Change in Cash and Cash Equivalents	343,687	(37,897)
Cash and Cash Equivalents, Beginning of Period	285,658	23,288
Cash and Cash Equivalents (Cheques issued in Excess of Funds on Deposit), End of Period	$ 629,345	$ (14,609)

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 and its registered office is located at Suite 1600 - 609 Granville Street, Vancouver, British Columbia, Canada, V7Y 1C3.

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 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 a net loss and comprehensive loss of $1,420,180 during the past six months (June 30, 2013: $815,312) and has incurred significant operating losses over the past two fiscal years (2013 - $2,237,706; 2012 - $2,675,213). The Company 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, and is seeking to raise the necessary capital to meet its funding requirements. 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 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 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)

(a) Statement of compliance (Continued)

These condensed interim financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements.

(b) Basis of measurement

These 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 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 to all years present in these financial statements.

(c) Approval of the financial statements

The financial statements of LVFH for the six months ended June 30, 2014 were approved and authorized for issue by the Board of Directors on August 29, 2014.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(e) Significant accounting judgments, estimates and assumptions

The preparation of the 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 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:

3. BASIS OF PRESENTATION (Continued)

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

- 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.

- 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 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) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) 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)

(b) 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 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.

(c) 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)

(d) 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 statements of operations.

(e) 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.

(f) 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.

(g) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the 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.

(h) 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)

(i) 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 financial statements.

(j) 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.

(k) 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.

(l) 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)

(m) 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 June 30, 2014, the Company has cash and cash equivalents of $629,345 (June 30, 2013: cheques issued in excess of funds on deposit $14,609) available to apply against short-term business requirements and current liabilities of $196,291 (June 30, 2013: $1,758,287). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of June 30, 2014. 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 June 30, 2014. The Company's reported earnings include gains/losses on foreign exchange.

(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.

(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. CAPITAL STOCK

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 financial statements have been retroactively restated to reflect the consolidation.

(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.

6. CAPITAL STOCK (Continued)

Common shares

During the six months ended June 30, 2014, the following share transactions occurred:

- 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 broker warrants fair valued at $9,983 and has issued a total of 1,142,500 units fair valued at $91,400 to three arm's length parties. All the securities issued are subject to a hold period of four months and a day from the issuance date.

- 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 $102,400 cash, issued 1,280,000 compound warrants fair valued at $278,437, and 98,250 units fair valued at $7,860 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.

- On May 6, 2014 the Company issued a total of 229,167 common shares in the capital of the Company valued at $20,625 in respect to the Asset Purchase Agreement which was entered into by the Company with BaddaMedia Inc. of Vancouver, BC ("Badda").

- On May 6, 2014, the Company issued 375,000 common shares in the capital of the Company (first tranche) valued at $37,500 in respect to the Advisory Agreement (the "Agreement") entered into with Kingsdale Capital Markets Inc. of Toronto, Ontario ("Kingsdale"). Under the Agreement, the Company has agreed to issue a total of 1,500,000 common shares ("LVFH Shares") and 1,500,000 compensation warrants ("LVFH Compensation Warrants") to Kingsdale. Each LVFH Compensation Warrant will have a three year expiry term and will be exercisable into one LVFH common share at $0.105 per common share. The LVFH Shares and the LVFH Compensation Warrants will be issued in stages.

6. CAPITAL STOCK (Continued)

(b) Issued and outstanding (Continued)

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

- 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 expired 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 the closings of these tranches, 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 expired 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 expired four months and a day after issuance date.

6. 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 expired 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 had a hold period that expired 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 closings of the first and second tranches, 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 had a hold period that expired four months and a day after issuance date.

(Expressed in Canadian Dollars, unless otherwise stated)

6. CAPITAL STOCK (Continued)

(c) Warrants

Warrants activity for the six months ended June 30, 2014 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2013	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
Issued	32,240,750	$0.10
Exercised	(560,000)	$0.10
Expired	(504,063)	$1.20
Balance, June 30, 2014	95,578,815	$0.12

Compound warrants activity for the six months ended June 30, 2014 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2013	-	$ 0.00
Issued	4.884.838	$ 0.05
Exercised	(20,000)	$ 0.05
Balance, December 31, 2013	4,864,838	$ 0.05
Issued	1,280,000	$ 0.08
Balance, June 30, 2014	6,144,838	$ 0.06

At June 30, 2014 and 2013, the following warrants and compound warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants **2014**	**2013**
December 29, 2013	$ 1.20	-	275,000
January 23, 2014	$ 1.20	-	162,500
February 28, 2014	$ 1.20	-	216,563
March 30, 2014	$ 1.20	-	125,000
October 10, 2014	$ 0.80*	3,187,500	3,187,500
June 26, 2015	$ 0.10**	3,460,000	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	-

(Expressed in Canadian Dollars, unless otherwise stated)

6. CAPITAL STOCK (Continued)

(c) Warrants (Continued)

October 3, 2015	$ 0.10**	14,010,000	-
October 22, 2015	$ 0.10**	4,150,000	-
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	-
January 30, 2016	$ 0.10****	15,642,500	-
March 25, 2016	$ 0.08*****	1,280,000	-
March 25, 2016	$ 0.10****	15,098,250	-
May 6, 2017	$ 0.10	1,500,000	-
	$ 0.12	101,723,653	7,826,563

* 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.

**** Exercisable at $0.10 for two years 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 $0.10 for two years from the date of issuance.

(d) Stock options

Pursuant to the Company's Amended 2004 Stock Option Plan which has received TSX.V approval, the Company grants stock options to employees, directors, officers and consultants. As at June 30, 2014, there are 203,512 (Jun 30, 2013 – 1,156,762) 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 period ended June 30, 2014 and 2013. The options vest 25% on grant and thereafter at 25% every four or six months.

(Expressed in Canadian Dollars, unless otherwise stated)

6. CAPITAL STOCK (Continued)

(d) Stock options (Continued)

	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2013	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
Granted	675,000	$ 0.10
Expired	(143,750)	$0.82
Balance, June 30, 2014	1,119,500	$ 0.12

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 $10 (June 30, 2013: $81) were recognized as salaries expense and share based payment of $48,173 (June 30, 2013 – share-based payment recovery of $1,457) was recognized as consulting fees for options granted to consultants.

7. VIRAL JOINT VENTURE

During 2013, the Company 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 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.

8. RELATED PARTY TRANSACTIONS

The Company shares office space and certain expenses with 37 Capital Inc. (formerly High 5 Ventures Inc.) ("37 Capital") and Green Arrow Resources Inc. ("Green Arrow"), companies related by common key management personnel.

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

	June 30, 2014	**June 30, 2013**
An entity controlled by key management personnel	$ -	$ (165,305)
Key management personnel	-	(635,990)
Entities with common directors	57,714	(325,710)
	$ 57,714	$ (1,127,005)

(Expressed in Canadian Dollars, unless otherwise stated)

8. RELATED PARTY TRANSACTIONS (Continued)

During the year ended December 31, 2012, the Company entered into two credit facilities with two directors, whereby the Company could have drawn-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 bore interest at 5% per annum and were due on demand. The Company drew down $300,000 from these two credit facilities. On April 1, 2014, the Company repaid the principal amounts totaling $300,000 plus $28,027 accrued interest to the two directors.

The amounts due to related parties do not bear interest.

	June 30, 2014	June 30, 2013
Rent charged by entities with common directors	$ 35,815	$ 47,938
Office and other expenses recovered from entities with common directors	$ 74,420	$ 49,424
Interest charged on amounts due to related parties	$ 3,699	$ 15,632

During the six months ended June 30, 2014, the Company has paid management fees totaling $198,000 to a company owned by two directors (June 30, 2013: $198,000).

9. COMMITMENTS

(a) The Company has 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 has an agreement for office support services with 37 Capital, a public company with common directors. Under the agreement, the Company is committed to provide to 37 Capital office support services for $7,000 plus applicable taxes per month. The agreement expires April 30, 2015. The agreement can be terminated by either party upon giving three months’ written notice.

(c) The Company has an agreement for office support services with Green Arrow Resources Inc. (“Green Arrow”), a public company with common directors. Under the agreement, the Company is committed to provide to Green Arrow office support services for $5,000 plus applicable taxes per month. The agreement expires April 30, 2015. The agreement can be terminated by either party upon giving three months’ written notice.

(d) The Company, together with 37 Capital and Green Arrow, have 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.

9. **COMMITMENTS** (Continued)

(e) The Company has 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.

(f) The Company has 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 has 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.

(g) 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 cash remuneration payable to Kingsdale is $120,000 plus applicable taxes (paid). In addition, the Company shall issue to Kingsdale 1,500,000 common shares and 1,500,000 compensation warrants exercisable into one common share at $0.105 per common share for a period of three years. The common shares and compensation warrants will be issued in stages.

10. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' equity (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 period ended June 30, 2014. The Company is not subject to externally imposed capital requirements.

11. EVENTS AFTER THE REPORTING PERIOD

The following events occurred after June 30, 2014:

a) During July 2014, 165,000 compound warrants were exercised at $0.05 per share for proceeds of $8,250;

b) During July 2014, a total of 18,750 stock options exercisable at $0.80 per share granted to a consultant have expired unexercised.

c) During July and August 2014, an aggregate of 4,565,000 warrants were exercised at $0.075 per share for proceeds of $342,375.

d) The Company, together with 37 Capital and Green Arrow, have entered into an office lease agreement with an arm's length party (the "Lease"). The Lease has a one year term with a commencement date of August 1, 2014. Under the Lease, the three companies are required to pay monthly basic rent of $7,769.25 plus property and operating expenses. In respect to the Lease, the Company has paid a deposit in the amount of $10,000.