Kuuhubb Inc.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at and for the three and nine months ended March 31, 2018
(Expressed in U.S. dollars)

NOTICE TO READER

These interim condensed consolidated financial statements of Kuuhubb Inc. as at and for the three and nine months ended March 31, 2018 have been prepared by management of Kuuhubb Inc. The auditors of Kuuhubb Inc. have not audited or reviewed these interim condensed consolidated financial statements.

Contents

Kuuhubb Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in U.S. dollars) (unaudited)

	Notes	March 31, 2018	June 30, 2017 (Restated - Note 2(e))
		$	$
Assets			
Current Assets			
Cash		**1,444,615**	3,850,826
Due from related parties	7	**-**	16,714
Prepaid expenses and other receivables	9	**3,986,740**	348,371
Government tax credits receivable		**128,646**	97,246
Total Current Assets		**5,560,001**	4,313,158
Non-Current Assets			
Property and equipment	8	**142,962**	-
Intangibles	6	**2,584,440**	1,594,200
Goodwill	6	**20,377,541**	12,280,377
Total Non-current Assets		**23,104,943**	13,874,577
Total Assets		**28,664,944**	18,187,735
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	5	**3,209,191**	2,186,137
Deferred revenue		**38,931**	-
Due to related parties	7	**105,551**	327,660
Loans	11	**279,517**	2,178,532
Convertible debenture	10	**1,063,949**	-
Total Current Liabilities		**4,697,139**	4,692,329
Non-current Liabilities			
Loans	11	**259,694**	-
Due to related parties	7	**616,000**	-
Convertible debenture	10	**-**	1,074,060
Total Non-current Liabilities		**875,694**	1,074,060
Total Liabilities		**5,572,833**	5,766,389
Shareholders' Equity			
Share capital	12	**22,635,779**	10,896,276
Contributed surplus		**7,049,047**	4,308,680
Cumulative translation adjustment		**2,575,586**	54,843
Deficit		**(9,168,302)**	(2,838,453)
Total Shareholders' Equity		**23,092,110**	12,421,346
Total Liabilities and Shareholders' Equity		**28,664,944**	18,187,735
Continuation of Business	1		
Commitments and Contigencies	15		
Subsequent Events	16		

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

(Expressed in U.S. dollars) (unaudited)

	Notes	Three months ended March 31, 2018	Three months ended March 31, 2017	Nine months ended March 31, 2018	Nine months ended March 31, 2017
		$	$	$	$
Revenue		**6,671,448**	-	**15,859,508**	-
Cost of sales		**2,421,584**	-	**5,502,208**	-
Gross margin		**4,249,865**	**-**	**10,357,300**	**-**
Operating expenses					
Consulting and professional fees		**237,780**	21,536	**693,652**	188,754
General and administrative		**1,103,253**	115,352	**2,972,648**	312,721
Sales and marketing		**2,981,991**	-	**8,606,688**	-
Depreciation and amortization	6,8	**203,128**	-	**406,365**	-
Share-based compensation		**835,682**	-	**1,617,229**	-
Impairment of goodwill	6	**2,456,075**	-	**2,456,075**	-
Foreign exchange (gain)/loss		**(117,985)**	(1,317)	**(65,509)**	4,341
Total operating expenses		**(7,699,925)**	(135,572)	**(16,687,148)**	(505,816)
Operating loss		**(3,450,060)**	(135,572)	**(6,329,849)**	(505,816)
Net loss		**(3,450,060)**	(135,572)	**(6,329,849)**	(505,816)
Translation gain		**1,508,242**	-	**2,520,743**	-
Comprehensive loss		**(1,941,818)**	(135,572)	**(3,809,106)**	(505,816)
Basic loss per share	12c	**(0.07)**	(0.01)	**(0.14)**	(0.03)
Weighted average number of common shares outstanding		**51,261,575**	16,512,825	**46,633,033**	16,173,540

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

Kuuhubb Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in U.S. dollars) (unaudited)

	Notes	Common Shares		Contributed Surplus	Cumulative Translation Adjustment	Deficit	Total Shareholders' equity
		Number of Shares (Note 12)	Amount $	$	$	$	$
Balance at June 30, 2016		15,390,825	94,110,251	6,618,812	-	(102,261,116)	(1,532,054)
Net loss		-	-	-	-	(505,816)	(505,816)
Issuance of shares (net of costs)	12a	1,122,000	424,854	(95,652)	-	-	329,202
Reduction of stated capital	12a	-	(94,445,033)	(6,523,160)	-	100,968,192	-
Balance at March 31, 2017		16,512,825	90,072	-	-	(1,798,740)	(1,708,668)
Net loss		-	-	-	-	(1,039,713)	(1,039,713)
Translation adjustment		-	-	-	54,843	-	54,843
Issuance of shares (net of costs)	12a	17,393,750	10,806,203	-	-	-	10,806,203
Share-based payments	13	-	-	2,335,689	-	-	2,335,689
Payment warrants	12b	-	-	1,911,370	-	-	1,911,370
Broker warrants	12b	-	-	61,621	-	-	61,621
Balance at June 30, 2017		33,906,575	10,896,276	4,308,680	54,843	(2,838,453)	12,421,346
Net loss		-	-	-	-	(6,329,849)	(6,329,849)
Translation adjustment		-	-	-	2,520,743	-	2,520,743
Issuance of shares (net of costs)	12a	16,445,000	11,201,488	-	-	-	11,201,488
Warrants exercised	12a,b	1,365,000	538,015	-	-	-	538,015
Shares to be issued for proceeds received from warrant exercise	16	-	-	359,116	-	-	359,116
Broker warrants	12b	-	-	729,980	-	-	729,980
Share-based payments		-	-	1,617,229	-	-	1,617,229
Government loan assistance	11	-	-	34,043	-	-	34,043
Balance at March 31, 2018		51,716,575	22,635,779	7,049,047	2,575,586	(9,168,302)	23,092,110

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

Kuuhubb Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. dollars) (unaudited)

	Nine months ended March 31, 2018	Nine months ended March 31, 2017
	$	$
Cash flows from operating activities		
Net loss	**(6,329,849)**	(505,816)
Non-cash item		
Depreciation and amortization	**406,365**	-
Share-based compensation	**1,617,229**	-
Impairment of goodwill	**2,456,075**	-
Changes in non-cash working capital	**(3,020,876)**	116,349
Net cash used in operating activities	**(4,871,055)**	(389,467)
Cash flows from financing activities		
Proceeds from share subscriptions		
net of cash share issuance costs	**11,931,468**	312,724
Warrants exercised	**897,131**	-
Related party (net)	**410,605**	44,238
Loan repayment	**(1,283,014)**	-
Net cash provided by financing activities	**11,956,190**	356,962
Cash flows from investing activities		
Consideration for the business combinations	**(9,839,130)**	-
Cash acquired from business combinations	**288,972**	-
Addition of property and equipment	**(157,815)**	-
	(9,707,973)	-
Effect of change in foreign exchange rate	**216,627**	(1,847)
Net increase/(decrease) in cash during the period	**(2,406,211)**	(34,352)
Cash, beginning of the period	**3,850,826**	36,551
Cash, end of the period	**1,444,615**	2,199

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

1. CORPORATE INFORMATION AND GOING CONCERN

The principal business of Kuuhubb Inc. ("Kuuhubb" or the "Company") is to acquire, develop and distribute a portfolio of products in the digital entertainment space that focuses mainly on lifestyle applications and mobile video gaming. Kuuhubb's objective is to create sustainable shareholder value through acquisition of proven, yet under-appreciated assets with long-term global potential. Kuuhubb grows its portfolio through a unique combination of growth engines: market insight, publishing, global presence and brand partnerships.

These interim condensed consolidated financial statements as at and for the three and nine months ended March 31, 2018 include the accounts of the Company and of its wholly-owned subsidiary Kuuhubb Oy, incorporated in Finland. Kuuhubb Oy has five wholly-owned subsidiaries, Kemojo Kuuhubb Studios Inc. ("Kemojo"), Recolor Oy, Neybers AB, Kuuhubb Publishing BV and Recolor India Private Limited. Kemojo is incorporated under the Business Corporations Act (British Columbia) and is engaged in the development, marketing and distribution of online games for mobile, PC and tablet platforms, and providing related services. Recolor is a Finnish lifestyle application company that created the digital coloring book application called Recolor. Neybers is an interior design game created by a Swedish start-up based in Stockholm and fits well with Kuuhubb's strategy of building a portfolio of female oriented niche lifestyle community and design applications. Kuuhubb Publishing BV is a Dutch mobile game/app publishing company that is tasked with all publishing activities for Kuuhubb Oy's portfolio of titles. Recolor India Private Limited was incorporated in March 2018 and is planned to be the entity carrying on the business activities of the Incolour application.

The Company is a publicly traded company whose outstanding common shares are listed for trading on the TSX Venture Exchange. The registered office of the Company is located at 1 First Canadian Place, 100 King Street West, Suite 7070, Toronto, Ontario, M5X 1E3, Canada. The head office of the Company's subsidiary, Kuuhubb Oy, is located at Kalevankatu 12, 00100 Helsinki, Finland.

The Company incurred a net loss of $3,450,060 and $6,329,849 for the three and nine months ended March 31, 2018, respectively (three and nine months ended March 31, 2017: net loss of $135,572 and $505,816 respectively) and as at March 31, 2018 had working capital of $862,862 and a deficit of $9,168,302 (as at June 30, 2017: working capital deficit of $379,171 and a deficit of $2,838,453).

The Company's ability to continue operations in the normal course of business is dependent on several factors, including its ability to generate revenues and positive cash flows from operations, and secure additional funding. These factors represent material uncertainties which cast significant doubt about the ability of the Company to continue as a going concern.

These interim condensed consolidated financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, classification of certain liabilities and changes to the statements of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

a) Statement of compliance

These interim condensed consolidated financial statements as at and for the three and nine month periods ended March 31, 2018 have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The disclosure contained in these interim condensed consolidated financial statements does not include all the requirements in IAS 1 Presentation of Financial Statements ("IAS 1"). Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended June 30, 2017, which include information necessary to understand the Company's business and financial statement presentation.

b) Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are presented at fair value. These financial statements have also been prepared on an accrual basis except for cash flow information.

c) Summary of Significant Accounting Policies

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as presented in Note 3 of the annual consolidated financial statements of the Company as at and for the year ended June 30, 2017, except for those newly adopted accounting standards noted below.

d) Use of estimates and judgments

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

e) Presentation currency

Effective October 1, 2017, the Company's financial statements presentation currency was changed to the United States dollar ("USD" or "$") from Canadian dollars. The change in presentation currency has been applied to the consolidated financial statements for the three and nine months ended March 31, 2018 using the current rate method. As the Company now operates on a global scale, the change in presentation currency will better align with the business operations of the Company. The change has been applied retrospectively as if the USD has always been the Company's presentation currency. For comparative figures under the current rate method, assets and liabilities are translated at the period end rates of exchange, except for shareholder's equity items which are translated at their historical exchange rates. The result of operations items is translated at average rates of exchange for the period. Exchange differences arising on translation were recognized in currency translation adjustment in shareholders' equity.

f) Property and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

Property and equipment are depreciated using the straight-line method over their expected useful lives.

	Method	Rates
Furniture and fixtures	Declining balance	25% annually
Office and communication equipment	Declining balance	25% annually

Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains and losses on disposals of property and equipment are determined by comparing the consideration received with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss and comprehensive loss.

g) Accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods on or after July 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

IFRS 16 - Leases ("IFRS 16") was released in January 2016 and replaces IAS 17, Leases. This standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Adoption of IFRS 16 is mandatory and will be effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

3. ACQUISITIONS

(a) In November 2017, the Company completed the acquisition of all of the outstanding shares of Neybers AB for a total purchase price of $135,126 (€112,549). Upon completion of the acquisition, Neybers AB has become a wholly-owned subsidiary of Kuuhubb Oy. The acquisition has been treated as a business combination for accounting purposes under IFRS 3, Business Combinations.

As of March 31, 2018, the allocation of the purchase consideration is based on preliminary estimates of the fair value of the assets acquired and liabilities assumed and has not been finalized. The actual fair value of the intangibles and goodwill may differ from the amount disclosed in the preliminary purchase price allocation and is subject to change. Changes may be required regarding the allocation between goodwill and intangibles upon completion of the valuation of the acquisition. Any changes in the allocation may also impact the determination of the deferred income tax liability.

(Expressed in U.S. Dollars) (unaudited)

Purchase price allocation:

	Estimated fair value	
	USD	€
Purchase consideration	135,126	112,549
Preliminary allocation of purchase price:		
Cash	5,893	4,908
Prepaid expense and other receivables	242	201
Intangibles	505,042	420,658
Accounts payable and accrued liabilities	(213,840)	(178,111)
Loans	(162,210)	(135,108)
Purchase price	135,126	112,549

(b) In August 2017, the Company completed the acquisition of all of the outstanding shares of Sumoing Oy for a total purchase price of $9,704,004 (€8,233,000). Upon completion of the acquisition, Sumoing Oy has become a wholly-owned subsidiary of Kuuhubb Oy and has changed its name to Recolor Oy. The acquisition has been treated as a business combination for accounting purposes under IFRS 3, Business Combinations.

Purchase price allocation:

	Estimated fair value	
	USD	€
Purchase consideration	9,704,004	8,233,000
Preliminary allocation of purchase price:		
Cash	283,079	240,168
Prepaid expense and other receivables	1,351,821	1,146,902
Property, plant & equipment	13,957	11,841
Goodwill	9,789,158	8,305,246
Intangibles	783,286	664,550
Accounts payable and accrued liabilities	(1,655,688)	(1,404,707)
Loans	(861,609)	(731,000)
Purchase price	9,704,004	8,233,000

As of March 31, 2018, the allocation of the purchase consideration is based on preliminary estimates of the fair value of the assets acquired and liabilities assumed, and has not been finalized. The actual fair value of the intangibles and goodwill may differ from the amount disclosed in the preliminary purchase price allocation and is subject to change. Changes may be required regarding the allocation between goodwill and intangibles upon completion of the valuation of the acquisition. Any changes in the allocation may also impact the determination of the deferred income tax liability.

(c) In June 2017, the Company completed the acquisition of all of the outstanding shares of Kuuhubb Oy in exchange for the issuance by the Company to Kuuhubb Oy's shareholder of a total of 9,800,000 common shares of the Company (the "Acquisition"). As well, stock options and warrants of Kuuhubb Oy were exchanged for stock options and warrants of the Company on the same terms on a one-for-one basis.

Upon completion of the Acquisition, Kuuhubb Oy has become a wholly-owned subsidiary of the Company and the Company changed its name to "Kuuhubb Inc." and is carrying on the business of Kuuhubb Oy. The Acquisition has been treated as a business combination for accounting purposes under IFRS 3, Business Combinations.

(Expressed in U.S. Dollars) (unaudited)

The estimated value of the purchase consideration was based on the concurrent financing price. Stock-options and warrants were valued using the Black-Scholes model with the following assumptions: expected life of 5 years (stock options) or 2 years (warrants); risk free rate of 1%, expected volatility of 111% (stock options) or 100% (warrants), expected dividend yield of 0%; exercise price of CDN $0.60 (stock options) and CDN $0.50 (2,035,000 warrants) and CDN $0.60 (700,000 warrants).

As of March 31, 2018, the allocation of the purchase consideration is based on preliminary estimates of the fair value of the assets acquired and liabilities assumed, and has not been finalized. The actual fair value of the intangibles and goodwill may differ from the amount disclosed in the preliminary purchase price allocation and is subject to change. Changes may be required regarding the allocation between goodwill and intangibles upon completion of the valuation of the Acquisition. Any changes in the allocation may also impact the determination of the deferred income tax liability.

Purchase price allocation in US$:

	Estimated fair value
Consideration:	
9,800,000 common shares	6,249,264
2,700,000 stock options to purchase shares	2,416,010
2,735,000 warrants to purchase shares	1,977,100
Purchase consideration	10,642,374
Preliminary allocation of purchase price:	
Cash	1,254,332
Prepaid expense and other receivables	294,077
Goodwill	12,280,377
Intangibles	1,594,200
Accounts payable and accrued liabilities	(2,203,530)
Contingent consideration	(398,550)
Loans	(2,178,532)
Purchase price	10,642,374

In November 2017, Kemojo Kuuhubb Studios Inc. (“Kemojo”) agreed on an original purchase price decrease against certain non-finished game concepts and technologies. Full rights to the Drone Wars mobile game and commercial and distribution rights to the Tap Cats: Idle Warfare mobile game were kept by Kemojo.

4. SUBSIDIARIES

The table below sets out certain information in respect of Company subsidiaries:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest
Kuuhubb Oy	Finland	100%
Kemojo Kuuhubb Studios Inc.	Canada	100%
Neybers AB	Sweden	100%
Recolor Oy	Finland	100%
Kuuhubb Publishing B.V.	Netherlands	100%
Recolor India Private Limited	India	100%

(Expressed in U.S. Dollars) (unaudited)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are mainly comprised of amounts outstanding for purchases relating to professional services and other general and administrative services. The credit period for purchases typically ranges from 30 to 90 days.

6. GOODWILL & INTANGIBLES

Intangible assets include capitalized costs incurred in connection with the acquisition and development of software. See Note 3 for details on the intangible asset amount recorded on the statement of financial position based on the purchase price allocation.

The movements of the Company's goodwill and intangibles are summarized as follows:

	Goodwill	Intangibles
	$	$
Balance at June 30, 2017	12,280,377	1,594,200
Acqusition Note 3(b)	9,789,158	783,286
Acqusition Note 3(a)	-	505,042
Foreign exchange translation gain/(loss)	764,081	90,342
Balance at March 31, 2018	22,833,616	2,972,870
Balance at June 30, 2017	-	-
Amortization	-	376,491
Impairment	2,456,075	-
Foreign exchange translation gain/(loss)	-	11,939
Balance at March 31, 2018	2,456,075	388,430
Carrying amounts		
Balance at June 30, 2017	12,280,377	1,594,200
Balance at March 31, 2018	20,377,541	2,584,440

The development and launch of the Drone Wars mobile game has been delayed since its acquisition and Kemojo Kuuhubb Studios Inc., the Company subsidiary holding the Drone Wars game, has ceased operations. During the three month period ended March 31, 2018, the Company decided to redevelop the game into a multiplayer player versus player ("PvP") game and will launch the game upon successful redevelopment.

Due to the delay and uncertainty of the ultimate outcome of the Drone Wars mobile game, the Company has decided to write down $2,456,075 of goodwill, being the preliminary estimate by management of the amount of goodwill related to Kemojo Kuuhubb Studios Inc. and the Drone Wars game. The amount of the write down may be materially different after the final purchase price allocation is determined (see Note 3(c)).

(Expressed in U.S. Dollars) (unaudited)

7. RELATED PARTY TRANSACTIONS AND BALANCES

a) Key Management Remuneration

The Company's related parties include key management and directors. The remuneration of the key management of the Company, as defined above, during the three and nine month periods ended March 31, 2018 and 2017 was as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017	**Nine months ended March 31, 2018**	Nine months ended March 31, 2017
Salaries	**$ 256,187**	$ 35,375	**$ 728,988**	$ 75,000

b) Other Related Parties

As at March 31, 2018, an amount of $105,551 (June 30, 2017 - $327,660) was owing to current directors and a former director of the Company representing advances and consulting fees.

As at March 31, 2018, Recolor Oy owed an amount of $616,000 (€500,000) in the form of an unsecured non-interest bearing loan to Finhub Acquisition Inc. (a company with common directors). The loan matures on December 31, 2019.

All amounts due to/from related parties are unsecured and non-interest bearing.

8. PROPERTY AND EQUIPMENT

The Company's property and equipment are summarized as follows:

	Furniture & fixtures	**Office & communication equipment**	**Total**
	$	**$**	**$**
Cost			
Balance at June 30, 2017	-	-	-
Additions	73,778	97,994	171,772
Disposals	(8,992)	(3,267)	(12,259)
Foreign exchange translation gain/(loss)	11,720	4,619	16,339
Balance at March 31, 2018	76,506	99,346	175,852
Accumulated Depreciation			
Balance at June 30, 2017	-	-	-
Additions	13,144	16,730	29,874
Foreign exchange translation gain/(loss)	2,487	531	3,017
Balance at March 31, 2018	15,630	17,260	32,891
Carrying amounts			
Balance at June 30, 2017	-	-	-
Balance at March 31, 2018	60,876	82,086	142,962

9. PREPAID EXPENSES AND OTHER RECEIVABLES

As at March 31, 2018, Kuuhubb Oy had a loan receivable of $554,400 (EURO 450,000) from Valiance UG, an arm's length party, at an interest rate of 10% per annum. Repayment of $308,000 (€250,000) has been extended to November 2018. $123,200 (€100,000) is due in January 2019 and $123,200 (€100,000) is due in Febaruayr 2019. In the event that Valiance issues and sells its equity securities to investors on or before the maturity date in a transaction or series of related transactions resulting in gross proceeds of at least €100,000, Kuuhubb Oy can convert the outstanding principal amount of the loan and accrued interest to equity securities at a conversion price equal to the lesser of (i) the price per share paid by the investors or (ii) the price equal to €500,000 divided by the aggregate number of all outstanding shares of Valiance as of immediately prior to the initial closing of the qualified financing.

In the event that a qualified financing is not consummated prior to the maturity date, then, at Kuuhubb Oy's election, Valiance will either (a) repay the loan or (b) convert the principal amount and all accrued interest to preferred shares of Valiance at a conversion price equal to €500,000 divided by the aggregate number of all outstanding shares of Valiance.

The remaining receivables are due from Apple Inc, Cherrypick Games S.A., Facebook Ireland Ltd, Google Payment Ltd, Google Ireland Ltd and certain mobile advertising platforms.

10. CONVERTIBLE DEBENTURE

In January 2016, the Company issued a $1,036,230 (CDN$1,300,000) unsecured convertible debenture (the "Debenture") to Norton Rose Fulbright Canada LLP. The Debenture, which settled indebtedness to Norton Rose previously included in accounts payable in the amount of $1,036,230, has a maturity date of June 18, 2018, bears interest at 2.5% per annum and is payable by the Company on the maturity date, subject to an early redemption right held by the Company. Accrued interest is payable on the maturity date, provided, however, that the Company may prepay accrued interest earlier, without penalty, at its discretion.

The terms of the Debenture also provide that (a) the holder shall have the option to convert the outstanding principal into common shares of the Company at a price of CDN$0.50 per share (the "Conversion Price") and (b) within 30 days of the maturity date, the Company may elect to repay the outstanding principal in common shares of the Company at the Conversion Price, provided that the 5 day per share volume-weighted average trading price of the Company's shares at that time is at least CDN$0.50.

The issue date value attributed to the equity conversion option was nil.

As of March 31, 2018, the balance of $1,063,949 (June 30, 2017 – $1,074,060) includes accrued and unpaid interest of $55,728 (June 30, 2017: $37,611).

(Expressed in U.S. Dollars) (unaudited)

11. LOANS

		March 31, 2018		June 30, 2017
KUUHUBB OY LOANS		**$**		$
Senior Notes Facility (Note 11(a))		**-**		563,177
Pinstripe Ou (Note 11(b))		**-**		1,453,748
Arnold Kondrat (Note 11(c))		**174,827**		161,606
RECOLOR OY LOAN				
Tekes (Note 11(d))		**213,444**		-
NEYBERS AB LOAN				
Almi (Note 11(e))		**150,941**		-
	$	**539,212**	$	2,178,532
Current portion		**(279,517)**		-
	$	**259,694**	**$**	**2,178,532**

a) During the three month period ended March 31, 2018, the Company repaid the senior notes facility in full.

b) As at March 31, 2018, the loan owed to Pinstripe Ou was paid in full.

c) On November 23, 2016, Kuuhubb Oy entered into a subordinated unsecured loan facility for $159,420 (CDN $200,000) which bears interest at 10% per annum. Total interest accrued on the loan as at March 31, 2018 is $15,511 (CDN $20,000). Mr. Kondrat is a director of the Company.

d) Recolor Oy has an unsecured loan of $213,444 (€173,250) from the Finnish Funding Agency for Innovation (Tekes) at an interest rate of 1% per annum. Loan repayment is between 2018-2021. Since the interest on the government loan is below market rate, an amount for government assistance of $34,043 (€28,355) was recorded in equity at an 8% discount rate. As of March 31, 2018, accrued interest was $1,913 (€1,593).

e) Neybers AB has an unsecured long-term loan of $150,941 (€122,517) from ALMI Företagspartner (Almi) at an interest rate of 7.68% per annum. It is repayable at $8,386 per quarter.

All outstanding loans above were acquired by the Company as part of the Kuuhubb Oy, Recolor Oy and Neybers AB acquisitions and were recorded at their estimated fair values using an effective interest rate of 23% at the time of the acquisition.

12. SHARE CAPITAL

a) Authorized

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

As at March 31, 2018, 11,819,279 common shares of the Company were subject to escrow and are to be released from escrow with 2,363,856 shares to be released every six months following the Kuuhubb Oy Acquisition in June 2017.

In August 2017, the Company completed a private placement of 16,445,000 subscription receipts at a price of CDN$1.05 per subscription receipt for aggregate proceeds of CDN$17,267,250 (16,445,000 common shares of the Company were subsequently issued upon the exercise of these subscription receipts for no additional consideration).

In June 2017, the Company completed a private placement of 7,593,750 subscription receipts at a price of CDN$0.80 per subscription receipt for aggregate gross proceeds of CDN$6,075,000 (7,593,750 common shares of the Company were subsequently issued upon the exercise of these subscription receipts for no additional consideration).

(Expressed in U.S. Dollars) (unaudited)

As authorized and approved by shareholders at the annual and special meeting of shareholders of the Company held on January 26, 2017, the stated capital account for the common shares of the Company as at March 31, 2017 was reduced by an aggregate of CDN$126,669,417, and such reduction in the Company's stated capital was applied to reduce the Company's accumulated deficit in its financial statements as at March 31, 2017 by the amount of CDN$126,669,417.

In December 2016, the Company closed (a) a non-brokered private placement of an aggregate of 100,000 common shares of the Company at a price of CDN$0.52 per share for gross proceeds of CDN$52,000 and (b) the settlement, with certain arm's length debt holders of the Company, of an aggregate of CDN$61,000 of debt through the issuance to such holders of an aggregate of 122,000 common shares of the Company.

In September 2016, the Company closed a non-brokered private placement of an aggregate of 600,000 common shares of the Company at a price of CDN$0.50 per share for gross proceeds of CDN$300,000 (Arnold Kondrat, at the time the Chief Executive Officer and a director of the Company, acquired 36,000 of such shares).

In August 2016, the Company closed a non-brokered private placement of 300,000 common shares of the Company at a price of CDN$0.40 per share for gross proceeds of CDN$120,000. These shares were recorded as shares to be issued at June 30, 2016 and were issued during August 2016.

	Number of shares		Amount
Balance at June 30, 2016	**15,390,825**	**$**	**94,110,251**
Shares issued for:			
Cash	8,593,750		4,933,171
Debt settlement	122,000		48,623
Acquisition of Kuuhubb Oy	9,800,000		6,249,264
Share capital reduction	-		(94,445,033)
Balance at June 30, 2017	**33,906,575**	**$**	**10,896,276**
Shares issued for:			
Cash	16,445,000		11,201,488
Warrants excercised	1,365,000		538,015
Balance at March 31, 2018	**51,716,575**	**$**	**22,635,779**

b) Common share purchase warrants

As at March 31, 2018, the Company had outstanding 2,556,700 (June 30, 2017 – 2,935,000) common share purchase warrants.

The Company issued 200,000 broker warrants as consideration for services provided in connection with the June 2017 private placement. Each broker warrant is exercisable into one common share at an exercise price of CDN$0.80 per broker warrant at any time until the date which is twenty-four months following the closing of the said private placement.

The Company also issued 986,700 broker warrants as consideration for services provided in connection with the August 2017 private placement. Each broker warrant is exercisable into one common share at an exercise price of CDN$1.05 per broker warrant at any time until the date which is twenty-four months following the closing of the said private placement. The broker warrants are classified as equity-settled instruments under IFRS 2 and therefore included in contributed surplus.

The value of the warrants issued during the period was calculated using the Black-Scholes model and the assumptions at grant date were as follows:

(i) Risk-free interest rate: 0.88-1.23% which is based on the Bank of Canada benchmark bonds yield 2 year rate in effect at the time of grant for bonds with maturity dates at the estimated term of the warrants
(ii) Expected volatility: 102-105%, which is based on the historical stock prices of peer companies
(iii) Expected life: 1.46 - 2 years
(iv) Expected dividends: $Nil

(Expressed in U.S. Dollars) (unaudited)

As part of the Kuuhubb Oy acquisition, the Company also issued 2,035,000 A-warrants and 700,000 B-warrants exercisable at CDN$0.50 per share and CDN$0.60 per share respectively, that will expire on December 5, 2018 and February 13, 2019 respectively.

No warrants were forfeited or cancelled during the nine months ended March 31, 2018 (year ended June 30, 2017 – nil).

The following table summarizes the Company's common share purchase warrants outstanding as at March 31, 2018:

Opening Balance	During the Period		Closing Balance	Date of Issuance	Expiration Date	Remaining contractual life and weighted average contractual life (years)	Exercise Price and weighted average exercise price (Cdn$)
	Granted	Exercised					
2,035,000	-	(1,365,000)	670,000	19-Jun-17	05-Dec-18	0.68	0.50
700,000	-	-	700,000	19-Jun-17	13-Feb-19	0.87	0.60
200,000	-	-	200,000	19-Jun-17	09-Jun-19	1.19	0.80
-	986,700	-	986,700	08-Nov-17	11-Aug-19	1.36	1.05
2,935,000	986,700	(1,365,000)	2,556,700			1.04	0.76

c) Loss per share

Loss per share was calculated on the basis of the weighted average number of common shares outstanding for the three and nine months ended March 31, 2018, amounting to 51,261,575 and 46,633,033 respectively (three and nine months ended March 31, 2017: 16,512,825 and 16,173,540 respectively) common shares.

13. SHARE-BASED PAYMENTS

The Company has an Incentive Stock Option Plan (the "Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The Plan provides that the number of common shares that may be issued from time to time pursuant to the exercise of stock options granted under the Plan must not exceed 7,500,000 common shares. The terms of the Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant, at terms of up to ten years. The grant of stock options is subject to certain requirements of the Plan.

During the nine months ended March 31, 2018, the Company issued 4,325,000 stock options. 2,055,000 of these stock options vest as follows: 25% vesting on each of the 6 month, 12 month, 18 month and 24 month anniversaries of the grant date. 1,870,000 stock options vest as follows: 1/36 vest each month over a period of 36 months. The remaining 400,000 stock options vest over 48 months with 25% vesting on each of the 12 month, 24 month, 36 month and 48 month anniversaries of the grant date.

The value of the stock options issued during the period was calculated using the Black-Scholes model and the assumptions at grant date were as follows:

(i) Risk-free interest rate: 1.80 - 1.86% which is based on the Bank of Canada benchmark bonds yield 3 - 5 year rate in effect at the time of grant for bonds with maturity dates at the estimated term of the warrants
(ii) Expected volatility: 113% - 114%, which is based on the historical stock prices of peer companies
(iii) Expected life: 3 - 5 years
(iv) Expected dividends: $Nil

(Expressed in U.S. Dollars) (unaudited)

During the year ended June 30, 2017, 2,700,000 stock options were issued. 1/36 of such stock options vest each month over a period of 36 months.

The following tables summarize information about outstanding stock options:

For the nine months ended March 31, 2018

	During the Period								
Opening Balance	Granted	Exercised	Forfeiture	Expired	Closing Balance	Exercise Price and weighted average exercise price (Cdn$)	Remaining contractual life and weighted average contractual life (years)	Vested & Exercisable	Unvested
2,700,000	-	-	-	-	2,700,000	0.60	4.19	675,000	2,025,000
-	3,925,000	-	-	-	3,925,000	1.60	4.48	342,500	3,582,500
-	400,000	-	-	-	400,000	2.10	4.61	-	400,000
2,700,000	4,325,000	-	-	-	7,025,000	1.24	4.38	1,017,500	6,007,500

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Fair value of financial assets and liabilities

The carrying amounts for cash, prepaid expenses and other receivables, amounts due to related parties and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1 and Level 2 during the reporting periods. The fair values of financial assets and liabilities carried at amortized cost are approximated by their carrying values. Cash is ranked Level 2 as it is based on similar loans in the market.

b) Risk Management Policies

The Company is sensitive to changes in foreign-exchange. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Although the Company has the ability to address its price-related exposures through the use of options, futures and forward contacts, it does not generally enter into such arrangements.

c) Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the United States dollar and Canadian dollar or other foreign currencies will affect the Company's operations and financial results. A portion of the Company's transactions are denominated in Canadian dollars and European euros. The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities. The Company's functional currency is the Canadian dollar and its reporting currency is the United States dollar. The majority of major expenditures are transacted in United States dollars. The Company maintains the majority of its cash in Canadian dollars but it does hold balances in United States dollars as well. Significant foreign exchange gains or losses are reflected as a separate component of the consolidated statement of loss and comprehensive loss. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The following tables indicate the impact of foreign currency exchange risk on net working capital as at March 31, 2018. The table below also provides a sensitivity analysis of a 10 percent strengthening of the United States dollar against foreign currencies as identified which would have increased (decreased) the Company's net loss by the amounts shown in the table below. A 10 percent weakening of the United States dollar against the same foreign currencies would have had the equal but opposite effect as at March 31, 2018.

As of March 31, 2018:

	CDN $	Euros
	$	€
Cash	538,819	833,298
Accounts payable and accrued liabilities	(854,762)	(1,740,337)
Due to related parties	-	(500,000)
Loans	(225,422)	(295,767)
Total foreign currency financial assets and liabilities	(541,365)	(1,702,805)
Foreign exchange rate at March 31, 2018	0.7756	1.2320
Total foreign currency financial assets and liabilities in US $	(419,858)	(2,097,856)
Impact of a 10% strengthening or weakening of the US $ on net loss	(41,986)	(209,786)

d) Credit Risk

Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions of reputable credit in Canada and Finland and may be redeemed upon demand. It is therefore the Company's opinion that such credit risk is subject to normal industry risks and is considered minimal.

(Expressed in U.S. Dollars) (unaudited)

e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company attempts to ensure that there is sufficient cash to meet its liabilities when they are due and manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet any capital commitments in a cost-effective manner. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. The Company's liquidity requirements are met through a variety of sources, including cash and equity capital markets. As at March 31, 2018, accounts payable and accrued liabilities of $3,209,191, convertible debenture of $1,063,949 and amounts due to related parties of $105,551 are due within one year and along with the loan due to Finhub Acquisition Inc. and the loans discussed in Note 11, represent all significant contractual commitments, obligations, and interest and principal repayments on financial liabilities.

f) Market Risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign-exchange rates, interest rates and stock based compensation costs.

g) Interest Rate Risk

Interest rate risk is the potential impact on any Company earnings due to changes in bank lending rates and short-term deposit rates. The Company has some exposure to interest rate risk due to its outstanding interest bearing loans discussed in Note 11. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

h) Capital Management

The Company manages its cash, common shares, warrants and stock options as capital. The Company's main objectives when managing its capital are:

- to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
- to maintain a sufficient capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to safeguard the Company's ability to obtain financing; and
- to maintain financial flexibility in order to have access to capital in the event of future acquisitions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responds to changes in economic conditions and the risk characteristics of the underlying assets.

There were no significant changes to the Company's approach to capital management during the nine months ended March 31, 2018.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

		As at March 31, 2018		As at June 30, 2017
Cash	$	1,444,615	$	3,850,826
Share Capital	$	22,635,779	$	10,896,276
Deficit	$	(9,168,302)	$	(2,838,453)
Contributed Surplus	$	7,049,047	$	4,308,680

15. COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are subject to routine legal proceedings and tax audits. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated losses, cash flow or financial position.

The Company and its subsidiaries are party to various rent and other agreements. The Company is subject to commitments totaling approximately $235,256 (€190,955) pursuant to these arrangements of which $204,703 (€166,155) is due within one year.

16. SUBSEQUENT EVENTS

In January 2018, the Company announced that it had signed a term sheet to acquire mobile esports platform developer Valiance UG. The Germany-based, blockchain enabled Valiance esports platform is designed to support both mobile esports competitors and content creators and provides them with opportunities to monetise their involvement playing their favourite esports titles. Kuuhubb's proposed acquisition of Valiance is subject to the execution of the definitive documentation in respect of such acquisition and receipt of TSX Venture Exchange acceptance.

In April 2018, 840,000 common shares of the Company were issued pursuant to warrant exercises. 490,000 warrants were exercised at a price of CDN $0.50 per share and 350,000 warrants were exercised at a price of CDN $0.60 per share. The proceeds of these 840,000 shares were received and recorded as shares to be issued at March 31, 2018.

In May 2018, the Company completed the acquisition of the full global rights and revenue to the My Hospital game. The purchase price of €2.6 million is to be paid in monthly instalments between May 2019 and June 2021. Additionally, after Kuuhubb has recouped the entire purchase price, Cherrypick Games (the vendor) is entitled to 25% net profit share. Cherrypick Games will continue the current game development and update efforts until June 2021.

In May 2018, 350,000 common shares of the Company were issued pursuant to a warrant exercise at a price of CDN $0.60 per share.