

**Victory Square Technologies Inc.  
(Formerly Fantasy 6 Sports Inc.)**

**Consolidated Financial Statements**

Years ended December 31, 2017 and 2016

Expressed in Canadian Dollars



To the Shareholders of Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.):

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

DMCL Chartered Professional Accountants LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board of Directors, Audit Committee and management to discuss their audit findings.

April 30, 2018

“Shafin Tejani”

CEO

“Sheri Rempel”

CFO



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.)

We have audited the accompanying consolidated financial statements of Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.) as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.)'s ability to continue as a going concern.

A handwritten signature in black ink, appearing to read 'DMCL'.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
April 30, 2018

Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.)  
Consolidated statements of financial position  
(Expressed in Canadian dollars)

	Note	December 31, 2017	December 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 2,715,182	\$ 11,794
Prepays		415,254	24,857
Trade receivables		50,513	5,680
Government sales tax receivable		63,605	26,087
Marketable securities	4	45,000	-
Digital currencies	7	263,441	-
		3,552,995	68,418
<b>Non-current assets</b>			
Investments	5	5,118,359	-
Long-term advances	6	1,455,731	-
Intangible assets	8	1,586,269	2,557,354
<b>TOTAL ASSETS</b>		<b>\$ 11,713,354</b>	<b>\$ 2,625,772</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	10	\$ 242,154	\$ 256,903
Accrued liabilities	5,6,10	544,206	208,250
Deferred revenue		6,300	-
Player deposits		-	15,854
Related party loans	10	1,094,793	698,581
<b>TOTAL LIABILITIES</b>		<b>1,887,453</b>	<b>1,179,588</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	15,960,006	4,866,212
Reserve	9	104,403	104,403
Accumulated other comprehensive income		82,130	57,963
Deficit		(6,320,638)	(3,582,394)
<b>SHAREHOLDERS' EQUITY</b>		<b>9,825,901</b>	<b>1,446,184</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 11,713,354</b>	<b>\$ 2,625,772</b>

Nature of operations and going concern – Note 1

Subsequent events – Note 16

These consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2018.

Director: “Shafin Tejani”

Director: “Sheri Rempel”

See accompanying notes to the consolidated financial statements.

Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.)  
Consolidated statements of loss and comprehensive loss  
(Expressed in Canadian dollars)

		Years ended December 31,	
	Note	2017	2016
<b>Revenue</b>		\$ 741,182	\$ 433,496
<b>Cost of goods sold</b>		742,262	505,394
		(1,080)	(71,898)
<b>Expenses</b>			
Amortization	8	971,085	364,154
Bad debt expense		14,103	-
Corporate development		-	80,982
Director fees	10	25,866	-
Donations		137,500	-
Foreign exchange loss		10,390	2,075
General and administration		32,198	35,706
Insurance		16,772	-
Interest	10	19,045	10,861
Investor relations		354,378	522,350
Management fees	10	272,481	249,902
Professional fees	10	310,959	275,811
Rent		66,549	28,000
Research and development		53,888	451,310
Sales and marketing		179,307	366,050
Transfer agent and regulatory fees		45,991	47,291
Wages		379,833	83,754
Website expenses		-	126,926
<b>Total expenses</b>		(2,890,345)	(2,645,172)
<b>Other Items</b>			
Impairment of investments	5	(796,429)	-
Fair value gain on investment	5	1,039,770	-
Equity loss on investment	5	(57,189)	-
Dilution loss on investment	5	(192,794)	-
Fair value gain on digital currencies	7	186,912	-
Loss on settlement of debt	9	(92,566)	-
Gain on settlement of payables		65,477	-
		153,181	-
<b>Net loss for the year</b>		(2,738,244)	(2,717,070)
<b>Other comprehensive income</b>			
Unrealized gain on investment	4	22,500	-
Currency translation adjustment		1,667	73,305
		24,167	73,305
<b>Total comprehensive loss</b>		\$ (2,714,077)	\$ (2,643,765)
<b>Loss per share - basic and diluted</b>		\$ (0.05)	\$ (0.06)
<b>Weighted average number of common shares outstanding - basic and diluted</b>		52,769,618	42,056,435

See accompanying notes to the consolidated financial statements.

Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.)  
Consolidated statements of changes in shareholders' equity  
(Expressed in Canadian dollars)

	Share Capital			Special warrants	Accumulated other comprehensive income	Reserve	Deficit	Total
	Number of shares	Amount						
Balance at January 1, 2016	36,400,000	\$ 741,553	\$ 510,800	\$ (15,342)	\$ 21,251	\$ (865,324)	\$ 392,938	
Shares issued - conversion of special warrants	5,108,000	510,800	(510,800)	-	-	-	-	
Shares issued - warrants exercised for cash	5,123,699	823,743	-	-	-	-	823,743	
Shares issued - share exchange	1,893,940	2,651,516	-	-	-	-	2,651,516	
Shares issued - consulting fees	100,000	140,000	-	-	-	-	140,000	
Shares cancelled	(14,000)	(1,400)	-	-	-	-	(1,400)	
Shares to be issued - consulting fees	-	-	-	-	83,152	-	83,152	
Currency translation adjustment	-	-	-	73,305	-	-	73,305	
Net loss for the year	-	-	-	-	-	(2,717,070)	(2,717,070)	
<b>Balance at December 31, 2016</b>	<b>48,611,639</b>	<b>4,866,212</b>	<b>-</b>	<b>57,963</b>	<b>104,403</b>	<b>(3,582,394)</b>	<b>1,446,184</b>	
Private placement	6,666,667	5,000,000	-	-	-	-	5,000,000	
Shares issued - debt settlement	1,542,778	1,388,500	-	-	-	-	1,388,500	
Shares issued - consulting fees	145,089	130,580	-	-	-	-	130,580	
Shares issued - investment in Film Fund II, LLC	5,000,000	4,500,000	-	-	-	-	4,500,000	
Shares issued - warrants exercised for cash	418,586	74,714	-	-	-	-	74,714	
Unrealized gain on investment	-	-	-	22,500	-	-	22,500	
Currency translation adjustment	-	-	-	1,667	-	-	1,667	
Net loss for the year	-	-	-	-	-	(2,738,244)	(2,738,244)	
<b>Balance at December 31, 2017</b>	<b>62,384,759</b>	<b>\$ 15,960,006</b>	<b>\$ -</b>	<b>\$ 82,130</b>	<b>\$ 104,403</b>	<b>\$ (6,320,638)</b>	<b>\$ 9,825,901</b>	

(See Notes 3, 4, 9 and 10)

See accompanying notes to the consolidated financial statements.

Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.)  
Consolidated statements of cash flows  
(Expressed in Canadian dollars)

	Years ended December 31,	
	2017	2016
<b>Operating activities</b>		
Net loss for the year	\$ (2,738,244)	\$ (2,717,070)
Adjustments for non-cash items:		
Amortization	971,085	364,154
Bad debt expense	14,103	-
Fair value gain on digital currencies	(186,912)	-
Loss on settlement of debt	92,566	-
Interest	19,045	10,861
Non-cash compensation	130,580	223,152
Impairment of investments	771,429	-
Fair value gain on investment	(1,039,770)	-
Equity loss on investment	57,189	-
Dilution loss on investment	192,794	-
Gain on settlement of payables	(65,477)	-
Changes in non-cash working capital items:		
Funds held in trust	-	4,910
Prepays	(390,397)	(24,857)
Trade receivables	(58,936)	(5,680)
Government sales tax recoverable	(37,518)	(7,596)
Trade payables	46,133	134,031
Accrued liabilities	490,044	183,250
Deferred revenue	6,300	-
Player deposits	(598)	(68,534)
<b>Net cash flows used in operating activities</b>	<b>(1,726,584)</b>	<b>(1,903,379)</b>
<b>Investing activities</b>		
Short-term advances	(475,000)	-
Marketable securities	(22,500)	-
Long-term advances	(980,731)	-
Long-term investment	(600,000)	-
Purchase of digital currencies	(76,529)	-
Cash acquired on acquisition of FansUnite	-	3,626
Development of intangible asset	-	(32,948)
<b>Net cash flows used in investing activities</b>	<b>(2,154,760)</b>	<b>(29,322)</b>
<b>Financing activities</b>		
Shares issued, net	5,074,714	823,743
Special warrants cancelled	-	(1,400)
Proceeds from related party loans	1,508,351	582,799
<b>Net cash flows from financing activities</b>	<b>6,583,065</b>	<b>1,405,142</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>1,667</b>	<b>73,305</b>
Change in cash	2,703,388	(454,254)
Cash, beginning	11,794	466,048
<b>Cash, ending</b>	<b>\$ 2,715,182</b>	<b>\$ 11,794</b>

See accompanying notes to the consolidated financial statements.

Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.)  
Notes to the consolidated financial statements  
For the years ended December 31, 2017 and 2016  
(Expressed in Canadian dollars)

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**1. Nature of Operations and Going Concern**

Victory Square Technologies Inc. (formerly Fantasy 6 Sports Inc.) (the “Company”) was incorporated under the Business Corporation Act (British Columbia) on February 10, 2015. On June 9, 2017, the Company changed its name to Victory Square Technologies Inc. The Company is a sports, entertainment and technology company which produces and develops interactive fan engagement platforms for corporations, media, broadcasts and not-for-profit societies and charities.

The Company’s registered office is at Suite 1080, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The head office and principal address of the Company is located at Suite 300, 128 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1G8. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “VST” and the Frankfurt Stock Exchange under the symbol “6F6”. The Company is also quoted on the OTC Markets in the United States under the symbol of “FNTYF”.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2017, the Company had working capital of \$1,665,542 (2016 – deficiency of \$1,111,170) and an accumulated deficit of \$6,320,638. The Company does not have sufficient cash to sustain operations for the next twelve months without additional financing. The continued operations of the Company are dependent on its ability to generate future cash flows and/or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due; however, they may not be at terms that are favourable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

On July 6, 2017, the Company entered into an Assignment and Assumption Agreement (the “Assignment Agreement”) whereby the Company acquired a 40% interest, as a member, in Unified Film Fund II, LLC (the “Film Fund”). At December 31, 2017, the Film Fund is a designated corporate guarantor on a loan that is due on May 30, 2018. The loan is secured against the Film Fund’s rights as a member of the Special Purpose Entity (“SPE”) that produced the film and all ownership and membership interest in the motion picture produced by the SPE. Should the lender call on its security, the remaining investment in the Film Fund would likely be fully impaired. (Note 5).

**2. Significant Accounting Policies**

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations of the IFRS Interpretations Committee as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) as applicable to the preparation of annual financial statements.

b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries Draft Label Technologies Inc. (“DLT”), PDL USA Inc. (“PDL”), FansUnite Media Inc. (“FansUnite”) (Note 3), Fantasy 360 Technologies Inc. (“Fantasy 360”), Victory Square Health Inc. (“Victory Square Health”) (incorporated on July 23, 2017), and 1132995 BC Ltd. (“1132995 BC”) (incorporated on September 6, 2017). Intercompany transactions, balances, income and expenses, and gains or losses on transactions are eliminated on consolidation.



## 2. Significant Accounting Policies (continued)

### c) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company, DLT, FansUnite, Fantasy 360, Victory Square Health and 1132995 BC. The functional currency of PDL is the US dollar.

### d) Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the following:

#### *Recognition and Valuation of Deferred Tax Assets*

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities of the particular legal entity in which the deferred tax assets have been recognized.

#### *Estimated Useful Life of Intangible Assets*

Finite-lived intangible assets consist of the Company's aggregate amounts spent on website development costs and intangible assets. The relative size of the Company's intangible assets makes the judgements surrounding the estimated useful lives critical to the Company's financial position and performance. The useful life used to amortize website development costs relates to the future performance of the assets and management's judgement of the period over which economic benefit will be derived from the assets. The useful life is determined by management and is regularly reviewed for appropriateness. The amortization of Company's finite lived intangible assets begins when the assets are available for use. The useful life is based on historical experience with similar development costs as well as anticipation of future events which may impact their life such as changes in technology.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements include the following:

#### *Going Concern*

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2017 and 2016. Management prepares the consolidated financial statements on a going concern basis unless Management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, Management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months.

## 2. Significant Accounting Policies (continued)

### d) Use of Estimates and Judgements (continued)

#### *Website Development Costs*

The application of the Company's accounting policy for website development costs requires judgment in determining whether the present value of future economic benefits exceeds capitalized costs. The policy requires management to make certain estimates and assumptions about future economic benefits derived from the Company's website. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the statement of operations in the period when the new information becomes available.

#### *Intangible Assets Acquired Through Acquisition*

Determining whether or not the acquisition of FansUnite (Note 3) constituted a business combination or an acquisition of assets. The benefit to the Company of acquiring FansUnite was the acquisition of its users. Management concluded that because FansUnite did not possess the necessary inputs and processes capable of producing outputs it did not meet the definition of a business as defined by IFRS. Accordingly, the transaction was accounted for as an acquisition of assets and the fair value of the consideration paid was allocated to the assets acquired.

#### *Research and Development Costs for Applications*

Evaluating whether or not costs incurred by the Company in developing its applications meet the criteria for capitalizing as intangible assets. Management determined that as at December 31, 2017 and 2016, it was not yet able to demonstrate with sufficient certainty that it is probable the economic benefits will flow to the Company. Accordingly, all research and development costs incurred to date have been expensed.

#### *Digital Currencies*

Digital currencies consist of cryptocurrency-denominated assets (Note 7). Digital currencies are measured using [www.coinmarketcap.com](http://www.coinmarketcap.com) to derive the fair value. The digital currency market is still a new market and is highly volatile. Historical prices are not necessarily indicative of future value and a significant change in the market prices for digital currencies would have a material impact on the Company's earnings and financial position.

### e) Financial Instruments

#### *Non-derivative Financial Assets*

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 2. Significant Accounting Policies (continued)

### e) Financial Instruments (continued)

#### *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) 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 (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Certain of the Company's investments are classified as fair value through profit and loss.

#### *Held-To-Maturity Investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

#### *Available-For-Sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. Marketable securities are classified as available for sale.

#### *Loans and Receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Cash, trade receivables, and long-term advances are classified as loans and receivables.

#### *Impairment of Financial Assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

## 2. Significant Accounting Policies (continued)

### e) Financial Instruments (continued)

#### *Impairment of Financial Assets (continued)*

For certain categories of financial assets, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

#### *Financial Liabilities*

The Company initially recognizes financial liabilities at fair value on the date that they are originated. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit and loss or other financial liabilities. Subsequent to initial recognition other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

Accounts payable, player deposits and related party loans are classified as other financial liabilities. The Company does not have financial liabilities classified as fair value through profit or loss.

### f) Investments

Investments are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and records such valuations in the financial statements directly in net loss:

- There has been a significant new equity financing with arms-length investors at a valuation above or below the current fair value of the investee company, in which case the fair value of the investment is adjusted to the value at which the financing took place; or
- Based on financial information received from the investee company it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern, in which case the fair value of the investment is adjusted downward; or
- There have been significant corporate, operating, technological or economic events affecting the investee company that, in the Company's opinion, have a positive or negative impact on the investee company's prospects and, therefore, its fair value; or
- The investee company is placed into receivership or bankruptcy.

## 2. Significant Accounting Policies (continued)

### f) Investments (continued)

In addition to the circumstances described above, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment is warranted at the end of each reporting period. In the absence of the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

Application of the valuation techniques described above may involve uncertainties and determinations based on the Company's judgment, and any value estimated from these techniques may not be realized.

For those investments in which the Company has significant influence the Company uses the equity method of accounting whereby an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the investee. Any distributions received from the investee company reduce the carrying amount of the investment.

The Company has determined that it has significant influence over VS Blockchain Assembly Inc. (Note 5).

### g) Digital Currencies

Digital currencies consist of cryptocurrencies and are initially recorded at cost. Changes in the fair value of digital currencies are recorded in profit and loss.

### h) Website Development Costs

The Company capitalizes website development costs that consist of costs incurred to develop internet websites to promote, advertise and earn revenue with respect to the Company's business operations. Costs are capitalized in accordance with International Accounting Standard ("IAS 38"), Intangible assets and SIC Interpretation 32, Intangible assets – website costs and are amortized on a straight-line basis over 3 years from when the internet web site has been completed.

### i) Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars ("CAD"). At the time of consolidation and financial reporting the following conversion methods are used:

#### *Translation of Foreign Currency Transactions*

At each statement of financial position date, foreign currency monetary items are translated to reflect the exchange rate at the statement of financial position date. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### *Translation of Foreign Operations*

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

## 2. Significant Accounting Policies (continued)

### i) Foreign Currency Translation (continued)

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

### j) Income Taxes

#### *Current Income Tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred Income Tax*

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### k) Research and Development

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Company's development group, are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The Company did not have any development costs that met the capitalization criteria for the years ended December 31, 2017 and 2016.

Government grants for research and development are recorded as a recovery of the cost of those expenditures at the earliest of when the assistance is received or receivable.

### l) Impairment

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount

## 2. Significant Accounting Policies (continued)

### l) Impairment (continued)

of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

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

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

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

### m) Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

### n) Revenue Recognition

The Company recognizes revenue from providing services involved with immersive fan experiences. Revenue is recognized when all of the following conditions are met: (a) the amount of revenue can be measured reliably; (b) it is probable that the economic benefits associated with the transaction will flow to the Company; (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Company also designs and builds escape rooms, typically on fixed fee arrangements. Revenue is recognized in the accounting period in which the services are rendered, by reference to the stage of completion of the project. The stage of completion is determined as a percentage based on the amount of costs incurred compared to the estimated cost of completion. Revenue recognized in excess of amounts billed is recorded as accounts receivable. Costs incurred during the period in connection with future activity on a contract are excluded from the costs incurred to date and presented as work-in-progress. Deposits received in excess of work performed are recorded as deferred revenue.

### o) Comprehensive Income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations. For the years ended December 31, 2017 and 2016, other comprehensive income is related to the effects of currency translation adjustments as well as the fair value gain on marketable securities.

## 2. Significant Accounting Policies (continued)

### p) Unit Offerings

Proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual remaining is allocated to common share purchase warrants.

### q) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods after December 31, 2017. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below.

IFRS 9, Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and will replace 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 classification options available in IAS 39. The Company has determined that adoption of this standard will not have a material impact on the financial statements.

IFRS 15, Revenues (effective January 1, 2018), replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. The Company is currently evaluating the impact of this standard on the financial statements.

## 3. Transaction

On August 31, 2016, the Company entered into a Share Exchange Agreement with FansUnite. Pursuant to the terms of share exchange agreement, the Company acquired 100% of the shares of FansUnite in exchange for 1,893,940 common shares of the Company, with a fair value of \$2,651,516. The acquisition was treated as an asset purchase. In accordance with IAS 38 "Intangible Assets", the fair value of the common shares and excess of fair value of the consideration has been recognized as an intangible asset acquired through acquisition.



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**3. Transaction (continued)**

The acquisition was recorded as follows:

	<b>Acquisition of FansUnit</b>
Fair value of consideration	
Common shares	\$ 2,651,516
Assets acquired	
Cash	3,626
Government sales tax receivable	1,200
Trade payables	(13,079)
	(8,253)
Intangible assets acquired (Note 8)	\$ 2,659,769

**4. Marketable Securities**

During the year ended December 31, 2017, the Company purchased 30,000 common shares of Big Blockchain Intelligence Group Inc. ("Big Blockchain") for \$22,500. Big Blockchain's shares are listed on the CSE. The fair value of the shares at December 31, 2017 was \$45,000. The Company recorded an unrealized mark-to-market gain of \$22,500 to comprehensive income during the year ended December 31, 2017.

**5. Investments**

During the year ended December 31, 2017, the Company made the following investments:

<b>Investment</b>	<b>Balance at December 31, 2017</b>	<b>Balance at December 31, 2016</b>
United Film Fund II, LLC	\$ 3,728,571	\$ -
Multapplied Networks, Inc.	600,000	-
VS Blockchain Assembly Inc.	789,788	-
	\$ 5,118,359	\$ -

**a) Film Fund**

In accordance with the Assignment Agreement, the Company acquired a 40% interest in the Film Fund from Interlock Capital Ltd. ("Interlock"), a private company incorporated under the laws of British Columbia. As consideration, the Company issued Interlock 5,000,000 common shares at a fair value of \$4,500,000.

The Company, by way of the Assignment Agreement, was assigned all of Interlock's rights, title and interest in and to the Film Fund, in accordance with an underlying Investor Agreement (the "Investor Agreement") dated July 6, 2017.

Prior to the Company's assumption, Interlock paid \$4,500,000 (USD \$3,500,000) in capital towards the Film Fund. The Film Fund is designed to be utilized towards financing the development, production, distribution or marketing of any of the anticipated 7 motion pictures, each to be produced by a SPE. A single SPE will be formed to produce, own, and acquire the underlying rights in and to each of the motion pictures.

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**5. Investments (continued)**

**a) Film Fund (continued)**

In return for the conveyance of interest in the Film Fund, the Company will pay Interlock royalties commencing August 1, 2018 and for a period of 7 years thereafter, as follow:

- a) 5% royalty on annual profits directly derived from the Investor Agreement in excess of \$10,000,000;
- b) 10% royalty on annual profits directly derived from the Investor Agreement in excess of \$20,000,000; and
- c) 15% royalty on annual profits directly derived from the Investor Agreement in excess of \$30,000,000.

The value of the common shares issued by the Company will be deducted from such profits until the entire value of the shares has been so deducted.

The Company will recoup its investment in the Film Fund as follows:

- a) the investment plus a 20% pro rata with any payment of distributable cash, as defined; and
- b) a 40% non-dilutable share of distributable cash.

During the year ended December 31, 2017, the Film Fund incorporated 2 SPE's. The Film Fund financed a portion of the budgeted cost of the development, production, distribution and marketing of the respective SPE's and a portion of the funding was provided by way of loans from The Fyzz Facility ("The Fyzz"), a motion picture and financing company.

The respective SPE's were funded through the Company's capital investment as follows:

What They Had Film, LLC	\$2,256,043 (USD \$1,754,700)
UFF 2 Ride Movie LLC	\$771,429 (USD \$600,000)

At December 31, 2017, the balance of the Company's Film Fund remaining capital balance was \$1,472,529.

The respective SPEs were funded by way of loans from The Fyzz as follows:

	What They Had Film, LLC	UFF 2 Ride Movie LLC
Principal	USD \$1,945,000	USD \$600,000
Interest	USD \$291,750	USD \$90,000
Total due at December 31, 2017	USD \$2,236,750	USD \$731,173 (including \$41,173 in interest accrued during the grace period)
Interest Rate	15%	15%
Maturity Date	May 30, 2018	December 17, 2017
Grace Period	4 - 6 months	4 months
Grace Period Interest	2.75% per month	2.75% per month
Corporate Guarantor	Film Fund	UFF 2 Ride Movie LLC

The What They Had Film, LLC loan is secured against the Film Fund's rights as a member of such fund and all ownership and membership interest in the motion picture produced by the SPE. This loan is due May 30, 2018 (Note 1).

## 5. Investments (continued)

### a) Film Fund (continued)

At December 31, 2017, the UFF 2 Ride Movie LLC loan is in default. The loan is secured against the membership interest in the motion picture produced by the SPE. To December 31, 2017 and to date, UFF 2 Ride Movie LLC has not received a return of capital invested in the fund or any profit in excess of their investment. As such, the investment in UFF 2 Ride Movie LLC of \$771,429 has been impaired.

A 40% shareholding in the Film Fund would, presumably, give rise to significant influence and the Company would account for this investment in accordance with equity accounting. However, the key rights of the Company, as a member, are set out in contractual arrangements other than in a shareholders' agreement and, as such, the Film Fund is a "structured entity" as defined in IFRS 12 "Disclosure of interests in other entities" as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relative to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Therefore, management has concluded that the Company does not have significant influence and the investment has been accounted for as a financing arrangement.

### b) Multapplied Networks, Inc.

On December 27, 2017, the Company entered into an agreement to acquire 10% of the issued and outstanding common shares of Multapplied Networks, Inc. ("MNI") for \$600,000. As at December 31, 2017, \$450,000 has been paid and the remaining \$150,000 has been included in accrued liabilities (subsequently paid).

MNI is an enterprise software-defined wide area networking company that focuses on utilizing its proprietary software in facilitating a global decentralized internet.

### c) VS Blockchain Assembly Inc.

On October 10, 2017, the Company acquired a 59.26% interest in the issued and outstanding common shares of VS Blockchain Assembly Inc. ("Blockchain Assembly"), a company related by common directors, for \$16. On December 6, 2017, the Company's interest was diluted to 48.34% and eventually to 38.85% on December 31, 2017.

Accordingly, the Company consolidated the results of Blockchain Assembly from October 10, 2017 to December 6, 2017. Upon the loss of control, the Company ceased consolidation and:

- a) derecognized the assets and liabilities Blockchain Assembly from the consolidated statement of financial position and;
- b) recognized the retained investment in Blockchain Assembly at its fair value.

The net assets of Blockchain Assembly equaled the fair value at the date of loss of control on December 6, 2017. The Company's interest in the fair value of the net assets, of \$1,039,770 has been recorded as the cost of the investment on initial recognition and, subsequently, the Company accounts for its investment in Blockchain Assembly as an equity investment. On December 6, 2017, the Company recorded a gain on the fair value of the investment in Blockchain Assembly of \$1,039,770.

During the period from December 6, 2017 to December 31, 2017, the Company recorded a loss of \$57,189 from this equity interest.

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**5. Investments (continued)**

**c) VS Blockchain Assembly Inc. (continued)**

On December 31, 2017, the Company's interest was further diluted and the Company recorded a loss on dilution of \$192,794. As such the carrying value of the investment is \$789,788.

Blockchain Assembly is a blockchain and cryptocurrency investment and advisory service firm.

**d) Insight Diagnostics Inc.**

On July 27, 2017, the Company executed an agreement with Insight Diagnostics Inc. ("Insight") to acquire 25% of the issued and outstanding common shares of Insight. The Company paid \$25,000 and subsequently decided not to proceed with this investment and impaired this investment for the year ended December 31, 2017.

Insight is in the business of developing a personalized diagnostic solution for the management and prevention of Type II diabetes.

**6. Advances**

During the year ended December 31, 2017, the Company made the following advances:

	<b>Balance at December 31, 2017</b>	<b>Balance at December 31, 2016</b>
Personalized Biomarkers Inc.	\$ 227,081	\$ -
Bluzelle Platform Ptd.Ltd.	250,000	-
Blockchain conference prize pools	503,650	-
V2Games Inc. (Note 16)	475,000	-
	<b>\$ 1,455,731</b>	<b>\$ -</b>

**a) Personalized Biomarkers Inc.**

On August 9, 2017, the Company executed an agreement with Personalized Biomarkers Inc. ("PBI") to acquire up to 33% of the issued and outstanding common shares of PBI. To December 31, 2017, the Company has advanced \$227,081 to PBI. Should the Company decide to make further advances to PBI, the advances will be converted into common shares of PBI.

PBI develops test kits that predict the expected response to a number of therapies prior to prescription, with an initial focus on diabetes.

**b) Bluzelle Platform Ptd, Ltd.**

The Company entered into an agreement with Bluzelle Platform Ptd, Ltd. ("Bluzelle") to participate in Bluzelle's Initial Coin Offering ("ICO") for its digital currency token sale of Bluzelle tokens (BLZ) for \$250,000 (US\$200,000). Subsequent to December 31, 2017, the Company received 1,969,006 BLZ tokens.

**c) Blockchain conference prize pools**

During the year ended December 31, 2017, the Company advanced \$252,750 (USD \$200,000) and committed an additional USD \$200,000 (\$250,900 recorded in accrued liabilities) towards an investment prize pool to be

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**6. Advances (continued)**

**c) Blockchain conference prize pools (continued)**

awarded and allocated to a selection of start-up companies. In return, the Company will receive either an equity investment in or an allocation of ICO tokens to be distributed by each of these companies. To December 31, 2017, no investments or ICO tokens have been distributed to the Company. The Company is committed to investing a further USD \$300,000 (subsequently paid).

**7. Digital Currencies**

As at December 31, 2017, the Company's digital currencies consisted of the following:

	December 31, 2017		December 31, 2016	
	Number of Tokens/Coins	Quoted Market Price	Number of Tokens/Coins	Quoted Market Price
Bitcoin	0.78	\$ 13,852	-	\$ -
Debitum*	225,000	62,732	-	-
Enjin	415,967	90,120	-	-
Ethereum	101.90	96,737	-	-
		\$ 263,441		\$ -

\*Valued at cost, as no readily available market value.

During the year ended December 31, 2017, the Company recorded a fair value gain on digital currencies of \$186,912.

**8. Intangible Assets**

Intangible assets are comprised of the following:

	FansUnite		Website development costs		Total
Balance, December 31, 2015	\$	-	\$ 228,791	\$	228,791
Additions (Note 3)		2,659,769	32,948		2,692,717
Amortization		(276,908)	(87,246)		(364,154)
Balance, December 31, 2016		2,382,861	174,493		2,557,354
Amortization		(883,840)	(87,245)		(971,085)
Balance, December 31, 2017	\$	1,499,021	\$ 87,248	\$	1,586,269

Intangible assets are amortized on a straight-line basis over 3 years.

Research and development costs incurred in the internal development of applications and platforms are expensed as incurred. During the year ended December 31, 2017, the Company incurred \$53,888 (2016 - \$451,310) in research and development costs with respect to these activities. The Company received \$13,448 (2016 - \$Nil) in government grants, which has been offset from research and development costs.

## 9. Share Capital

### Authorized share capital

Unlimited common shares without par value.

### Issued share capital

At December 31, 2017, there were 62,384,759 issued and fully paid common shares (December 31, 2016 – 48,611,639).

#### *Shares issued during the year ended December 31, 2017*

On June 30, 2017, the Company issued 1,542,778 common shares at a fair value \$1,388,500 in settlement of \$164,750 in accrued liabilities and \$1,131,184 in shareholder loans, resulting in a loss on settlement of \$92,566.

The Company also issued 145,089 common shares at a fair value of \$130,580 for consulting fees (Note 10).

In July 2017, the Company issued 5,000,000 common shares at a fair value of \$4,500,000 to Interlock (Note 5).

In November 2017, the Company completed a non-brokered private placement issuing 6,666,667 units at a price of \$0.75 per unit for proceeds of \$5,000,000. Each unit consists of one common share of the Company and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$1.50 per share for a period of 12 months from the date of issuance.

During the year ended December 31, 2017, 418,586 common shares were issued at prices ranging from \$0.10 to \$0.50 per share for total proceeds of \$74,714 in connection with the exercise of warrants.

#### *Shares issued during the year ended December 31, 2016*

On April 29, 2016, Special Warrants related to the October 8, 2015 private placement were automatically converted to shares of the Company. Concurrently, 14,000 of the units from the private placement were cancelled and the Company refunded \$1,400 to the holder of the units. Accordingly, 5,108,000 common shares of the Company were issued pursuant to the conversion of Special Warrants and \$510,800 was reallocated to share capital.

On September 8, 2016, the Company entered into a Share Exchange Agreement with FansUnite (Note 3). Pursuant to the terms of the Share Exchange Agreement, the Company issued 1,893,940 common shares with a fair value of \$2,651,516 to the shareholders of FansUnite.

On September 8, 2016, the Company issued 100,000 common shares pursuant to a consulting agreement with the COO (Note 7). The common shares were recorded at a fair value of \$140,000 and recorded in management fees.

During the year ended December 31, 2016, the Company issued 5,123,699 common shares on the exercise of share purchase warrants for gross proceeds of \$823,743.

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**9. Share Capital (continued)**

**Warrants**

The following table summarizes information about the issued and outstanding warrants as at December 31, 2017, and December 31, 2016:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Number of warrants</u>	<u>Weighted average exercise price</u>	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
Balance, beginning	723,301	\$ 0.19	10,962,000	\$ 0.15
Issued:				
Warrants	3,333,334	1.50		
Conversion of Special Warrants	-	-	(5,094,000)	-
Expired:				
Warrants	(304,716)	0.20	-	-
Cancelled:				
Warrants	-	-	(7,000)	0.09
Special Warrants	-	-	(14,000)	0.09
Exercised	(418,585)	0.18	(5,123,699)	0.16
<b>Balance, ending</b>	<b>3,333,334</b>	<b>\$ 1.50</b>	<b>723,301</b>	<b>\$ 0.19</b>

Warrants are exercisable as follows:

<u>Expiry date</u>	<u>Number of warrants</u>	<u>Exercise price</u>
November 22, 2018	3,333,334	\$ 1.50

The remaining weighted average contractual life of warrants outstanding is 0.92 years as at December 31, 2017.

**Stock Options**

The Company has a stock option plan whereby share purchase options are granted in accordance with the policies of regulatory authorities at an exercise price equal to the market price of the Company's shares on the date of the grant and, unless otherwise stated, vest on the grant date and with a term not to exceed ten years. Under the plan, the board of directors may grant up to 10% of the issued number of shares outstanding as at the date of the share purchase option grant.

To December 31, 2017 and 2016, the Company has not issued any stock options.

**Reserve**

The reserve records items recognized as share-based payments and other settlements. During the year ended December 31, 2016, the Company allocated a fair value of \$83,152 for common shares issued for consulting fees.

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**10. Related Party Balances**

**Related Party Transactions**

During the year ended December 31, 2017 and 2016, the Company entered into the following transactions with related parties:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2017</b>	<b>2016</b>
Interest	\$ 18,181	\$ 10,861
Management fees **	\$ 205,887	\$ 249,902
Professional fees	\$ 50,750	\$ 43,569
Director fees	\$ 25,866	\$ -
Rent *	\$ 27,167	\$ 28,000
Research and development	\$ -	\$ 138,000

\* Rent was paid to a company controlled by the COO who resigned May 31, 2017

\*\* Includes \$54,167 (2016 - \$215,833) in management fees charged from a company controlled by the COO who resigned May 31, 2017

**Related Party Balances**

At December 31, 2017, the Company had \$94,353 (December 31, 2016 - \$203,711) due to related parties included in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The Company's CEO was issued 1,501,409 common shares in settlement of debt and for consulting fees for services provided in the current year (Note 9).

**Key Management Compensation**

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors and the Company's executive leadership team. Such compensation was comprised of:

- \$50,750 (2016 - \$43,569) in professional fees and \$21,720 in management fees (2016 - \$Nil), to companies controlled the CFO, for bookkeeping, corporate secretarial and CFO services,
- \$130,000 (2016 - \$65,000) in management fees to the CEO and,
- \$54,167 (2016 - \$223,152) in management fees and \$Nil (2016 - \$138,000) in research and development costs to the COO who resigned May 31, 2017.

**Related Party Loans**

As at December 31, 2017, the Company has \$1,094,793 (2016 - \$698,581) in related party loans, which includes \$19,045 (2016 - \$10,861) in accrued interest. The related party loans are due on or before October 16, 2018 and are unsecured. Related party loans in the amount of \$446,536 bear interest at 3% compounded semi-annually.



## 11. Operating Segments

The Company operates in several segments including online fantasy sports games, immersive fan experiences, investment in startup technology companies, film production and investment in digital currencies. All of the Company's assets are located in Canada.

The majority of the Company's revenue during the year ended December 31, 2017 was generated in Canada. During the year ended December 31, 2016, \$485,235 revenue was from one contract relating to an interactive fan engagement project.

## 12. Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's receivables consist of trade receivables. The Company performed an evaluation of the collectability of its trade receivables at December 31, 2017 and, as a result, recorded bad debt expense of \$14,103 related to one customer. As a result, the Company is not exposed to significant credit risk.

### b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

### c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's main source of funding has been the issuance of equity securities through private placements and loans from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

### d) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company is not exposed to significant foreign exchange risk.

## 12. Financial Risk Management (continued)

### e) Fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies, as disclosed below. However, considerable judgment is required to develop certain of these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of each class of financial instruments are discussed below.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined 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 (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quoted market prices for an identical asset or liability represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the use of significant unobservable inputs are considered Level 3. There were no financial instruments carried at fair value as at December 31, 2017 and 2016.

Cash and marketable securities are measured using Level 1 inputs.

The Company's financial instruments consist of cash, trade receivables, marketable securities, certain investments, advances, trade payables, and related party loans. The carrying value of these financial instruments approximates their fair values due to the short-term nature of these instruments.

## 13. Capital Management

The Company manages its cash and common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its technology and products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. The Company will require capital resources to carry its plans and operations through its current operating period. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

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**14. Commitments**

- a) In fiscal 2016, the Company signed a binding term sheet with Victory Square Labs Inc., a company related by a director in common, for a secured convertible note facility up to \$10,000,000 (the "Convertible Note").

The Convertible Note, to be advanced in tranches, will consist of a series of secured convertible promissory notes (each a "Note"), each bearing a term of a minimum of one year, issued pursuant to a note purchase agreement. Interest on each Note will accrue at 6% per annum, compounded annually and payable in common shares in the capital of the Company upon maturity. The Notes will be secured by a first charge over all of the Company's present and subsequently acquired personal property pursuant to a general security agreement.

As of December 31, 2017, the Company has not drawn any funds on the Convertible Note.

- b) On July 25, 2017, the Company entered into a contract for services whereby the Company has agreed to issue, as compensation, 2% of total raise in a proposed ICO paid in Bitcoin/Ethereum or Canadian dollars. If the amount raised in such ICO does not meet a minimum threshold and is returned, the right will be revoked. To December 31, 2017, no such issuances have taken place.
- c) On November 27, 2017, the Company entered into an employment agreement whereby the compensation for such employee includes the Company providing the employee with 50,000 FansUnite Tokens ("Monthly FANS") per month. The employee agreed to defer and accrue Monthly FANS until such tokens are made available for sale to the general public, at which time the Company will pay to the employee all accrued and deferred Monthly FANS. At the Company's sole discretion, the Company may replace payment of Monthly FANS by raising the annual salary by \$50,000. In addition, the employee will receive a minimum of 4% of such portion of common shares of the Company which are held by management of the Company, upon listing of FansUnite on the TSX-Venture Exchange or CSE.

**15. Income Taxes**

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the years ended December 31, 2017 and 2016.

	December 31, 2017	December 31, 2016
Loss before income tax	\$ (2,738,244)	\$ (2,717,070)
Tax rate	26%	26%
Expected income tax recovery	(711,943)	(732,580)
Increase (decrease) in income tax recovery resulting from:		
Non-deductible items	300,473	95,801
Foreign tax rate differences	8,964	8,147
Functional currency adjustments	-	19,214
Change in deferred tax asset not recognized	402,506	609,418
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

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**15. Income Taxes (continued)**

	December 31, 2017	December 31, 2016
Non-capital losses (Canada)	\$ 4,224,787	\$ 2,418,090
Net operating loss carryforwards (US)	960,457	966,113
Share issuance costs	12,860	38,581
Other	80,784	4,576
	5,278,888	3,427,360
Deferred tax asset not recognized	(5,278,888)	(3,427,360)
Deferred tax asset (liability)	\$ -	\$ -

The Company has non-capital loss carryforwards which may be carried forward to apply against future year income tax subject to the final determination by taxation authorities, expiring in the following years:

Year of expiry	Canada	USA
2033	\$ 1,000	\$ 629,000
2034	21,000	114,000
2035	235,000	71,000
2036	2,161,000	152,000
2037	1,807,000	(5,000)
Total	\$ 4,225,000	\$ 961,000

**16. Subsequent events**

Subsequent to December 31, 2017:

- a) The Company purchased certain intellectual property for \$250,000. The Company paid cash of \$150,000 and will issue FansUnite tokens with a value of \$100,000.
- b) 3,333,334 warrants with an exercise price of \$1.50 were exercised for proceeds of \$5,000,001.
- c) The Company advanced a further USD \$300,000 towards the prize pool and received 646,584 Debitum tokens (Note 6).
- d) The Company invested USD \$150,000 in Gibraltar Blockchain Exchange.
- e) The Company entered into an agreement to purchase a 23.1% interest in the issued and outstanding common shares of Cassia Research Inc. ("Cassia") for cash of \$1,000,000 (\$800,000 paid) and 187,266 common shares of the Company (issued) with a fair value of \$556,180 for total consideration of \$1,556,180. In addition, the Company will provide Cassia with a \$250,000 line of credit.

**16. Subsequent events (continued)**

- f) The Company entered into an agreement to purchase a 31.35% interest in the issued and outstanding common shares of PayVida Solutions Inc. for cash of \$1,250,000 (paid) and 365,168 common shares of the Company (issued) with a fair value of \$763,201 for total consideration of \$2,013,201.
- g) The Company entered into an agreement to purchase 100% of all issued and outstanding common shares of V2 Games Inc. ("V2 Games") for \$1,298,030 and common shares of the Company with a fair value of \$701,970. At December 31, 2017, the Company had paid \$475,000 to V2 Games.
- h) The Company entered into an agreement to provide an interest-free working capital loan of \$150,000 to Shape Immersive Entertainment Inc.
- i) The Company entered into an agreement to purchase a 29.64% interest in the issued and outstanding shares of Howyl Ventures Inc. ("Howyl Ventures") for cash of \$100,000 and 364,372 common shares of the Company with a fair value of \$998,379 for total consideration of \$1,098,379. In addition, the Company will provide Howyl Ventures with a \$500,000 line of credit.
- j) The Company entered into an agreement to purchase a 49% interest in the issued and outstanding shares of Flo Digital Inc. ("Flo Digital") for 446,428 common shares of the Company with a fair value of \$1,000,000. In addition, the Company will provide Flo Digital a convertible loan in the amount of \$300,000. The loan has a term of 4 years and will be non-interest bearing for the first year and will bear interest at 4.45% thereafter.
- k) The Company entered into an agreement with UnitedData, Inc. ("UnitedData") to participate in UnitedData's ICO for USD\$200,000 (paid). In return, the Company will receive an allocation of Shopin coins.
- l) The Company purchased 1,000,000 common shares of Cryptobuyer Technologies Corp. for \$100,000.
- m) The Company entered into an agreement to purchase 100% of all issued and outstanding shares of Limitless Blockchain Technology, LLC for 3,703,703 common shares of the Company with a fair value of \$5,555,555.
- n) The Company entered into an agreement to purchase a 12.5% interest in the issued and outstanding shares of Silota Research and Development Inc. ("Silota") for \$23.85. In addition, the Company will issue Silota \$60,000 under a secured, non-interest-bearing convertible promissory note with a maturity date of five years from date of issuance.
- o) The Company entered into an agreement to purchase a 26.5% interest in the issued and outstanding shares of Next Decentrum Technologies Inc. for \$3.61. In addition, the Company will issue \$450,000 under a secured, non-interest-bearing convertible promissory note.
- p) The Company entered into an agreement to purchase a 9.09% percent interest in the issued and outstanding shares of LocoNoco Inc. for USD \$500,000 (USD \$100,000 paid).
- q) The Company purchased \$975,415 in cryptocurrency mining equipment.