Victory Square Technologies Inc.

Consolidated Financial Statements
Years ended December 31, 2018 and 2017

Expressed in Canadian Dollars

To the Shareholders of Victory Square Technologies 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.

August 16, 2019

"Shafin Tejani"	"Sheri Rempel"
CEO	CFO

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Victory Square Technologies Inc.

Opinion

We have audited the consolidated financial statements of Victory Square Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of $13,879,714 during the year ended December 31, 2018 and, as of that date, the Company has an accumulated deficit attributable to the shareholders of the Company of $17,385,586. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

August 16, 2019

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

	Note	December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash		$ 2,736,683	$ 2,715,182
Short-term investment	3	1,000,000	-
Prepaids	4	683,592	415,254
Receivables	5	254,671	50,513
Government sales tax receivable		101,598	63,605
Marketable securities	7	3,000	45,000
Digital currencies	10	104,831	263,441
		4,884,375	3,552,995
Non-current assets			
Investments	8	10,001,652	5,118,359
Advances	9	138,000	1,455,731
Due from related parties	16	1,591,123	-
Equipment	11	128,037	-
Intangible assets	12	1,113,308	1,586,269
TOTAL ASSETS		**$ 17,856,495**	**$ 11,713,354**
LIABILITIES			
Current liabilities			
Trade payables	16	$ 456,551	$ 242,154
Accrued liabilities	16	567,455	544,206
Deferred revenue		6,938	6,300
Related party loans	16	24,817	1,094,793
Loan payable	13	283,128	-
Other payables	14	416,622	-
TOTAL LIABILITIES		**1,755,511**	**1,887,453**
EQUITY			
Share capital	15	31,073,488	15,960,006
Reserve	15	597,518	104,403
Accumulated other comprehensive income		57,936	82,130
Deficit		(17,385,586)	(6,320,638)
Equity attributable to owners of the Company		14,343,356	9,825,901
Non-controlling interest	23	1,757,628	-
EQUITY		**16,100,984**	**9,825,901**
TOTAL LIABILITIES AND EQUITY		**$ 17,856,495**	**$ 11,713,354**

Nature of operations and going concern – Note 1
Subsequent events – Note 24

These consolidated financial statements were authorized for issue by the Board of Directors on August 16, 2019.

Director: “Shafin Tejani” Director: “Howard Blank”

See accompanying notes to the consolidated financial statements.

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

	Note		Years ended December 31, 2018		2017
Revenue	21	$	4,487,704	$	741,182
Cost of goods sold	21		1,637,459		742,262
			2,850,245		(1,080)
Expenses					
Amortization and depreciation	8,11,12		2,336,313		971,085
Bad debt expense			593		14,103
Director fees	16		7,978		25,866
Donations			435,550		137,500
Foreign exchange loss (gain)			(24,095)		10,390
General and administration			166,515		32,198
Insurance			72,990		16,772
Interest	16		58,760		19,045
Investor relations			131,904		354,378
Management fees	16		489,971		272,481
Professional and consulting fees	16		893,284		310,959
Rent			236,689		66,549
Research and development			138,793		53,888
Sales and marketing			2,068,620		179,307
Share-based payments			969,164		-
Transfer agent and regulatory fees			46,458		45,991
Wages	16		1,276,375		379,833
Total expenses			(9,305,862)		(2,890,345)
Other Items					
Impairment of investments	8		(2,501,992)		(796,429)
Fair value gain on investments	8		336,000		1,039,770
Equity loss on investments	8		(1,705,905)		(57,189)
Dilution gain (loss) on investments	8		860,428		(192,794)
Gain on deconsolidation of subsidiary	8		77,470		-
Compensation expense	6		(1,108,152)		-
Loss on write-off of advances on digital currencies	9		(774,756)		-
Gain (loss) on digital currencies	10		(661,901)		186,912
Impairment of cryptoming equipment	11		(886,160)		-
Loss on settlement of debt	15		-		(92,566)
Gain on settlement of payables			-		65,477
Non-controlling interest portion of loss for deconsolidated subsidiary			38,747		-
Interest and other income			161,578		-
			(6,164,643)		153,181
Net loss before discontinued operations			(12,620,260)		(2,738,244)
Discontinued operations					
Net loss from discontinued operations	6		(28,798)		-
Loss from disposal of discontinued operations	6		(1,245,625)		-
			(1,274,423)		-
Net loss for the year			(13,894,683)		(2,738,244)
Net loss attributable to:					
Shareholders of the parent company			(12,764,452)		(2,738,244)
Non-controlling interest			(1,130,231)		-
			(13,894,683)		(2,738,244)
Other comprehensive income					
Unrealized gain on investment			-		22,500
Currency translation adjustment			14,969		1,667
			14,969		24,167
Total comprehensive loss		$	**(13,879,714)**	$	**(2,714,077)**
Basic and diluted loss per share attributable to the shareholders of the parent		$	**(0.18)**	$	**(0.05)**
Weighted average number of common shares outstanding for the year - basic and diluted			**69,299,673**		**52,769,618**

See accompanying notes to the consolidated financial statements.

Victory Square Technologies Inc.
Consolidated statements of changes in equity
(Expressed in Canadian dollars)

	Share Capital						
	Number of shares	Amount	Accumulated other comprehensive income	Reserve	Deficit	Non-controlling interest	Total
Balance at January 1, 2017	48,611,639	$ 4,866,212	$ 57,963	$ 104,403	$ (3,582,394)	$ -	$ 1,446,184
Private placement	6,666,667	5,000,000	-	-	-	-	5,000,000
Shares issued - for debt	1,542,778	1,388,500	-	-	-	-	1,388,500
Shares issued - consulting fees	145,089	130,580	-	-	-	-	130,580
Shares issued - investment	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)
Balance at December 31, 2017	**62,384,759**	**$ 15,960,006**	**$ 82,130**	**$ 104,403**	**$ (6,320,638)**	**$ -**	**$ 9,825,901**
Balance at January 1, 2018	62,384,759	$ 15,960,006	$ 82,130	$ 104,403	$ (6,320,638)	$ -	$ 9,825,901
Shares issued - acquisition of subsidiaries	4,388,919	6,299,663	-	-	-	-	6,299,663
Shares issued - investments	1,363,234	3,011,015	-	-	-	-	3,011,015
Shares issued - warrants exercised for cash	3,333,334	5,000,001	-	-	-	-	5,000,001
Shares issued - for debt	805,240	805,240	-	-	-	-	805,240
Share issuance costs	-	(2,437)	-	-	-	-	(2,437)
Subsidiary shares issued	-	-	-	493,115	1,677,004	2,887,859	5,057,978
Reallocation of opening accumulated gain on marketable securities per adoption of IFRS 9	-	-	(22,500)	-	22,500	-	-
Currency translation adjustment	-	-	(1,694)	-	-	-	(1,694)
Net loss for the year	-	-	-	-	(12,764,452)	(1,130,231)	(13,894,683)
Balance at December 31, 2018	**72,275,486**	**$ 31,073,488**	**$ 57,936**	**$ 597,518**	**$ (17,385,586)**	**$ 1,757,628**	**$ 16,100,984**

(See Notes 6,8 and 15)

See accompanying notes to the consolidated financial statements.

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

		Years ended December 31, 2018		2017
Operating activities				
Net loss for the year - continuing operations	$	(12,620,260)	$	(2,738,244)
Adjustments for non-cash items:				
Amortization and depreciation		2,336,313		971,085
Bad debt expense		593		14,103
Share-based payments		969,164		-
Loss (gain) on digital currencies		661,901		(186,912)
Loss on settlement of debt		-		92,566
Interest income		(161,577)		-
Interest expense		58,760		19,045
Non-cash compensation		1,108,152		130,580
Impairment of investments		2,501,992		771,429
Impairment of cryptomining equipment		886,160		-
Write-off of advances for digital currencies		774,756		-
Fair value gain on investment		(336,000)		(1,039,770)
Equity loss on investments		1,705,905		57,189
Dilution loss (gain) on investments		(860,429)		192,794
Gain on deconsolidation of subsidiary		(77,470)		-
Non-controlling interest portion on loss of deconsolidation		38,747		-
Gain on settlement of payables		-		(65,477)
Changes in non-cash working capital items:				
Prepaid expenses		(65,338)		(390,397)
Receivables		105,483		(58,936)
Scientific Research and Experimental Development tax credit receivable		230,414		-
Government sales tax recoverable		(37,993)		(37,518)
Trade payables		640,907		46,133
Accrued liabilities		291,914		490,044
Deferred revenue		638		6,300
Player deposits		-		(598)
Net cash flows used in operating activities - continuing operations		(1,847,268)		(1,726,584)
Investing activities				
Purchase of guaranteed investment certificate		(1,000,000)		-
Cash paid for acquisition of subsidiaries		(670,680)		-
Cash received on acquisition of subsidiaries		181,306		-
Cash lost on sale of subsidiary		(59,795)		-
Short-term advances		-		(475,000)
Marketable securities		-		(22,500)
Long term advances		(956,461)		(980,731)
Acquisition of investments		(3,903,399)		(600,000)
Purchase of digital currencies		-		(76,529)
Purchase of equipment		(1,018,359)		-
Proceeds from disposal of digital currencies		158,454		-
Net cash flows used in investing activities		(7,268,934)		(2,154,760)
Financing activities				
Shares issued, net of share issuance costs		4,997,563		5,074,714
Proceeds from sale of subsidiary shares		3,766,815		-
Loan repayments		(200,045)		-
Proceeds from related party loans		654,040		1,508,351
Repayment to related parties		(78,976)		-
Net cash flows from financing activities		9,139,397		6,583,065
Effect of foreign exchange on cash		(1,694)		1,667
Change in cash		21,501		2,703,388
Cash, beginning		2,715,182		11,794
Cash, ending	**$**	**2,736,683**	**$**	**2,715,182**

See accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

Victory Square Technologies Inc. (“Victory Square Technologies” or the “Company”) was incorporated under the Business Corporation Act (British Columbia) on February 10, 2015. 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”), Fantasy 360 Technologies Inc. (“Fantasy 360”), Victory Square Health Inc. (“Victory Square Health”), V2 Games Inc. (“V2 Games”), Victory Entertainment Inc. (“Victory Entertainment”) and its 48.55%-owned subsidiary FansUnite Entertainment Inc. (“FansUnite”) over which the Company has de facto control. Victory Square Technologies invests in emerging technology companies.

Victory Square Technologies has over 20 portfolio investments in emerging technologies such as AI, AR/VR and Blockchain. Victory Square Technologies supports these companies as they grow, by providing comprehensive functional expertise in commercialization, product market-fit and through access to proprietary technology solutions and to an extensive ecosystem of global partnerships.

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 910, 1111 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2J3. 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 OTCQX Best Markets in the United States under the symbol of “VSQTF”.

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, 2018, the Company had working capital of $3,128,864 (December 31, 2017 – $1,665,542) and an accumulated deficit of $18,515,817. 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 upon 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. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. 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. (Note 20).

2. Significant Accounting Policies

These consolidated financial statements were authorized for issue on August 16, 2019, by the directors of the Company.

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) 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 DLT, PDL, Fantasy 360, Victory Square Health, V2 Games, Victory Entertainment and its 48.55%-owned subsidiary FansUnite over which the Company has de facto control.

2. Significant Accounting Policies (continued)

b) Principles of Consolidation (continued)

Intercompany transactions, balances, income and expenses, and gains or losses on transactions are eliminated on consolidation.

c) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for cetain assets measured at fair value, and are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company, DLT, Fantasy 360, Victory Square Health, V2 Games and Victory Entertainment and FansUnite. 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
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 of intangible assets 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-life 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, 2018 and 2017. 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 acquisitions of V2 Games and Limitless Blockchain Technologies LLC. ("Limitless") (Note 6) constituted business combinations or acquisitions of assets. At acquisition, V2 Games had licenses to develop and market games but had no employees or any established processes to do so. As a result, the acquisition of V2 Games was considered an acquisition of assets. Accordingly, the transaction was accounted for as an asset acquisition and the fair value of the consideration paid was allocated to the assets acquired with the remaining value expensed as compensation expense.

At acquisition, Limitless was a company that was earning revenue from two sources - physical cryptomining through its cryptominers located in data centres in Nevada and L.A. and cryptomining from the use of computers owned by users of the Company's virtual private network ("VPN"). As such the acquisition was considered a business combination and the fair value of the consideration paid was allocated to the assets acquired with the remaining value allocated to goodwill.

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, 2018 and 2017, 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 10). Digital currencies are measured using 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) Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation and amortization are calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of equipment are as follows:

Class of property and equipment	Depreciation rate
Computers	3 years
Cryptomining equipment	2 years

2. Significant Accounting Policies (continued)

f) Financial instruments

The Company adopted all of the requirements of IFRS 9 – *Financial Instruments ("IFRS 9")* as of January 1, 2018. IFRS 9 replaces *IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39")*. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

	Original classification IAS 39	**New classification IFRS 9**
Cash	FVTPL	FVTPL
Short-term investments	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Marketable securities	FVOCI	FVTPL
Due to / from related parties	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost
Other payables	Amortized cost	Amortized cost
Investment in private companies	FVTPL	FVTPL

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise.

2. Significant Accounting Policies (continued)

f) Financial instruments (continued)

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an

amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

g) Investments

Investments which are classified as financial instruments under IFRS 9 are initially recorded at the fair value at the time of acquisition. Subsequent measurement depends on the classification of the financial instrument as noted above in Note 2(f).

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.

2. Significant Accounting Policies (continued)

g) Investments

The Company has determined that it has significant influence over Aspen Technologies Inc. ("Aspen") (formerly VS Blockchain Assembly Inc.), Shape Immersive Entertainment Inc. ("Shape"), PayVida Solutions Inc. ("PayVida"), Cassia Research Inc. ("Cassia"), Flo Digital Inc. ("Flo Digital") and Howyl Ventures Inc. ("Howyl") (Note 8).

Investments in films and games are classified as intangible assets and recorded at the lower of amortized cost or recoverable amount. The valuation of investments in films and games are reviewed when an event or change in circumstances indicates that the fair value of a film or game is less than its unamortized cost. The Company records an impairment charge if the amount is less than the amortized cost. The recoverable amount is higher of value in use or fair value less cost of disposal. Investments in films are amortized over a three-year period, 80% in year of release, 15% in the year thereafter and 5% in the second year after release. Investments in games are amortized on a straight-line basis over a three-year period, starting in the year the game is released.

h) Digital Currencies

Digital currencies consist of cryptocurrency and are initially recorded at cost an adjusted for fair value at each reporting period based on quoted market prices. Changes in the fair value of digital currencies are recorded in profit and loss.

i) 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.

j) Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars. 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. Exchange differences are recorded in profit and loss.

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.

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.

2. Significant Accounting Policies (continued)

k) 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.

l) 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, 2018 and 2017.
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.

m) Impairment of Non-financial Assets
The carrying amount of the Company's non-financial 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 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

2. Significant Accounting Policies (continued)

m) Impairment of Non-financial Assets (continued)

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.

n) 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.

o) Revenue Recognition

Revenue from Contracts with Customers
The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

Game and Film Revenue
The Company recognizes revenue from investments in films when the significant risks and rewards of ownership have transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the Company does not retain either continuing managerial involvement or effective control.

Royalties received from investments in games is recognized as revenue when amounts become due to the Company, based on the sale of the games to users. Revenues are recognized at the later of when the subsequent sale or the performance obligation to which some or all the sales royalty has been allocated and has been satisfied.

Immersive Experiences Revenue
The Company, through its subsidiary F360, provides immersive experiences primarily through the construction of interactive real-world simulations using VR and AR. Revenue from providing these services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that gave rise to the revision become known to management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset (receivable) is recognised. If the payments exceed the services rendered, a contract liability (deferred revenue) is recognized.

2. Significant Accounting Policies (continued)

o) Revenue Recognition (continued)

Cryptomining Revenue

The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly termed “cryptocurrency mining”. As consideration for these services, the Company receives digital currency from each specific network in which it participates (“coins”). Revenue is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt, based on the hourly volume weighted average from www.cryptocompare.com. The coins are recorded on the statement of financial position, as digital currencies, at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit and loss. The Company records the revaluation gains and losses in the statement of loss and comprehensive loss.

p) 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 year ended December 31, 2018, other comprehensive income is related to the effects of currency translation adjustments and for the year ended December 31, 2017, other comprehensive income is related to the effects of currency translation adjustments and the fair value gain on marketable securities.

q) 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.

r) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods after December 31, 2018. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below.

Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Although the Company has two office leases the new standard is not expected to have a material impact on the Company’s financial statements.

(Expressed in Canadian dollars)

3. Short-term Investment

The Company's short-term investment consists of one guaranteed investment certificate ("GIC") held with a national financial institution bearing interest at prime less 2.4% and maturing on August 2, 2019. As at December 31, 2018, the Company had accrued interest of $3,742 (2017 - $Nil) on the GIC, which was included in receivables.

Subsequent to year end, on April 8, 2019, the GIC was redeemed.

4. Prepaids

Prepaids consist of the following:

		December 31, 2018		December 31, 2017
Marketing fees	$	280,337	$	322,325
Sponsorships		218,996		87,689
Listing fees		23,733		-
Rental deposits		92,909		-
Legal retainers		7,133		-
Other		60,484		5,240
Total prepaids	$	683,592	$	415,254

5. Receivables

Receivables consists of the following:

		December 31, 2018		December 31, 2017
Immersive services	$	145,391	$	50,513
Gaming royalties		94,407		-
Other		14,873		-
Total trade and other receivables	$	254,671	$	50,513

6. Transactions

Limitless

On May 1, 2018, the Company completed the purchase of 100% of all issued and outstanding common shares of Limitless in exchange for 3,703,703 common shares of the Company, with a fair value of $5,518,517 (Note 15). The acquisition was treated as a business combination. In accordance with IFRS 3"Business Combinations", the fair value of the common shares in excess of the fair value of the identifiable assets and liabilities acquired has been recognized as goodwill.

Limitless is a crypto mining and software company that provides end-to-end digital security and privacy to users of the internet. Limitless provides a free virtual private network ("VPN") software solution for users globally and is working to develop an enterprise application to address cybersecurity threats.

(Expressed in Canadian dollars)

6. Transactions (continued)

Limitless Blockchain Technology, LLC (continued)

The acquisition was recorded as follows:

		Acquisition of Limitless
Fair value of consideration		
Common shares	$	5,518,217
Assets and liabilities acquired		
Cash		161,287
Digital currencies		240,970
Equipment (Note 11)		605,406
Due to related party		(64,130)
Accrued liabilities		(19,101)
		924,432
Goodwill	$	4,593,785

On October 1, 2018, the Company sold its ownership of Limitless to Aspen for a consideration of $4,547,040. The consideration consisted of the reversal of an amount owing by the Company to Aspen in the amount of $2,657,093 and a note receivable of $1,889,946. The note receivable is, unsecured, non-interest bearing and due on demand any time after January 1, 2020. The fair value of the note was determined to be $1,587,001 using a market discount rate of 15% (Note 16). The Company recorded a loss on disposition of discontinued operations of $1,304,489 in connection with the sale. During the period of ownership, Limitless had revenue of $473,136 and expenses of $443,070, resulting in net income from discontinued operations of $30,066.

V2 Games

On May 29, 2018, the Company completed the purchase of 100% of all issued and outstanding common shares of V2 Games in exchange for $670,680 and 685,216 common shares of the Company with a fair value of $781,146 (Note 15), for total consideration of $1,451,826. The acquisition was accounted for as an asset acquisition. The acquired assets and liabilities were recorded at their fair value. The excess of consideration over the net assets acquired was expensed as compensation.

V2 Games is a video game ventures firm focusing on project investments in high-value e-gaming projects featuring globally-recognized intellectual properties and generates revenue from game royalties.

(Expressed in Canadian dollars)

6. Transactions (continued)

V2 Games Inc. (continued)

The acquisition was recorded as follows:

		Acquisition of V2 Games
Fair value of consideration		
Cash	$	670,680
Common shares		781,146
		1,451,826
Assets and liabilities acquired		
Cash		20,021
Trade receivables		123,691
SRED receivable		230,414
Other receivables		37,000
Prepaid expenses		3,000
Investments		1,256,350
Equipment (Note 11)		1,153
Trade payables		(19,082)
Loan payable		(449,797)
Intercompany loans		(859,076)
		343,674
Compensation expense	$	1,108,152

7. 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 and at December 31, 2018 is $3,000. The Company recorded an impairment of $42,000 in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2018.

In accordance with the adoption of IFRS 9, the accumulated gain on Big Blockchain of $22,500 that was included in other comprehensive income at December 31, 2017 was reallocated to deficit on January 1, 2018.

(Expressed in Canadian dollars)

8. Investments

The Company's investments at December 31, 2018 and December 31, 2017 consisted of the following:

Investment		Balance at December 31, 2018		Balance at December 31, 2017
PayVida (1)	$	1,422,880	$	-
Cassia (1)		1,375,652		-
Aspen (1)		1,063,882		789,788
Flo Digital (1)		972,665		-
Multapplied Networks, Inc. (2)		936,000		600,000
Just Games Interactive Entertainment LLC (3)		977,544		-
TLA Films, LLC (3)		647,569		-
Talo Flow Inc. (formerly LocoNoco Inc.) (2)		641,496		-
Howyl (1)		512,740		-
1108641 BC Ltd. (3)		353,731		-
Cloud Benefit Solutions Inc. (2)		300,000		-
Personalized Biomarkers Inc. (2)		227,081		-
Ragnarok Game LLC (2)		163,075		-
Next Decentrum Technologies Inc. (1)		132,510		-
Other (1) (2)		274,827		-
Unified Film Fund II, LLC (3)		-		3,728,571
	$	10,001,652	$	5,118,359

The investments are accounted for as follows: (1) IAS 28, Investment in Associates and Joint Ventures (2) IFRS 9, Financial Instruments and (3) IAS 38, Intangible Assets.

a) PayVida

During the year ended December 31, 2018, the Company purchased a 33.67% interest in the issued and outstanding common shares of PayVida for cash of $1,250,000 and 365,168 common shares of the Company with a fair value of $967,695 (Note 15) for total consideration of $2,217,695. At acquisition, the Company held an interest of 33.67% in PayVida which was diluted down to 32.78% at December 31, 2018.

During the year ended December 31, 2018, the Company recorded an equity loss of $1,073,497 and a dilution gain of $278,682 and the value of the investment was reduced to $1,422,880.

PayVida is a fintech company which connects merchants and consumers with e-commerce, mobile, in-store payment acceptance and disbursement technology. PayVida's technology enables existing merchants' POS terminals and POS systems to accept fiat and cryptocurrencies as a payment method.

b) Cassia

During the year ended December 31, 2018, 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 and 187,266 common shares of the Company with a fair value of $514,982 for total consideration of $1,514,982 (Note 15). As at December 31, 2018, the Company holds an interest of 25.92% in Cassia.

During the year ended December 31, 2018, the Company recorded an equity loss of $139,330 and the value of the investment was reduced to $1,375,652.

Cassia Research Inc (aka CoPilot Advisor) uses AI technology to help sales teams target qualified prospects on social media, initiate one-to-one conversations and surface sales opportunities without requiring content marketing, spam emails, or advertising.

8. Investments (continued)

c) Aspen

On October 10, 2017, the Company acquired a 59.26% interest in the issued and outstanding common shares of Aspen, a company related by common directors, for $16. On December 6, 2017, the Company's interest was diluted to 48.34%. Accordingly, the Company consolidated the results of Aspen from October 10, 2017 to December 6, 2017.

Upon the loss of control, the Company ceased consolidation, derecognized the assets and liabilities of Aspen from the consolidated statement of financial position and recognized the retained investment in Aspen at its fair value.

The net assets of Aspen 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 was recorded as the cost of the investment on initial recognition and, subsequently, the Company accounts for its investment in Aspen as an equity investment. The value of the investment at December 31, 2017 was $789,788.

On January 25, 2018, the Company's interest was diluted to 36.17% and then to 20.33 % on July 1, 2018.

During the year ended December 31, 2018, the Company recorded an equity loss of $307,652 (2017 - $249,983) and a gain on dilution of $581,746 due to the dilution of the Company's interest from 48.34% on December 31, 2017 to 20.33% on July 1, 2018, and the value of the investment was increased to $1,063,882.

Aspen is a decentralized database that protects personal data by offering full privacy, high security, and dynamic scalability.

d) Flo Digital

During the year ended December 31, 2018, the Company purchased a 49% interest in the issued and outstanding shares of Flo Digital through the issue of 446,428 common shares of the Company with a fair value of $999,999. In addition, the Company has agreed to provide Flo Digital with a convertible loan in the amount of $300,000. The loan will have a term of 4 years and will be non-interest bearing for the first year and will bear interest at 4.45% thereafter. The Company has advanced $25,000 of the loan (Note 16).

During the year ended December 31, 2018, the Company recorded an equity loss of $27,334 and the value of the investment was reduced to $972,665.

Flo Digital's software suite is a 360° video delivery platform. The Flo Digital platform makes 360° content viewable within any browser, VR platform, or mobile device. Flo Digital provides agencies, VR developers, brands and clients with an end to end, interactive VR advertising solution.

e) 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. During the year ended December 31, 2018, the Company recorded a fair value gain of $336,000 on MNI and the fair value was increased to $936,000.

MNI develops and sells a proprietary software-defined wide area network platform that cloud and managed service providers white-label and run in their infrastructure to improve visibility and control over end-customer experiences of their hosted, managed applications.

f) Just Games Interactive Entertainment LLC

During the year ended December 31, 2018, V2 Games entered into a project financing agreement with Just Games Interactive Entertainment LLC for $1,256,350 ($1,000,000 USD) for the development and publishing of a mobile game. In exchange, the Company receives a royalty of 20% of the gross revenues generated by the game.

8. Investments (continued)

f) Just Games Interactive Entertainment LLC (continued)

During the year ended December 31, 2018, the Company earned royalty revenue of $279,510 and recorded depreciation of $278,806 on this investment.

g) TLA Films, LLC

During the year ended December 31, 2018, V2 Games entered into an agreement to provide a portion of the financing for the production of the film "The Opening Act" for $647,569. Based on the estimated budget of $3,160,320 (USD $2,400,000), the Company's proportionate share of net earnings will be 20%. The film was under production at December 31, 2018.

h) Talo Flow Inc. (formerly LocoNoco Inc.)

During the year ended December 31, 2018, the Company purchased a 9.09% percent interest in the issued and outstanding shares of Talo Flow Inc. ("Talo Flow") for $641,496 (USD $500,000).

Taloflow's prediction engine, which reveals the cost of every cloud process in real-time, is an AI autopilot for cloud resource management.

i) Howyl

On May 1, 2018, the Company completed the acquisition of 28.5% of Howyl (dba Capaciti) by issuing 364,372 common shares of the Company with a fair value of $528,339 (Note 15) and $100,000 in cash.

During the year ended December 31, 2018, the Company recorded an equity loss of $115,599 and the value of the investment was reduced to $512,740.

Howyl is developing an online marketplace to connect freelance contractors with companies that are seeking to outsource project work.

j) 1108641 BC Ltd.

During the year ended December 31, 2018, V2 Games entered into a project financing agreement with 1108641 BC Ltd. to provide $3,410,500 (USD $2,500,000) to further development, marketing and commercialization of a game in exchange for a revenue share. As at December 31, 2018, $353,731 has been advanced.

Subsequent to year end, the agreement was revised, reducing the required amount to be funded by the Company to $2,046,300 (USD $1,500,000) (Note 23).

k) Cloud Benefit Solutions Inc.

During the year ended December 31, 2018, the Company purchased 15% of the outstanding common shares of Cloud Benefit Solutions Inc. (dba Cloud Advisors) for $300,000.

Cloud Advisors connects insurance advisors with marketplace data and tools in a secure digital platform for an enhanced client experience. Through digital client management, on-demand insights, automated reporting, governance and compliance, Cloud Advisors creates an accessible and intelligent robo-advice assistant for insurance advice.

l) 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. During the year ended December 31, 2018, the Company decided to limit its investment to 15% of PBI for $227,081.

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

(Expressed in Canadian dollars)

8. Investments (continued)

m) Ragnarok Game LLC

During the year ended December 31, 2018, V2 Games entered into a project financing agreement with Ragnarok Game LLC in the amount of USD $250,000 for the development and marketing of a game. In exchange, the Company will receive a monthly share of the revenue generated by the game. The revenue share percentage is tiered from 30% to 10% depending upon the amount of revenue paid out and is capped at $1,000,000. As at December 31, 2018, the Company had advanced $163,075 (USD $125,000).

n) Next Decentrum Inc.

During the year ended December 31, 2018, the Company entered into an agreement to purchase a 26.5% interest in the issued and outstanding shares of Next Decentrum Technologies Inc. ("Next Decentrum") for $3. As the Company's share in the net loss of Next Decentrum for the year ended December 31, 2018 exceeded the amount of the investment, the investment was written down to $Nil. In connection with the investment, the Company also entered into an agreement to provide Next Decentrum with $450,000 under a secured, non-interest-bearing convertible promissory note. As at December 31, 2018, the Company had advanced $175,000 of the loan. In accordance with IAS 28, the Company has reallocated the value of the loan to investments and recorded an equity loss of $42,490 for 2018, reducing the investment to $132,510.

o) Unified Film Fund II, LLC

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 (Note 15).

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 acquisition, Interlock paid $4,500,000 (USD $3,500,000) in capital towards the Film Fund. The Film Fund was 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 Special Purpose Entity ("SPE"). A single SPE was to be formed to produce, own, and acquire the underlying rights in and to each of the motion pictures.

The Company was to 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)

The investment in UFF 2 Ride Movie LLC of $771,429 was impaired during the year ended December 31, 2017.

During the year ended December 31, 2018, the Company received royalty revenue of $2,116,605 on What They Had Film, LLC. Depreciation of $1,579,230 was recorded for What They Had Film, LLC. Due to the uncertainty associated with the recoverability of the balance of the investment the Company recorded an additional impairment of $2,149,342 on the Film Fund in the current year. Should circumstances arise in the future, IFRS permits a reversal of impairment. The Company will be maintaining title to the investment and will continue to seek opportunities to recover it.

(Expressed in Canadian dollars)

8. Investments (continued)

o) Other Investments

During the year ended December 31, 2018, the Company held a number of smaller investments in technology-related companies and recorded an impairment of $352,651 (2017 - $25,000) and a gain on deconsolidation of subsidiary of $77,470 (2017 - $Nil) with respect to these investments.

9. Advances

Advances as at December 31, 2018 and December 31, 2017, are as follows:

	Balance at December 31, 2018	Balance at December 31, 2017
Personalized Biomarkers Inc.	$ -	$ 227,081
Bluzelle Platform Ptd.Ltd.	-	250,000
Blockchain conference prize pools	-	503,650
V2Games	-	475,000
Advances for intellectual property	137,500	-
Other	500	-
	$ 138,000	$ 1,455,731

a) Advances for intellectual property

On January 24, 2018, FansUnite entered into a letter of intent to acquire intellectual property relating to an online betting website for consideration of $150,000 consisting of monthly cash installments of $12,500 beginning on February 1, 2018 and ending on January 1, 2019. As at December 31, $137,500 was advanced to the seller. The intellectual property was acquired subsequent to year end.

b) Blockchain conference prize pools

During the year ended December 31, 2018, the Company advanced an additional $388,410 towards an investment prize pool to be awarded and allocated to a selection of start-up companies. The total amount advanced to December 31, 2018, was $892,060. In return, the Company was to receive either an equity investment in or an allocation of ICO tokens to be distributed by each of these companies.

To December 31, 2018, the Company received the following tokens:

646,584 Debitum
582,500 InsurePal
72,544 Aid
371,666 Chainium
260,259 Guardium
201,530 Neuromation

The cost of these tokens of $329,412 was reallocated to digital currencies during the year ended December 31, 2018. The balance of advances remaining for the prize pool was $562,648. This amount was written off during the year ended December 31, 2018 as a result of the downturn in the digital currency markets and in accordance with IFRS 9. Should circumstances arise in the future, IFRS permits a reversal of the impairment. The Company will continue to seek opportunities to recover the investment.

(Expressed in Canadian dollars)

9. Advances (continued)

c) Advances for token offerings

During the year ended December 31, 2018, the Company advanced $42,747 for Cryptocurve tokens, $42,864 for PayToMat tokens, $42,198 for SBCE tokens, $40,976 for MPQ tokens and $43,323 for Climate Futures tokens. None of these tokens were received and the amounts were written off in the current year due to the downturn in the digital currency markets and in accordance with IFRS 9. The Company will continue to seek opportunities to recover the investment.

d) Other advances

The advances made to Bluzelle Platform Ptd. Ltd. were converted to Bluzelle tokens in the current year. The advances made to Personalized Biomarkers Inc. and V2 Games were converted to investments in these entities in the current year.

10. Digital Currencies

As at December 31, 2018 and December 31, 2017, the Company's digital currencies consisted of the following:

	December 31, 2018			December 31, 2017		
	Number of Tokens/Coins		Quoted Market Price	Number of Tokens/Coins		Quoted Market Price
AidCoin	72,544	$	2,100	-	$	-
Bitcoin	7.77		39,070	0.78		13,852
Debitum	397,789		2,497	225,000		62,732
Enjin	-		-	415,967		90,120
Ethereum	313.07		57,887	101.90		96,737
Guardium*	260,259		3,277	-		-
		$	104,831		$	263,441

During the year ended December 31, 2018, the Company recorded a loss on digital currencies of $661,901 (2017 – gain of $186,912). Digital currencies are measured using level two inputs obtained from www.coinmarketcap.com.

(Expressed in Canadian dollars)

11. Equipment

Equipment consists of the following:

	Cryptomining Equipment	Computer Equipment	Total
Cost			
Balance, December 31, 2017	$ -	$ -	$ -
Acquisition of subsidiaries (Note 6)	550,145	56,414	606,559
Additions	1,001,572	71,411	1,072,983
Impairment	(886,160)	-	(886,160)
Disposals (Note 6)	(550,145)	(109,885)	(660,030)
Balance, December 31, 2018	115,412	17,940	133,352
Accumulated depreciation			
Balance, December 31, 2017	$ -	$ -	$ -
Depreciation	(197,297)	(20,108)	(217,405)
Disposals (Note 6)	197,297	14,793	212,090
Balance, December 31, 2018	-	(5,315)	(5,315)
Net book value, December 31, 2018	$ 115,412	$ 12,625	$ 128,037
Net book value, December 31, 2017	$ -	$ -	$ -

12. Intangible Assets

Intangible assets are comprised of the following:

	FansUnite	Website development costs	Total
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
Amortization	(385,713)	(87,248)	(472,961)
Balance, December 31, 2018	$ 1,113,308	$ -	$ 1,113,308

Intangible assets are amortized on a straight-line basis over 3 to 5 years.

13. Loan Payable

On August 17, 2017, V2 Games entered into a loan agreement with Runway Finance Group Inc. ("Runway") for $400,000. The loan bears interest at 16% and matures on August 16, 2020. V2 Games is required to make repayments as follows:

- 100% of the proceeds from V2 Games' refund from Canada Revenue Agency for its Scientific Research and Experimental Development ("SRED") tax credit for the year-end tax returns for 2017, 2018 and 2019;
- 50% of the proceeds from V2 Games' refund from Canada Revenue Agency for its December 31, 2016 British Columbia Interactive Digital Media Tax Credit ("BC IDMTC");
- 50% of the proceeds from payments to be received by V2 Games under a June 14, 2016 mobile game publishing agreement; and

13. Loan Payable (continued)

- 50% of the proceeds from Canada Media Fund payments to be received by V2 Games under a February 11, 2015 agreement.

The loan is secured by a general security agreement over all present and after-acquired assets, property and undertaking of V2 Games as well as an assignment of the payments to be received for SRED, BC IDMTC and the mobile game publishing agreement. During the year ended December 31, 2018, proceeds from the SRED tax credit were received and a payment of $201,522 was made on the loan. At December 31, 2018, the balance of the loan is $283,128, including interest. Interest of $34,853 was recorded on the loan during the year ended December 31, 2018 and included in accrued liabilities.

14. Other Payables

Other payables consist of amounts advanced by a third party in connection with an investment which did not proceed. The amounts are unsecured, non-interest bearing and payable on demand.

15. Share Capital

Authorized Share Capital
Unlimited common shares without par value.

Issued Share Capital
At December 31, 2018, there were 72,640,654 issued common shares (December 31, 2017 – 62,384,759).

Shares issued during the year ended December 31, 2018:

On February 15, 2018, 187,266 common shares with a fair value of $514,982 were issued in connection with the investment in Cassia (Note 8).

On March 6, 2018, 3,333,334 common shares were issued at a price of $1.50 for proceeds of $5,000,001 in connection with the exercise of 3,333,334 warrants.

On March 7, 2018, 365,168 common shares with a fair value of $967,695 were issued in connection with the investment in PayVida (Note 8).

On April 19, 2018, 364,372 common shares with a fair value of $528,339 were issued in connection with the investment in Howyl (Note 8).

On April 20, 2018, 446,428 common shares with a fair value of $999,999 were issued in connection with the investment in Flo Digital (Note 8).

On May 1, 2018, 3,703,703 common shares with a fair value of $5,518,517 were issued in connection with the acquisition of the Limitless (Note 6).

On May 29, 2018, 685,216 common shares with a fair value of $781,146 were issued in connection with the acquisition of V2 Games (Note 6).

On September 7, 2018, 805,240 common shares were issued to settle debt owing to the CEO of $805,240.

(Expressed in Canadian dollars)

15. Share Capital (continued)

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.

In July 2017, the Company issued 5,000,000 common shares at a fair value of $4,500,000 to Interlock (Note 8).

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.

Warrants

On March 6, 2018, 3,333,334 warrants were exercised at a price of $1.50 for proceeds of $5,000,001. As at December 31, 2018, there are no warrants outstanding.

The following table summarizes information about the issued and outstanding warrants as at December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning	3,333,334	$ 1.50	723,301	$ 0.19
Issued	-	-	3,333,334	1.50
Expired	-	-	(304,716)	0.20
Exercised	(3,333,334)	1.50	(418,585)	0.18
Balance, ending	-	$ -	3,333,334	$ 1.50

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. As at December 31, 2018, the Company has not issued any stock options.

During the year ended December 31, 2018, the Company' s subsidiary, FansUnite, issued 5,340,000 options to employees and key advisors. The options are exercisable at $0.25 per share for a period of 10 years from the date of issue. Share-based payments of $969,164 were recorded in the statement of loss and comprehensive loss for the year ended December 31, 2018.

(Expressed in Canadian dollars)

16. Related Party Transactions

During the years ended December 31, 2018 and 2017, the Company entered into the following transactions with related parties:

		December 31, 2018		December 31, 2017
Interest	$	22,575	$	18,181
Management fees	$	130,000	$	205,887
Professional and consulting fees	$	168,840	$	50,750
Wages paid to officers of a subsidiary of the Company	$	277,000	$	120,000
Director fees	$	7,978	$	25,866
Prepayment to a director for investment in and sponsorship of a speaker series	$	50,000	$	-

Related Party Balances

At December 31, 2018, the Company has $96,683 (December 31, 2017 - $94,353) 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.

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:

- $168,840 (2017 - $50,750) in professional fees and $Nil (2017 - $21,720) in management fees to companies controlled by the CFO, for bookkeeping, corporate secretarial and CFO services;
- $130,000 (2017 - $130,000) in management fees to the CEO, and
- $Nil (2017 - $54,167) in management fees to the COO who resigned May 31, 2017.

Related Party Loans

As at December 31, 2018, the Company has $24,817 (December 31, 2017 - $1,094,793) in related party loans, which includes $11,714 (December 31, 2017 - $6,259) in accrued interest. The related party loans are unsecured, bear interest at 3% and due on demand.

During the year ended December 31, 2018, funds, interest and services of $805,240 (2017 - $1,362,456) advanced by the CEO of the Company was settled through the issuance of shares.

Due from Related Parties

		Balance at December 31, 2018		Balance at December 31, 2017
Due from Aspen (Note 6)	$	1,522,372	$	-
Due from Howyl		43,751		-
Due from Flo Digital (Note 8)		25,000		-
	$	1,591,123	$	-

16. Related Party Transactions (continued)

The majority of the amount due from Aspen is related to the sale of Limitless to Aspen and the resulting discounted receivable of $1,587,001. During the year ended December 31, 2018, the Company recorded interest of $60,002 in connection with the receivable.

The loan due from Flo Digital has a term of 4 years and is non-interest bearing for the first year and bears interest at 4.45% thereafter. (Note 8).

Amounts due from Howyl and Aspen are unsecured, non-interest bearing and have no fixed terms of repayment.

17. Operating Segments

The Company operates in two primary segments - technology and film production.

18. 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, due from related parties and government sales tax receivable. During the year ended December 31, 2018, the Company wrote off accounts receivable in the amount of $593 that it believed were uncollectible. Based on the evaluation of remaining trade receivables at December 31, 2018, the Company believes that its receivables are collectible, and 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. Liquidity risk is assessed as high.

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.

18. Financial Risk Management (continued)

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 are no financial instruments carried at fair value as at December 31, 2018.

Cash, marketable securities and certain investments are measured using Level 1 inputs. Investments in private companies are measured using level 3 inputs which either cost or price of recent financing.

The Company's financial instruments consist of cash, trade receivables, marketable securities, certain investments, amounts due from related parties, advances, trade payables, loan payable and related party loans. The carrying value of financial instruments approximates the fair value at December 31, 2018.

19. 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.

(Expressed in Canadian dollars)

20. 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, 2018, the Company has not formally drawn any funds on the Convertible Note. (Note 16).

b) During the year ended December 31, 2018, V2 Games entered into a game financing agreement with Ragnarok Game LLC in the amount of USD $250,000 for the development and marketing of a game. As at December 31, 2018, USD $125,000 is owed in connection with this agreement.

c) During the year ended December 31, 2018, V2 Games entered into a game financing agreement with 1108641 BC Ltd. to provide $3,410,500 (USD $2,500,000) to further development, marketing and commercialization of a game in exchange for revenue share. Subsequent to year end, the agreement was revised, reducing the required amount to be funded by the Company to $2,046,300 (USD $1,500,000) (Note 23).

d) During the year ended December 31, 2018, the Company entered into a lease agreement for office space. Monthly payments of $15,000 are payable from March 1, 2018 to August 30, 2020.

e) During the year ended December 31, 2018, the Company entered into a sublease agreement for office space. Monthly payments of $17,000 are receivable from November 12, 2018 to August 30, 2020.

21. Revenue and Cost of Goods Sold

Revenue

	Years ended December 31, 2018	2017
Immersive experiences	$ 2,032,395	$ 720,348
Film royalties	2,116,605	-
Gaming royalties	299,445	20,120
Other services	39,259	714
	$ 4,487,704	$ 741,182

Cost of Goods Sold

	Years ended December 31, 2018	2017
Immersive experiences	$ 1,637,459	$ 742,262

(Expressed in Canadian dollars)

22. Income Taxes

The following tables 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, 2018 and 2017.

	December 31, 2018	December 31, 2017
Loss before income tax	$ (13,894,683)	$ (2,738,244)
Tax rate	27%	26%
Expected income tax recovery	(3,751,564)	(711,208)
Increase (decrease) in income tax recovery resulting from:		
Non-deductible items	26,343	300,473
Change in enacted tax rates	8,525	-
Foreign tax rate differences	(1,487)	8,229
Change in deferred tax asset not recognized	3,718,183	402,506
Total income tax expense (recovery)	$ -	$ -

	December 31, 2018	December 31, 2017
Non-capital losses (Canada)	$ 9,060,880	$ 4,224,787
Net operating loss carryforwards (US)	960,569	960,457
Tax losses removed on disposal of discontinued operations	(1,274,423)	-
Share issuance costs	108,008	12,860
Other	142,038	80,784
	8,997,072	5,278,888
Deferred tax asset not recognized	(8,997,072)	(5,278,888)
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	Total
2033	$ 1,000	$ 629,000	$ 630,000
2034	21,000	114,000	135,000
2035	235,000	71,000	306,000
2036	2,161,000	152,000	2,313,000
2037	1,807,000	(5,000)	1,802,000
2038	4,835,000	-	4,835,000
Total	$ 9,060,000	$ 961,000	$ 10,021,000

(Expressed in Canadian dollars)

23. Non-controlling Interest

As at December 31, 2018, he Company holds a 48.55% (2017 – 100%) interest in FansUnite. The following is a summarized consolidated statement of financial position of FansUnite at December 31, 2018 and 2017:

	Year ended December 31, 2018	2017
Current:		
Assets	2,369,053	16,696
Liabilities	(872,744)	(611,539)
Total current net assets (liabilities)	1,496,309	(594,843)
Non-Current:		
Assets	1,255,629	-
Total non-current net assets	1,255,629	-
Balance, ending	2,751,938	(594,843)

The following is a summarized consolidated statement of comprehensive loss for FansUnite for the years ending December 31, 2018 and 2017:

	Year ended December 31, 2018	2017
Revenue	8,314	20,119
Net loss	(3,255,384)	(478,691)
Other comprehensive loss	(864)	-
Comprehensive loss	(3,256,248)	(478,691)

24. Subsequent Events

Subsequent to December 31, 2018

a) On March 1, 2019, the Company entered into an agreement to purchase 100% of the common shares of PiiK Games Inc.("PiiK"), an eSports platform developer, for $1,000,000 in common shares of the Company. The Company was required to issue common shares at a 10% discount to fair value, commencing March 1, 2019, on a quarterly basis to the shareholders of PiiK. A finder's fee of 282,981 common shares was paid in connection with the acquisition. Subsequent to March 1, 2019, the Company decided to limit its investment in PiiK to 16.8% and has issued 496,383 common shares with a fair value of $188,272.

b) The game financing agreement with 1108641 BC Ltd. was amended to reduce the total funding commitment of V2 Games to $2,046,300 (USD $1,500,000). A payment of USD $450,000 was made on May 14, 2019 (Note 8).

c) The game financing agreement with Just Games Entertainment Interactive LLC was converted to a loan receivable, bearing interest at 15% and repayable in monthly installments to September 1, 2020.