

**Victory Square Technologies Inc.**

**Condensed Consolidated Interim Financial Statements  
Three Months ended March 31, 2019 and 2018**

Expressed in Canadian Dollars



### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The condensed consolidated interim financial statements of Victory Square Technologies Inc. are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

Victory Square Technologies Inc.  
Condensed consolidated interim unaudited statements of financial position  
(Expressed in Canadian dollars)

	Note	March 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 620,235	\$ 2,736,683
Short-term investment	3	1,001,725	1,000,000
Prepays	4	736,042	683,592
Receivables	5	59,339	254,671
Government sales tax receivable		120,859	101,598
Marketable securities		2,250	3,000
Digital currencies	8	65,376	104,831
		2,605,826	4,884,375
<b>Non-current assets</b>			
Investments	6	10,523,439	10,001,652
Advances	7	829,430	138,000
Due from related parties	14	1,672,689	1,591,123
Equipment	9	98,878	128,037
Intangible assets	10	1,178,203	1,113,308
<b>TOTAL ASSETS</b>		<b>\$ 16,908,465</b>	<b>\$ 17,856,495</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	14	\$ 580,364	\$ 456,551
Accrued liabilities	14	411,376	567,455
Deferred revenue		312,083	6,938
Related party loans	14	165,197	24,817
Loan payable	11	294,298	283,128
Other payables	12	393,766	416,622
<b>TOTAL LIABILITIES</b>		<b>2,157,084</b>	<b>1,755,511</b>
<b>EQUITY</b>			
Share capital	13	31,172,990	31,073,488
Reserve	13	779,242	597,518
Accumulated other comprehensive income		59,157	57,936
Deficit		(18,513,063)	(17,385,586)
Equity attributable to owners of the Company		13,498,326	14,343,356
Non-controlling interest	20	1,253,055	1,757,628
<b>EQUITY</b>		<b>14,751,381</b>	<b>16,100,984</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 16,908,465</b>	<b>\$ 17,856,495</b>

Nature of operations and going concern – Note 1  
Subsequent events – Note 21

These condensed consolidated interim unaudited financial statements were authorized for issue by the Board of Directors on August 21, 2019.

Director: “Shafin Tejani”

Director: “Howard Blank”

See accompanying notes to the condensed consolidated interim unaudited financial statements.

Victory Square Technologies Inc.  
Condensed consolidated interim unaudited statements of loss and comprehensive loss  
(Expressed in Canadian dollars)

	Note	Three months ended March 31,	
		2019	2018
<b>Revenue</b>	19	\$ 270,676	\$ 248,347
<b>Cost of goods sold</b>	19	127,888	243,185
		142,788	5,162
<b>Expenses</b>			
Amortization and depreciation	6,9,10	116,364	242,897
Director fees	14	6,858	-
Donations		2,000	55,000
Foreign exchange loss		731	17,371
General and administration		35,286	9,065
Insurance		21,856	4,836
Interest	14	15,224	5,085
Investor relations		37,417	43,165
Management fees	14	77,593	47,500
Professional and consulting fees	14	332,245	103,038
Rent		54,739	36,161
Research and development		-	13,450
Sales and marketing		356,861	1,131,569
Share-based payments		181,724	-
Transfer agent and regulatory fees		12,059	7,259
Wages	14	421,074	125,979
<b>Total expenses</b>		<b>(1,672,031)</b>	<b>(1,842,375)</b>
<b>Other Items</b>			
Equity loss on investments	6	(635,212)	(246,702)
Dilution loss on investments	6	-	(49,891)
Fair value loss on investment		(750)	(31,200)
Gain on investment	6	410,554	-
Loss on digital currencies	8	(9,792)	(123,838)
Interest and other income	6	132,393	36,953
		(102,807)	(414,678)
<b>Net loss for the period</b>		<b>(1,632,050)</b>	<b>(2,251,891)</b>
Net loss attributable to:			
Shareholders of the parent company		(1,127,477)	(2,251,891)
Non-controlling interest		(504,573)	-
		(1,632,050)	(2,251,891)
<b>Other comprehensive income (loss)</b>			
Currency translation adjustment		1,221	(284)
		1,221	(284)
<b>Total comprehensive loss</b>		<b>\$ (1,630,829)</b>	<b>\$ (2,252,175)</b>
<b>Basic and diluted loss per share attributable to the shareholders of the parent company</b>		<b>\$ (0.02)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding for the period - basic and diluted</b>		<b>72,355,191</b>	<b>63,472,773</b>

See accompanying notes to the condensed consolidated interim unaudited financial statements.

Victory Square Technologies Inc.  
Condensed consolidated interim unaudited statements of changes in equity  
(Expressed in Canadian dollars)

	Share Capital		Accumulated other comprehensive income	Reserve	Deficit	Non-controlling interest	Total
	Number of shares	Amount					
Balance at January 1, 2018	62,384,759	\$ 15,960,006	\$ 82,130	\$ 104,403	\$ (6,320,638)	\$ -	\$ 9,825,901
Shares issued - investments	552,434	1,482,677	-	-	-	-	1,482,677
Shares issued - warrants exercised for cash	3,333,334	5,000,001	-	-	-	-	5,000,001
Reallocation of opening accumulated gain on marketable securities per adoption of IFRS 9	-	-	(22,500)	-	-	-	(22,500)
Currency translation adjustment	-	-	(284)	-	-	-	(284)
Net loss for the period	-	-	-	-	(2,251,891)	-	(2,251,891)
<b>Balance at March 31, 2018</b>	<b>66,270,527</b>	<b>\$ 22,442,684</b>	<b>\$ 59,346</b>	<b>\$ 104,403</b>	<b>\$ (8,572,529)</b>	<b>\$ -</b>	<b>\$ 14,033,904</b>
<b>Balance at January 1, 2019</b>	<b>72,275,486</b>	<b>\$ 31,073,488</b>	<b>\$ 57,936</b>	<b>\$ 597,518</b>	<b>\$ (17,385,586)</b>	<b>\$ 1,757,628</b>	<b>\$ 16,100,984</b>
Shares issued - investments	231,409	99,502	-	-	-	-	99,502
Share-based payments	-	-	-	181,724	-	-	181,724
Currency translation adjustment	-	-	1,221	-	-	-	1,221
Net loss for the period	-	-	-	-	(1,127,477)	(504,573)	(1,632,050)
<b>Balance at March 31, 2019</b>	<b>72,506,895</b>	<b>\$ 31,172,990</b>	<b>\$ 59,157</b>	<b>\$ 779,242</b>	<b>\$ (18,513,063)</b>	<b>\$ 1,253,055</b>	<b>\$ 14,751,381</b>

(See Note 13)

See accompanying notes to the condensed consolidated interim unaudited financial statements.

Victory Square Technologies Inc.  
Condensed consolidated interim unaudited statements of cash flows  
(Expressed in Canadian dollars)

	Three months ended March 31,	
	2019	2018
<b>Operating activities</b>		
Net loss for the period	\$ (1,632,050)	\$ (2,251,891)
Adjustments for non-cash items:		
Amortization and depreciation	116,364	242,897
Share-based payments	181,724	-
Loss on digital currencies	9,792	123,838
Interest income	(133,967)	(36,953)
Foreign exchange gain	(66,000)	-
Interest expense	11,170	4,514
Fair value loss on investment	750	31,200
Gain on investment	(410,554)	-
Equity loss on investments	635,212	246,702
Dilution loss on investments	-	49,891
Changes in non-cash working capital items:		
Prepaid expenses	58,822	140,548
Receivables	186,663	(59,732)
Government sales tax recoverable	(19,261)	4,485
Trade payables	12,541	15,300
Accrued liabilities	(156,079)	49,717
Other payables	(22,856)	-
Deferred revenue	305,145	16,857
<b>Net cash flows used in operating activities</b>	<b>(922,584)</b>	<b>(1,422,627)</b>
<b>Investing activities</b>		
Loan receivable	(20,649)	(627,249)
Long term advances	(621,050)	(1,201,197)
Acquisition of investments	(509,616)	(1,350,000)
Acquisition of intangibles	(150,000)	-
Purchase of equipment	(2,100)	(4,538)
Proceeds from disposal of digital currencies	38,417	22
<b>Net cash flows used in investing activities</b>	<b>(1,264,998)</b>	<b>(3,182,962)</b>
<b>Financing activities</b>		
Shares issued, net of share issuance costs	-	5,000,001
Proceeds from related party loans	70,000	263,231
<b>Net cash flows from financing activities</b>	<b>70,000</b>	<b>5,263,232</b>
<b>Effect of foreign exchange on cash</b>	<b>1,134</b>	<b>(283)</b>
Change in cash	(2,116,448)	657,360
Cash, beginning	2,736,683	2,715,182
<b>Cash, ending</b>	<b>\$ 620,235</b>	<b>\$ 3,372,542</b>

See accompanying notes to the condensed consolidated interim unaudited 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 Condensed Consolidated Interim 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 condensed consolidated interim unaudited 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 March 31, 2019, the Company had working capital of \$448,742 (December 31, 2018 – \$3,128,864) and an accumulated deficit of \$18,513,063. 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. Statement of Compliance, Basis of Preparation and New Accounting Policies and Standards

These condensed consolidated interim unaudited financial statements were authorized for issue on August 21, 2019, by the directors of the Company.

### Statement of Compliance

These condensed consolidated interim unaudited financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim unaudited financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended December 31, 2018.

The condensed consolidated interim unaudited financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company’s annual financial statements as at and for the year ended December 31, 2018.

**2. Statement of Compliance, Basis of Preparation and New Accounting Policies and Standards (continued)**

**Basis of Preparation**

The condensed consolidated interim unaudited financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

**New Accounting Policies**

Leases

The Company adopted all of the requirements of IFRS 16 – *Leases* as of January 1, 2019. Company adopted the IFRS 16 eliminates 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. Although the Company has two office leases the new standard did not have a material impact on the Company’s financial statements as the company’s office lease payments are completely offset by sublease payments received.

**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.

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

**4. Prepaids**

Prepaids consist of the following:

		<b>March 31, 2019</b>		<b>December 31, 2018</b>
Marketing fees	\$	322,695	\$	280,337
Sponsorships		155,420		218,996
Rental deposits		124,144		92,909
Insurance		99,244		-
Listing fees		17,799		23,733
Legal retainers		2,134		7,133
Other		14,606		60,484
<b>Total prepaids</b>	<b>\$</b>	<b>736,042</b>	<b>\$</b>	<b>683,592</b>



Victory Square Technologies Inc.  
Notes to the condensed consolidated interim unaudited financial statements  
For the three months ended March 31, 2019 and 2018  
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**5. Receivables**

Receivables consist of the following:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Immersive services	\$ 49,266	\$ 145,391
Gaming royalties	4,193	94,407
Other	5,880	14,873
<b>Total receivables</b>	<b>\$ 59,339</b>	<b>\$ 254,671</b>

**6. Investments**

The Company's investments at March 31, 2019 and December 31, 2018 consisted of the following:

<b>Investment</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Just Games Interactive Entertainment LLC (3)	\$ 1,525,423	\$ 977,544
Cassia (1)	1,365,827	1,375,652
Aspen (1)	996,450	1,063,882
Flo Digital (1)	965,011	972,665
Multapplied Networks, Inc. (2)	936,000	936,000
PayVida (1)	880,228	1,422,880
1108641 BC Ltd. (3)	863,348	353,731
TLA Films, LLC (3)	647,569	647,569
Talo Flow Inc. (formerly LocoNoco Inc.) (2)	641,496	641,496
Howyl (1)	512,740	512,740
Cloud Benefit Solutions Inc. (2)	300,000	300,000
Personalized Biomarkers Inc. (2)	227,081	227,081
Ragnarok Game LLC (2)	163,075	163,075
Next Decentrum Technologies Inc. (1)	124,861	132,510
PiiK Games Inc. (2)	99,502	-
Other (1) (2)	274,828	274,827
	<b>\$ 10,523,439</b>	<b>\$ 10,001,652</b>

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) 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.

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

On February 1, 2019, the investment was converted to a loan receivable. The loan is unsecured and bears interest at 30%. The loan and interest will be repaid monthly from July 2019 to January 2022. During the period ended March 31, 2019, the Company recorded a gain on the conversion of the loan of \$410,554, interest income of \$71,325 and an exchange gain of \$66,000.

## 6. Investments (continued)

### 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. As at March 31, 2019, the Company holds an interest of 25.83% in Cassia.

During the year ended December 31, 2018, the Company recorded an equity loss of \$139,330. During the period ended March 31, 2019, the Company recorded an equity loss of \$9,825.

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.

### 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 Condensed Consolidated Interim 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 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.

During the period ended March 31, 2019, the Company recorded an equity loss of \$67,432.

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 14).

During the year ended December 31, 2018, the Company recorded an equity loss of \$27,334. During the period ended March 31, 2019, the Company recorded an equity loss of \$7,564.

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.

## 6. Investments (continued)

### 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) **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. During the period ended March 31, 2019, the Company recorded an equity loss of \$542,652.

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.

### 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 March 31, 2019.

### 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 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 March 31, 2019, \$863,348 has been advanced.

Subsequent to the period ended March 31, 2019, the agreement was revised, reducing the required amount to be funded by the Company to \$2,046,300 (USD \$1,500,000) (Note 21).

## 6. Investments (continued)

### 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.

### 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 March 31, 2019, the Company had advanced \$163,075 (USD \$125,000).

Subsequent to the period end, the Company decided not to proceed with this investment and the principal amount of \$163,075 plus interest income of \$9,807 was repaid to the Company.

### 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. During the period ended March 31, 2019, the Company recorded an equity loss of \$7,649.

### o) PiiK Games Inc.

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. Subsequent to March 1, 2019, the Company decided to limit its investment in PiiK to 16.8%. As at March 31, 2019, the Company had issued 231,409 common shares with a fair value of \$99,502 for an 8.4% ownership.

Victory Square Technologies Inc.  
Notes to the condensed consolidated interim unaudited financial statements  
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**7. Advances**

Advances as at March 31, 2019 and December 31, 2018 are as follows:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Advances to Look To The Sky Films	\$ 495,680	\$ -
Advance to VS Biosciences Enterprise Inc.	333,250	-
Advances for intellectual property	-	137,500
Other	500	500
	<b>\$ 829,430</b>	<b>\$ 138,000</b>

**a) Advances to Look To The Sky Films Inc.**

During the year ended December 31, 2018, the Company advanced \$495,680 to Look To The Sky Films Inc. ("Sky") for an assignment of a portion of Sky's investment in the film "Dragged Across Concrete." As at March 31, 2019, the film was not yet released.

**b) Advance to VS Bioscience Enterprises Inc.**

During the period ended March 31, 2019, the Company advanced \$333,250 (USD \$250,000) to VS Bioscience Enterprises Inc. ("VS Bioscience"). Subsequent to the period end, the advance was converted to an equity investment in VS Bioscience. VS Bioscience is a private company that supplies cannabidiol (CBD) in Canada and the U.S.

**c) 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, 2018, \$137,500 was advanced to the seller. The intellectual property for a total of \$150,000 was acquired during the period ended March 31, 2019 (Note 10).

**8. Digital Currencies**

As at March 31, 2019 and December 31, 2018, the Company's digital currencies consisted of the following:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
AidCoin	\$ 1,510	\$ 2,100
Bitcoin	22,241	39,070
Debitum	2,497	2,497
Ethereum	35,062	57,887
Guardium	4,066	3,277
	<b>\$ 65,376</b>	<b>\$ 104,831</b>

During the period ended March 31, 2019, the Company recorded a loss on digital currencies of \$9,792 (2018–\$123,838). Digital currencies are measured using level two inputs obtained from [www.coinmarketcap.com](http://www.coinmarketcap.com).

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## 9. Equipment

Equipment consists of the following:

	Cryptomining Equipment		Computer Equipment		Total
<b>Cost</b>					
Balance, December 31, 2018	\$	115,412	\$	17,940	\$ 133,352
Additions		-		2,101	2,101
Balance, March 31, 2019		115,412		20,041	135,453
<b>Accumulated depreciation</b>					
Balance, December 31, 2018	\$	-	\$	(5,315)	\$ (5,315)
Depreciation		(29,791)		(1,469)	(31,260)
Balance, March 31, 2019		(29,791)		(6,784)	(36,575)
Net book value, March 31, 2019	\$	85,621	\$	13,257	\$ 98,878
Net book value, December 31, 2018	\$	115,412	\$	17,940	\$ 128,037

## 10. Intangible Assets

Intangible assets are comprised of the following:

	FansUnite
Balance, December 31, 2018	\$ 1,113,308
Additions (Note 7)	150,000
Amortization	(85,105)
Balance, March 31, 2019	\$ 1,178,203

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

## 11. 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 IDMTTC");
- 50% of the proceeds from payments to be received by V2 Games under a June 14, 2016 mobile game publishing agreement; and
- 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 IDMTTC and the

**11. Loan Payable (continued)**

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 March 31, 2019, the balance of the loan is \$294,298, including interest. Interest of \$11,170 was recorded on the loan during the period ended March 31, 2019.

**12. Other Payables**

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

**13. Share Capital**

**Authorized Share Capital**

Unlimited common shares without par value.

**Issued Share Capital**

At March 31, 2019, there were 72,506,895 issued common shares (December 31, 2018 – 72,275,486).

On March 1, 2019, 231,409 common shares with a fair value of \$99,502 were issued in connection with the acquisition of 8.4% of PiiK.

**Warrants**

As at March 31, 2019, there are no warrants outstanding.

**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 \$181,724 were recorded in the statement of loss and comprehensive loss for the period ended March 31, 2019 related to the vesting of the options.

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**14. Related Party Transactions**

During the period ended March 31, 2019 and 2018, the Company entered into the following transactions with related parties:

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Interest	\$ -	\$ 4,514
Management fees	\$ 32,500	\$ 32,500
Professional and consulting fees	\$ 40,533	\$ 42,584
Wages paid to officers of a subsidiary of the Company	\$ 89,000	\$ -
Director fees	\$ 6,858	\$ -

**Related Party Balances**

At March 31, 2019, the Company has \$104,341 (December 31, 2018 - \$96,683) 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 \$40,533 (2018 - \$42,584) in professional fees to companies controlled by the CFO, for bookkeeping, corporate secretarial and CFO services and \$32,500 (2018 - \$32,500) in management fees to the CEO.

**Related Party Loans**

As at March 31, 2019, the Company has \$165,197 (December 31, 2018 - \$24,817) in related party loans, which includes \$11,714 (December 31, 2018 - \$11,714) in accrued interest. The related party loans are unsecured, bear interest at 3% and are due on demand.

**Due from Related Parties**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Due from Aspen	\$ 1,599,438	\$ 1,522,372
Due from Howyl	43,751	43,751
Due from Flo Digital (Note 6)	25,000	25,000
Other	4,500	-
	\$ 1,672,689	\$ 1,591,123



#### **14. Related Party Transactions (continued)**

The majority of the amount due from Aspen is related to the sale of Limitless to Aspen in 2018 and the resulting discounted receivable of \$1,707,919 as at March 31, 2019. During the period ended March 31, 2019, the Company recorded interest of \$60,917 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 6).

#### **15. Operating Segments**

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

#### **16. 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 receivables, due from related parties and government sales tax receivable. Based on the evaluation of receivables at March 31, 2019, 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.

## 16. 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.

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 March 31, 2019.

## 17. 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 period.

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## 18. 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 March 31, 2019, the Company has not formally drawn any funds on the Convertible Note.
- b) 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 the period ended March 31, 2019, the agreement was revised, reducing the required amount to be funded by the Company to \$2,046,300 (USD \$1,500,000) (Note 21).
- c) 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.
- d) 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.

## 19. Revenue and Cost of Goods Sold

### Revenue

	Three months ended March 31,	
	2019	2018
Immersive experiences	\$ 160,629	\$ 245,341
Gaming royalties	110,047	3,006
	\$ 270,676	\$ 248,347

### Cost of Goods Sold

	Three months ended March 31,	
	2019	2018
Immersive experiences	\$ 127,888	\$ 243,185

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**20. Non-controlling Interest**

As at March 31, 2019, the Company holds a 48.55% (2018 – 48.55%) interest in FansUnite. The following is a summarized condensed consolidated interim unaudited statement of financial position of FansUnite at March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Current:		
Assets	1,587,269	2,369,053
Liabilities	(815,957)	(872,744)
Total current net assets	771,312	1,496,309
Non-Current:		
Assets	1,182,663	1,255,629
Total non-current net assets	1,182,663	1,255,629
Total net assets	1,953,975	2,751,938

The following is a summarized condensed consolidated interim unaudited statement of comprehensive loss for FansUnite for the periods ending March 31, 2019 and 2018:

	Three months ended March 31,	
	2019	2018
Revenue	678	3,006
Net loss	(980,705)	(325,959)
Other comprehensive income	1,016	-
Comprehensive loss	(979,689)	(325,959)

**21. Subsequent Events**

Subsequent to March 31, 2019:

- a) The Company issued 547,962 common shares, including 282,981 shares issued as finders' fees, with a fair value of \$180,737 in connection with the acquisition of PiiK.
- 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 6).