Victory Square Technologies Inc.

Consolidated Financial Statements
Years ended December 31, 2019 and 2018

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, 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.

May 11, 2020

"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, 2019 and 2018, and the consolidated statements of loss and 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, 2019 and 2018, 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 describes events or conditions that 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.

DMCL

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

May 11, 2020

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

	Note		December 31, 2019		December 31, 2018
ASSETS					
Current assets					
Cash		$	212,651	$	2,736,683
Short-term investment	3		-		1,000,000
Prepaids	4		376,277		683,592
Receivables	5		126,236		254,671
Government sales tax receivable			128,759		101,598
Lease receivable	6		50,565		-
Marketable securities			1,050		3,000
Current portion of loan receivable	8		557,784		-
Digital currencies			42,902		104,831
			1,496,224		4,884,375
Non-current assets					
Investments	9		7,338,982		10,001,652
Advances	10		162,059		138,000
Loan receivable	8		914,831		-
Due from related parties	18		2,062,709		1,793,967
Property and equipment	11		314,006		128,037
Intangible assets	12		922,888		1,113,308
TOTAL ASSETS		**$**	**13,211,699**	**$**	**18,059,339**
LIABILITIES					
Current liabilities					
Trade payables	18	$	690,016	$	456,551
Accrued liabilities	18		726,441		567,455
Deferred revenue			310,834		6,938
Related party loans	18		596,291		227,661
Loan payable	13		328,428		283,128
Current portion of leases payable	14		81,976		-
Other payables	15		158,766		416,622
			2,892,752		1,958,355
Convertible debentures	16		1,192,203		-
Obligation to issue convertible debentures	16		230,000		-
Lease payable	14		245,360		-
TOTAL LIABILITIES			**4,560,315**		**1,958,355**
EQUITY					
Share capital	17		31,353,728		31,073,488
Reserve	17		1,570,083		597,518
Equity portion of convertible debentures	16		199,703		-
Accumulated other comprehensive income			58,598		57,936
Deficit			(24,853,920)		(17,385,586)
Equity attributable to owners of the Company			8,328,192		14,343,356
Non-controlling interest	24		323,192		1,757,628
EQUITY			**8,651,384**		**16,100,984**
TOTAL LIABILITIES AND EQUITY		**$**	**13,211,699**	**$**	**18,059,339**

Nature of operations and going concern – Note 1
Subsequent events – Note 25

See accompanying notes to the consolidated financial statements.

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

	Note	Year ended December 31, 2019	2018
Revenue	22	$ 3,531,681	$ 4,487,704
Cost of goods sold	22	2,463,760	1,637,459
		1,067,921	2,850,245
Expenses			
Amortization and depreciation	9,11,12	1,031,992	2,336,313
Bad debt expense		34,745	593
Director fees	18	19,016	7,978
Donations		2,000	435,550
Foreign exchange loss (gain)		95,598	(24,095)
General and administration		291,432	166,515
Insurance		101,318	72,990
Interest and accretion	13,14,16	236,431	58,760
Investor relations		53,209	131,904
Management fees	18	244,684	489,971
Professional and consulting fees	18	1,007,408	893,284
Rent		336,553	236,689
Research and development		-	138,793
Sales and marketing		957,915	2,068,620
Share-based payments	17	967,386	969,164
Transfer agent and regulatory fees		66,656	46,458
Wages	18	1,623,334	1,276,375
Total expenses		(7,069,677)	(9,305,862)
Other Items			
Impairment of investments	9	(1,975,702)	(2,501,992)
Equity loss on investments	9	(1,439,609)	(1,705,905)
Dilution gain on investments	9	-	860,428
Gain on conversion of investment to loan receivable	8	410,554	-
Fair value gain (loss) on investments	9	(499,349)	336,000
Gain on deconsolidation of subsidiary	9	-	77,470
Impairment of related party receivables	18	(64,592)	-
Compensation expense	7	-	(1,108,152)
Loss on write-off of advances on digital currencies		-	(774,756)
Gain (loss) on digital currencies		6,336	(661,901)
Impairment of cryptomining equipment	11	-	(886,160)
Non-controlling interest portion of loss for deconsolidated subsidiary		-	38,747
Loss on settlement of debt		(58,685)	-
Interest income	6,8,18	687,394	146,578
Other income		32,955	15,000
		(2,900,698)	(6,164,643)
Net loss before income taxes and discontinued operations		(8,902,454)	(12,620,260)
Income taxes		(15,119)	-
Net loss before discontinued operations		(8,917,573)	(12,620,260)
Net loss from discontinued operations	7	-	(28,798)
Loss from disposal of discontinued operations	7	-	(1,245,625)
		-	(1,274,423)
Net loss for the year		(8,917,573)	(13,894,683)
Net loss attributable to:			
Shareholders of the parent company		(7,420,637)	(12,764,452)
Non-controlling interest		(1,496,936)	(1,130,231)
		(8,917,573)	(13,894,683)
Other comprehensive income (loss)			
Currency translation adjustment		662	(1,694)
Total comprehensive loss		**$ (8,916,911)**	**$ (13,896,377)**
Basic and diluted loss per share attributable to the shareholders of the parent company		**$ (0.10)**	**$ (0.18)**
Weighted average number of common shares outstanding for the period - basic and diluted		**72,821,149**	**69,299,673**

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	Equity portion of convertible debentures	Deficit	Non-controlling interest	Total
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
Share issued - for debt	805,240	805,240	-	-	-	-	-	805,240
Share issuance costs	-	(2,437)	-	-	-	-	-	(2,437)
Subsidiary shares issued	-	-	-	493,115	-	1,677,004	2,887,859.00	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**
Balance at January 1, 2019	72,275,486	$ 31,073,488	$ 57,936	$ 597,518	$ -	$ (17,385,586)	$ 1,757,628	$ 16,100,984
Shares issued - investments	496,383	188,271	-	-	-	-	-	188,271
Shares issued - consulting services	282,981	91,969	-	-	-	-	-	91,969
Share-based payments	-	-	-	967,386	-	-	-	967,386
Convertible debentures	-	-	-	5,179	199,703	-	-	204,882
Transition adjustment for leases per adoption of IFRS 16	-	-	-	-	-	(47,697)	-	(47,697)
Increase in value of subsidiary shares related to debt settlement	-	-	-	-	-	-	62,500	62,500
Currency translation adjustment	-	-	662	-	-	-	-	662
Net loss for the year	-	-	-	-	-	(7,420,637)	(1,496,936)	(8,917,573)
Balance at December 31, 2019	**73,054,850**	**$ 31,353,728**	**$ 58,598**	**$ 1,570,083**	**$ 199,703**	**$ (24,853,920)**	**$ 323,192**	**$ 8,651,384**

(See Notes 7, 9, 14, 16 and 17)

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,	
		2019	**2018**
Operating activities			
Net loss for the year - continuing operations	$	(8,917,573) $	(12,620,260)
Adjustments for non-cash items:			
Amortization and depreciation		1,031,992	2,336,313
Bad debt expense		34,745	593
Share-based payments		967,386	969,164
Rent recovery		(28,719)	-
Loss (gain) on digital currencies		(6,336)	661,901
Non-cash compensation		91,969	1,108,152
Interest income		(351,414)	(146,578)
Interest expense		235,555	58,760
Impairment of investments		1,975,702	2,501,992
Impairment of related party loans		64,592	-
Impairment of cryptomining equipment		-	886,160
Write-off of advances for digital currencies		-	774,756
Fair value loss (gain) on investments		499,349	(336,000)
Gain on conversion of investment to loan receivable		(410,554)	-
Equity loss on investments		1,439,609	1,705,905
Dilution gain on investments		-	(860,429)
Gain on deconsolidation of subsidiary		-	(77,470)
Non-controlling interest portion of loss on deconsolidation		-	38,747
Loss on settlement of debt		58,685	-
Foreign exchange loss (gain)		12,842	(14,999)
Changes in non-cash working capital items:			
Prepaid expenses		150,885	(65,338)
Receivables		85,023	105,483
Scientific Research and Experimental Development tax credit		-	230,414
Government sales tax recoverable		(27,161)	(37,993)
Trade payables and accrued liabilities		466,458	932,821
Other payables		(257,856)	-
Deferred revenue		303,896	638
Net cash flows used in operating activities		(2,580,925)	(1,847,268)
Investing activities			
Purchase of guaranteed investment certificate		-	(1,000,000)
Proceeds from 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)
Acquistion of investments		(1,883,583)	(3,903,399)
Proceeds from disposal of investment		163,075	-
Lease payments received		204,000	-
Long term advances		(161,559)	(956,461)
Loans to related parties		(25,040)	-
Purchase of equipment		(15,583)	(1,018,359)
Purchase of intangibles		(12,500)	-
Proceeds from disposal of digital currencies		49,939	158,454
Net cash flows used in investing activities		(681,251)	(7,268,934)
Financing activities			
Shares issued, net of share issuance costs		-	4,997,563
Proceeds from sale of subsidiary shares		-	3,766,815
Convertible debentures issued, net of issuance costs		1,235,561	-
Proceeds received in advance of convertible debenture issue		230,000	-
Lease payments		(247,879)	-
Loan repayments		-	(200,045)
Proceeds from related party loans		133,400	654,040
Repayment of related party loans		(613,600)	(78,976)
Net cash flows from financing activities		737,482	9,139,397
Effect of foreign exchange on cash		662	(1,694)
Change in cash		(2,524,032)	21,501
Cash, beginning		2,736,683	2,715,182
Cash, ending	$	**212,651** $	**2,736,683**

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, 2019, the Company had a working capital deficit of $1,396,528 (December 31, 2018 – working capital of $2,926,020) and an accumulated deficit of $24,853,920. 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. Significant Accounting Policies

These consolidated financial statements were authorized for issue on May 11, 2020, 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.

2. Significant Accounting Policies (Continued)

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.

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 certain 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.

Certain comparative figures have been restated to conform to the current year's presentation.

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:

Fair Value of Investments
The Company reviews its investments and records their fair value at each financial statement reporting date. For investments in public companies, fair value is determined based on the quoted market price. For investments in private companies, certain subjective measures, including recent share transactions, prices for comparable entities, review of cash flow projections and the investee's prospects, financial ratios and discounted cash flows are techniques used to determine fair value. Where possible the Company uses inputs obtained from observable market data for its valuation models. However, if observable market data is not available the Company uses judgement to determine fair value.

Recoverability of Loan Receivable and Accrued Interest
Management assesses the valuation of the loan receivable and accrued interest at the end of each reporting period. Management will assess the repayment schedule for the loan, ability of the borrower to repay the loan receivable and accrued interest, and the Company's overall ability to collect the loan receivable and accrued interest amount. Management's assessment is based on significant judgements and estimates available at each reporting period. Changes in the assumptions may materially affect the amount of the loan receivable and accrued interest determined to be collectible.

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.

2. Significant Accounting Policies (Continued)

d) Use of Estimates and Judgements (continued)

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, 2019 and 2018. 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.

Intangible Assets Acquired Through Acquisition
Determining whether or not the 2018 acquisitions of V2 Games and Limitless Blockchain Technologies LLC. ("Limitless") (Note 7) 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. 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, 2019 and 2018, 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.

2. Significant Accounting Policies (Continued)

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
Furniture and other equipment	3 years
Lease office	5.7 years

f) Financial instruments

(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.

(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. 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 in the period in which they arise.

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.

2. Significant Accounting Policies (Continued)

f) Financial instruments (continued)

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, 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.

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"), Howyl Ventures Inc. ("Howyl") and Next Decentrum Technologies Inc. ("Next Decentrum") (Note 9).

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

2. Significant Accounting Policies (Continued)

g) Investments (continued)

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.

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.

2. Significant Accounting Policies (Continued)

k) Income Taxes (continued)

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, 2019 and 2018.

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 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.

2. Significant Accounting Policies (Continued)

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.

Software Development Services
The Company recognizes revenue from the provision of software development services. Revenue is recognized upon completion of the development and transfer of the finished product to the customer.

2. Significant Accounting Policies (Continued)

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 loss and comprehensive loss. For the year ended December 31, 2019 and 2018, other comprehensive income is related to the effects of currency translation adjustments.

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) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Vesting conditions are determined by the Board of Directors.

s) Leases

On January 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases ("IAS 17") using the modified retrospective approach, under which the cumulative effect of initial application was recognized on the statement of financial position as at January 1, 2019 without restating the financial statements on a retrospective basis. The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use ("ROU") assets and lease liabilities on the statement of financial position, including those for most leases that would currently be accounted for as operating leases. Both leases with durations of 12 months or less and leases for low-value assets may be exempted.

The Company has an office lease for its headquarters in Vancouver, British Columbia which the Company also subleases out. In the context of the transition to IFRS 16, a lease liability of $201,152 and a lease receivable of $243,455 and reduction to opening retained earnings of $47,697 were recognized as at January 1, 2019, in accordance with the modified retrospective approach (Notes 6, 11 and 14). As a transitional practical expedient permitted by IFRS 16 as at January 1, 2019, only contracts that were previously identified as leases applying IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease, were assessed as part of the transition to the new standard. Only contracts entered into (or modified) after January 1, 2019 have been assessed for being, or containing, leases applying the criteria of the new standard.

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities, the valuation of the lease receivables and the valuation of ROU assets. These include: determining contracts that are within the scope of IFRS 16; determining the contract term; and determining the interest rate used for the discounting of future cash flows.

(Expressed in Canadian dollars)

2. Significant Accounting Policies (Continued)

s) Leases (continued)

The ROU assets are recognized initially at the value of lease liabilities at recognition with any prepaid payments, initial direct costs and dismantling costs less any lease incentives received. Re-measurements will not be applied by the Company subsequently, except for assessment for impairment, where appropriate.

The lease term determined by the Company comprises the non-cancellable period of lease contracts; the period covered by an option to extend the leases, if the Company is reasonably certain to exercise that option; and the periods covered by an option to terminate the lease, if the Company is reasonably certain not to exercise that option. The amortization rate of ROU assets is based on the lease term determined. The present value of the lease payment is determined using the discount rate representing the weighted average incremental borrowing rate the Company could secure. There are no restrictions or covenants imposed by the Company's leases.

t) Recent Accounting Pronouncements

As the date of authorization of these consolidated financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments either not adopted are not expected to have a material impact on the Company's consolidated financial statements.

3. Short-term Investment

As at December 31, 2018, the Company's short-term investment consisted 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. The GIC was redeemed on April 8, 2019.

4. Prepaids

Prepaids consist of the following:

		December 31, 2019		December 31, 2018
Marketing fees	$	300,000	$	280,337
Sponsorships		31,250		218,996
Rental deposits		14,003		92,909
Insurance		25,858		-
Listing fees		2,166		23,733
Legal retainers		-		7,133
Consulting		3,000		-
Other		-		60,484
Total prepaids	$	376,277	$	683,592

(Expressed in Canadian dollars)

5. Receivables

Receivables consists of the following:

		December 31, 2019		December 31, 2018
Immersive services	$	125,560	$	145,391
Gaming royalties		-		94,407
Other		676		14,873
Total receivables	$	126,236	$	254,671

6. Lease Receivable

In 2018, the Company entered into an office sublease agreement for monthly payments of $17,000. On January 1, 2019, in accordance with the adoption of IFRS 16, the Company recorded a lease receivable with a present value of $243,455 determined through discounting future cash flows at a discount rate of 8%. During the year ended December 31, 2019, accretion of $11,110 was recorded on the lease and is included in interest income in the consolidated statement of loss and comprehensive loss (Note 14).

Lease transactions for the year ended December 31, 2019 are as follows:

Balance, January 1, 2019 on transition	$	243,455
Payments received		(204,000)
Accretion		11,110
Balance, December 31, 2019	$	50,565

7. 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 17). 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 was 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)

7. Transactions (Continued)

Limitless (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 12)		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. The fair value of the note was determined to be $1,587,001 using a market discount rate of 15% (Note 18). The Company recorded a loss on disposition of discontinued operations of $1,245,625 in connection with the sale. During the period of ownership, Limitless had revenue of $473,136 and expenses of $501,934, resulting in a net loss from discontinued operations of $28,798.

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 a cash payment of $670,680 and 685,216 common shares of the Company with a fair value of $781,146 (Note 17), 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)

7. Transactions (Continued)

V2 Games (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 12)		1,153
Trade payables		(19,082)
Loan payable		(449,797)
Intercompany loans		(859,076)
		343,674
Compensation expense	$	1,108,152

8. Loan Receivable

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 was to 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 are to be repaid monthly in installments which vary from US$50,000 to US$75,000 from July 2019 to November 2021. During the year ended December 31, 2019, the Company recorded a gain of $410,554 on the conversion of the investment to a loan receivable and interest income of $426,516. The balance of the loan and accrued interest at December 31, 2019 is US$1,133,827. Subsequent to December 31, 2019, the Company sold 50% of this loan to FansUnite (Note 26).

		December 31, 2019		December 31, 2018
Current portion	$	557,784	$	-
Long term portion		914,831		-
	$	1,472,615	$	-

(Expressed in Canadian dollars)

9. Investments

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

Investment	December 31, 2019	December 31, 2018
1108641 BC Ltd. (3)	$ 1,676,118	$ 353,731
Cassia (1)	1,346,819	1,375,652
Multapplied Networks, Inc. (2)	936,000	936,000
TLA Films, LLC (3)	907,329	647,569
Talo Flow Inc. (formerly LocoNoco Inc.) (2)	641,496	641,496
Aspen (1)	620,000	1,063,882
Flo Digital (1)	460,275	972,665
Cloud Benefit Solutions Inc. (2)	300,000	300,000
Personalized Biomarkers Inc. (2)	227,081	227,081
PayVida (1)	-	1,422,880
Howyl (1)	-	512,740
Ragnarok Game LLC (2)	-	163,075
Next Decentrum Technologies Inc. (1)	-	132,510
Just Games Interactive Entertainment LLC (Note 8)	-	977,544
Other (1) (2)	223,864	274,827
	$ 7,338,982	$ 10,001,652

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) 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.

During the year ended December 31, 2019, the agreement was revised, reducing the required amount to be funded by the Company to USD $1,500,000. As at December 31, 2019, $1,894,065 ($1,500,000) has been advanced. The investment is being amortized over a period of 3 years from the date of soft launch of the game on August 27, 2019. During the ended December 31, 2019, the Company recorded amortization of $217,947 and the investment was reduced to $1,676,118.

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 17). As at December 31, 2019, the Company holds an interest of 22.94% in Cassia.

During the year ended December 31, 2019, the Company recorded an equity loss of $28,834 (2018 - $139,333) on its investment in Cassia.

Cassia (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.

9. Investments (Continued)

c) 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.

d) 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. An additional $259,760 was advanced during the year ended December 31, 2019. 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, 2019.

e) 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.

f) 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 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 20.26 % on October 5, 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 on its investment in Aspen due to the dilution of the Company's interest from 48.34% on December 31, 2017 to 20.26% on October 5, 2018.

During the year ended December 31, 2019, the Company recorded an equity loss of $67,432 and a fair value loss of $376,450 on its investment in Aspen.

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

9. Investments (Continued)

g) 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 (Note 17). 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 18).

During the year ended December 31, 2019, the Company recorded an equity loss of $512,390 (2018 - $27,334) on its investment in Flo Digital.

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.

h) 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.

i) 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 10.9% 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.

j) 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 17) 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 on its investment in PayVida. During the year ended December 31, 2019, the Company recorded an equity loss of $689,712 an impairment of $733,168 on PayVida bringing the remaining value of the investment to $Nil due to PayVida's inability to secure required financing.

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.

k) 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 (Note 17).

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. During the year ended December 31, 2019, The Company recorded an impairment of $512,740 on its investment in Howyl.

9. Investments (Continued)

l) Look To The Sky Films

On January 1, 2019, the Company purchased an investment in the film "Dragged Across Concrete" from the CEO of the Company for $495,680. During the year ended 2019, an additional investment of $10,000 was made by V2 Games. The film was released in April 2019. According to the agreement, the Company is entitled to receive the value of the investment plus 15%. During the year ended December 31, 2019, the Company recorded amortization of $297,408 and an impairment of $208,272 bringing the remaining value of the investment to $Nil. No royalties have been received to date.

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 was to receive a monthly share of the revenue generated by the game. The revenue share percentage was tiered from 30% to 10% depending upon the amount of revenue paid out and was capped at $1,000,000. The Company advanced a total of $163,075 (USD $125,000) before deciding not to proceed further with the investment and, during the year ended December 31, 2019, the principal amount of $163,075 plus interest of $9,807 was repaid to the Company.

n) Next Decentrum

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 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, 2019, the Company had advanced $175,000 of the loan. In accordance with IAS 28, the Company reallocated the value of the loan to investments and recorded an equity loss of $42,490 for 2018. During the year ended December 31, 2019, the Company recorded an equity loss of $11,560 and a fair value loss of $120,950 bringing the remaining value of the investment to $Nil.

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. During the year ended December 31, 2019, the Company decided to limit its investment in PiiK to 16.8% and issued 496,383 common shares with a fair value of $188,272 (Note 17) for an 16.8% ownership. In connection with the acquisition of PiiK, 282,981 common shares with a fair value of $91,969 (Note 17) were issued as consulting fees. At December 31, 2019, the Company recorded an impairment of $188,272 as PiiK ceased operations.

p) Other

During the year ended December 31, 2019, the Company held a number of smaller investments in technology-related and cannabis companies and recorded an equity loss of $129,681 (2018 - $Nil), an impairment of $333,250 (2018 - $352,651) and a gain on deconsolidation of $Nil (2018 - $77,470) on these investments.

During the year ended December 31, 2019, an impairment of $Nil (2018 - $2,149,341) was recorded on the investment in the Unified Film Fund.

(Expressed in Canadian dollars)

10. Advances

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

		December 31, 2019		December 31, 2018
Advances related to a potential acquisition	$	161,559	$	-
Advances for intellectual property		-		137,500
Other		500		500
	$	162,059	$	138,000

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. During the year ended December 31, 2019, the remaining amount owing of $12,500 was advanced to the seller and the intellectual property was acquired (Note 12).

b) Advances for a potential acquisition

During the year ended December 31, 2019, FansUnite entered into a letter of intent for an acquisition and has advanced $161,559. The acquisition completed subsequent to December 31, 2019.

11. Property and Equipment

	Cryptomining Equipment	Computer Equipment	Furniture and Other Equipment	Right of Use Asset	Total
Cost					
Balance, December 31, 2017	$ -	$ -	$ -	$ -	$ -
Acquisition of subsidiaries (Note 7)	550,145	56,414	-	-	606,559
Additions	1,001,572	71,411	-	-	1,072,983
Impairment	(886,160)	-	-	-	(886,160)
Disposals (Note 7)	(550,145)	(109,885)	-	-	(660,030)
Balance, December 31, 2018	115,412	17,940	-	-	133,352
Additions (Note 14)	-	4,197	11,386	346,603	362,186
Balance, December 31, 2019	$ 115,412	$ 22,137	$ 11,386	$ 346,603	$ 495,538
Accumulated depreciation					
Balance, December 31, 2017	$ -	$ -	$ -	$ -	$ -
Depreciation	(197,297)	(20,108)	-	-	(217,405)
Disposals (Note 7)	197,297	14,793	-	-	212,090
Balance, December 31, 2018	-	(5,315)	-	-	(5,315)
Depreciation	(115,412)	(6,244)	(2,523)	(52,038)	(176,217)
Balance, December 31, 2019	$ (115,412)	$ (11,559)	$ (2,523)	$ (52,038)	$ (181,532)
Net book value, December 31, 2018	$ 115,412	$ 12,625	$ -	$ -	$ 128,037
Net book value, December 31, 2019	$ -	$ 10,578	$ 8,863	$ 294,565	$ 314,006

The right of use asset is being amortized over the term of the lease (68 months) on a straight-line basis.

(Expressed in Canadian dollars)

12. Intangible Assets

Intangible assets are comprised of the following:

Balance, December 31, 2017	$	1,499,021
Amortization		(385,713)
Balance, December 31, 2018		1,113,308
Addition (Note 9)		150,000
Amortization		(340,420)
Balance, December 31, 2019	$	922,888

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
- 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. The value of the loan including accrued interest at the acquisition date of V2 Games was $467,687.

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, 2019, the balance of the loan is $328,428, including interest. Interest of $45,300 (2018 - $16,963) was recorded on the loan in the consolidated statement of loss and comprehensive loss during the year ended December 31, 2019.

14. Leases Payable

In 2018, the Company entered into an office lease with monthly payments of $15,000. On January 1, 2019, in accordance with the adoption of IFRS 16, the Company recorded a lease payable with a fair value of $201,152 determined through discounting future cash flows at a discount rate of 8%. During the year ended December 31, 2019, accretion of $8,669 was recorded on the lease and is included in interest expense in the consolidated statement of loss and comprehensive loss. The balance of the lease at December 31, 2019 is $29,821.

On April 1, 2019, the Company entered into an office lease for a term of 68 months. Monthly lease payments are $10,000. The fair value of the lease liability and the corresponding right of use asset was $346,603 at the inception of the lease determined through discounting the future cash flows at a discount rate of 8%. During the year ended December 31, 2019, accretion of $18,791 was recorded on the lease and is included in interest expense in the consolidated statement of loss and comprehensive loss. The balance of the lease at December 31, 2019 is $297,515.

(Expressed in Canadian dollars)

14. Leases Payable (Continued)

Lease transactions for the year ended December 31, 2019 are as follows:

Balance, January 1, 2019 on transition	$	201,152
Additions		346,603
Payments made		(247,879)
Accretion		27,460
Balance, December 31, 2019	$	327,336

Current portion	$	81,976
Long term portion		245,360
	$	327,336

In accordance with the adoption of IFRS 16, on transition the Company recorded a lease payable for $201,152, a lease receivable of $243,455 and reduced opening retained earnings by $47,697 (Note 6).

15. Other Payables

Other payables consist of amounts advanced by third parties in connection with investments which did not proceed. The amounts are unsecured, non-interest bearing and payable on demand. During the year ended December 31, 2019, the Company paid out $257,856 of the amounts owing at December 31, 2018.

16. Convertible Debentures

On May 10, 2019, V2 Games issued convertible debentures for gross proceeds of $1,319,000. The debentures bear interest at 8% and are convertible into common shares of V2 Games at a price of $0.25 per share. If not converted into shares, the debentures are repayable by May 10, 2020. Issue costs of $88,618, including finders' warrants with a fair value of $5,179, were incurred in connection with the debentures.

The debentures were initially recorded at a fair value of $1,104,914 less issue costs of $74,235 for a net value of $1,030,679. The equity component of the debentures was recorded at a value of $214,086 less issue costs of $14,383 for a net value of $199,703.

During the year ended December 31, 2019, accretion and interest of $161,524 were included in interest expense in the consolidated statement of loss and comprehensive loss. As at December 31, 2019, the value of the debentures is $1,192,203.

During the year ended December 31, 2019, the Company received $230,000 in advance of the issue of additional convertible debentures.

17. Share Capital

Authorized Share Capital
Unlimited common shares without par value.

Issued Share Capital
At December 31, 2019, there were 73,054,850 common shares outstanding (December 31, 2018 – 72,275,486).

(Expressed in Canadian dollars)

17. Share Capital (Continued)

Issued Share Capital (continued)

Shares issued during the year ended December 31, 2019:

During the year ended December 31, 2019, 496,383 common shares with a fair value of $188,272 were issued in connection with the acquisition of 16.8% of PiiK (Note 9).

During the year ended December 31, 2019, 282,981 common shares with a fair value of $91,969 were issued as consulting fees in connection with the acquisition of PiiK (Note 9).

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 9).

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 9).

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 9).

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 9).

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 7).

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 7).

On September 7, 2018, 805,240 common shares were issued to settle debt owing to the CEO of $805,240 (Note 18).

Warrants

On May 10, 2019, 72,840 finders' warrants were issued by V2 Games in connection with the issue of the convertible debentures. The warrants are exercisable at a price of $0.25 per share of V2 Games for a period of one year from the date of issue. The warrants were valued at $5,179 using the Black-Scholes Pricing Model with the following assumptions: an expected life of one year, volatility of 122.68%, a risk-free interest rate of 1.57% and dividends of Nil %.

On March 6, 2018, 3,333,334 warrants were exercised at a price of $1.50 for proceeds of $5,000,001.

The following table summarizes information about the issued and outstanding warrants of the Company as at December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning	-	$ -	3,333,334	$ 1.50
Exercised	-	-	(3,333,334)	1.50
Balance, ending	-	$ -	-	$ -

(Expressed in Canadian dollars)

17. Share Capital (Continued)

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.

During the year ended December 31, 2019, the Company's board of directors authorized the issue of 5,000,000 stock options to employees, officers, directors and key advisors. The stock options are exercisable at $0.15 for a period of 5 years from the date of issue. Share-based payments of $341,548 (2018 - $Nil) were recorded in the statement of loss and comprehensive loss for the year ended December 31, 2019 relating to the immediate vesting of the options. The fair value of the options was calculated using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 1.60%, volatility of 115.68%, expected life of 5 years and dividends of Nil %.

Options outstanding at December 31, 2019 are as follows:

Exercise Price	Number of Shares Issuable upon Exercise	Expiry Date
$0.15	5,000,000	March 17, 2025

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 $625,838 (2018 - $969,164) were recorded in the statement of loss and comprehensive loss for the year ended December 31, 2019 related to the vesting of the options.

18. Related Party Transactions

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

		December 31, 2019		December 31, 2018
Interest	$	1,270	$	22,575
Management fees	$	130,000	$	130,000
Salary	$	160,000	$	-
Professional and consulting fees	$	212,154	$	168,840
Prepayment for investment in the sponsorship of a speaker series	$	-	$	50,000
Wages paid to officers of a subsidiary of the Company	$	356,000	$	277,000
Share-based payments for subsidiary options issued to officers of a subsidiary of the Company	$	410,300	$	275,511
Share-based payments for options issued to officers and directors of the Company	$	116,980	$	-
Director fees	$	19,016	$	7,978

(Expressed in Canadian dollars)

18. Related Party Transactions (Continued)

Related Party Balances

At December 31, 2019, the Company has $249,976 (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:

- $206,154 (2018 - $168,840) in professional fees to companies controlled by the CFO, for bookkeeping, corporate secretarial and CFO services;
- $130,000 (2018 - $130,000) in management fees to the CEO;
- $160,000 (2018 - $Nil) in salary to the CGO;
- $6,000 (2018 - $Nil) in consulting fees to a director of the Company; and
- $116,980 (2018 - $Nil) in share-based payments to directors and officers of the Company.

Related Party Loans

As at December 31, 2019, the Company has $596,291 (December 31, 2018 - $227,661) in related party loans, which includes $12,984 (December 31, 2018 - $11,714) in accrued interest. The related party loans are unsecured and due on demand. Related party loans of $338,278 bear interest at 3%.

During the year ended December 31, 2019, funds, interest and services of $Nil (2018 - $805,240) advanced by the CEO of the Company were settled through the issuance of shares (Note 17).

Due from Related Parties

		December 31, 2019		December 31, 2018
Due from Aspen	$	1,987,709	$	1,725,216
Due from a director		50,000		-
Due from Howyl		-		43,751
Due from Flo Digital (Note 9)		25,000		25,000
	$	2,062,709	$	1,793,967

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 (Note 7). During the year ended December 31, 2019, the Company recorded accretion of $242,944 (2018 - $60,002) in connection with the receivable. Accretion is included with interest income in the consolidated statement of loss and comprehensive loss.

The amount due from a director is related to a prepayment made in 2018 for the sponsorship of a speaker series which has been cancelled.

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 9).

Amounts due from Aspen are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2019, the Company impaired a receivable from Howyl in the amount of $43,751 and a receivable from PiiK in the amount of $20,841.

19. Operating Segments

The Company operates in four segments including investments, immersive services, software development and technology. Of the total long-term assets of $11,715,475, the intangible assets of $922,888 are related to the technology segment and the balance of $10,792,587 are related to the investment segment (Note 22).

20. 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, 2019, the Company wrote off receivables in the amount of $34,745 (2018 - $593) that it believed were uncollectible and impaired amounts due from related parties of $64,592 (2018 - $Nil). Based on the evaluation of remaining receivables at December 31, 2019, the Company believes that its receivables are collectable, however, due to the current COVID-19 pandemic, there is an increase in the uncertainty of collectability and management has determined credit risk to be high.

a) 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.

b) 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.

Fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. 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.

(Expressed in Canadian dollars)

20. Financial Risk Management (Continued)

Fair value (continued)

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.

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, 2019.

21. 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.

22. Revenue and Cost of Goods Sold

Revenue

	Years ended December 31, 2019	2018
Immersive experiences	$ 2,025,483	$ 2,032,395
Film royalties	468,767	2,116,605
Software	1,033,736	-
Gaming royalties	3,695	299,445
Other	-	39,259
	$ 3,531,681	$ 4,487,704

(Expressed in Canadian dollars)

22. Revenue and Cost of Goods Sold (Continued)

Cost of Goods Sold

	Years ended December 31, 2019	2018
Immersive experiences	$ 1,570,112	$ 1,637,459
Software	893,648	-
	$ 2,463,760	$ 1,637,459

23. 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, 2019 and 2018.

	December 31, 2019	December 31, 2018
Loss before income tax	$ (8,917,573)	$ (13,894,683)
Tax rate	27%	27%
Expected income tax recovery	(2,407,745)	(3,751,564)
Increase (decrease) in income tax recovery resulting from:		
Non-deductible items and other	1,269,521	26,343
Change in enacted tax rates	-	8,525
Foreign tax rate differences	6,115	(1,487)
Change in deferred tax asset not recognized	1,147,228	3,718,183
Total income tax expense (recovery)	$ 15,119	$ -

	December 31, 2019	December 31, 2018
Non-capital losses (Canada)	$ 10,197,583	$ 9,060,880
Net operating loss carryforwards (US)	950,256	960,569
Tax losses removed on disposal of discontinued operations	-	(1,274,423)
True up on non-capital losses	(1,017,162)	-
Share issuance costs	71,361	108,008
Other	(57,739)	142,038
	10,144,299	8,997,072
Deferred tax asset not recognized	(10,144,299)	(8,997,072)
Deferrd tax asset (liability)	$ -	$ -

(Expressed in Canadian dollars)

23. Income Taxes (Continued)

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	$ 613,000	$ 614,000
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	-	1,807,000
2038	4,835,000	-	4,835,000
2039	1,138,000	-	1,138,000
Total	$ 10,198,000	$ 950,000	$ 11,148,000

24. Non-controlling Interest

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

	December 31, 2019	December 31, 2018
Current:		
Assets	$ 299,220	$ 2,369,053
Liabilities	(855,856)	(872,744)
Total current net assets (liabilities)	(556,636)	1,496,309
Non-Current:		
Assets	1,087,822	1,255,629
Total non-current net assets	1,087,822	1,255,629
Total net assets	$ 531,186	$ 2,751,938

The following is a summarized consolidated statement of comprehensive loss for FansUnite for the years ending December 31, 2019 and 2018:

	Years ended December 31, 2019	2018
Revenue	$ -	$ 8,314
Net loss	(2,909,496)	(3,255,384)
Other comprehensive income (loss)	460	(864)
Comprehensive loss	$ (2,909,036)	$ (3,256,248)

25. Subsequent Events

a) On March 26, 2020, FansUnite completed a private placement, issuing 8,948,326 common shares for proceeds of $3,131,918. As a result of the private placement, the Company's interest in FansUnite was reduced from 48.55% to 13.26%.

b) On March 26, 2020, FansUnite completed the acquisition of McBookie, a provider of betting services in the U.K for $2,200,000.

c) In April 2020, FansUnite purchased 50% of the loan receivable from Just Games Entertainment as well as a 50% interest in two minor investments from V2 Games for 3,142,857 common shares of FansUnite (Note 8).

d) In May 2020, the Company issued 2,726,317 common shares to an officer and director of the Company to settle debt of $218,105.