

**Victory Square Technologies Inc.**

**Condensed Consolidated Interim Unaudited Financial Statements  
Six months ended June 30, 2020 and 2019**

Expressed in Canadian Dollars



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

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

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

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

	Note	June 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 986,453	\$ 212,651
Prepays	5	241,183	376,277
Receivables	6	39,816	126,236
Government sales tax receivable		123,068	128,759
Lease receivable	7	-	50,565
Marketable securities		2,700	1,050
Current portion of loan receivable	8	290,771	557,784
Digital currencies		-	42,902
		1,683,991	1,496,224
<b>Non-current assets</b>			
Investments	9	12,783,717	7,338,982
Advances	10	32,500	162,059
Loan receivable	8	525,308	914,831
Due from related parties	17	2,955,562	2,062,709
Property and equipment	11	9,353	314,006
Intangible assets	12	-	922,888
<b>TOTAL ASSETS</b>		<b>\$ 17,990,431</b>	<b>\$ 13,211,699</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	17	\$ 531,289	\$ 690,016
Accrued liabilities	17	518,068	726,441
Deferred revenue		410,296	310,834
Related party loans	17	690,859	596,291
Loan payable		353,274	328,428
Current portion of leases payable	13	-	81,976
Other payables	14	158,766	158,766
Convertible debentures	15	1,317,682	-
		3,980,234	2,892,752
Convertible debentures	15	-	1,192,203
Obligation to issue convertible debentures	15	480,000	230,000
Term loans		80,000	-
Lease payable	13	-	245,360
<b>TOTAL LIABILITIES</b>		<b>4,540,234</b>	<b>4,560,315</b>
<b>EQUITY</b>			
Share capital	16	31,571,833	31,353,728
Reserve	16	451,129	1,570,083
Obligation to issue shares of subsidiary	16	972,795	-
Equity portion of convertible debentures	15	199,703	199,703
Accumulated other comprehensive income		59,091	58,598
Deficit		(19,804,354)	(24,853,920)
Equity attributable to owners of the Company		13,450,197	8,328,192
Non-controlling interest	3	-	323,192
<b>EQUITY</b>		<b>13,450,197</b>	<b>8,651,384</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 17,990,431</b>	<b>\$ 13,211,699</b>

Nature of operations and going concern – Note 1

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

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
<b>Revenue</b>	21	\$ 88,419	\$ 662,842	\$ 482,530	\$ 933,518
<b>Cost of goods sold</b>	21	208,076	287,447	453,635	415,335
		(119,657)	375,395	28,895	518,183
<b>Expenses</b>					
Amortization and depreciation	9,11,12	159,062	240,259	413,993	356,623
Director fees	17	-	6,765	-	13,623
Donations		-	-	-	2,000
Foreign exchange loss (gain)	6,8	8,354	69,450	(146,643)	70,181
General and administration		34,365	34,820	114,331	70,106
Insurance		-	35,744	27,455	57,600
Interest and accretion	13,15,17	84,319	54,394	165,061	69,618
Investor relations		(1,404)	22,056	16,084	59,473
Management fees	17	31,490	61,081	63,990	138,674
Professional and consulting fees	17	86,113	208,739	256,777	540,984
Rent		41,232	25,074	114,750	79,813
Sales and marketing		26,598	239,835	258,589	596,696
Share-based payments	16	-	140,343	84,812	322,067
Transfer agent and regulatory fees		16,160	20,475	29,189	32,534
Wages	17	122,537	419,356	386,962	840,430
<b>Total expenses</b>		<b>(608,826)</b>	<b>(1,578,391)</b>	<b>(1,785,350)</b>	<b>(3,250,422)</b>
<b>Other Items</b>					
Equity gain (loss) on investments	9	12,305	(196,288)	(610)	(831,500)
Gain on conversion of investment to loan receivable	8	-	-	-	410,554
Gain on deconsolidation of associates	3	1,048,328	-	3,567,004	-
Fair value gain on investments	3	968,625	900	2,620,277	900
Fair value gain (loss) on marketable securities		1,200	-	1,650	(750)
Gain on disposal of assets		-	-	20,174	-
Gain on settlement of payables		19,569	-	19,569	-
Lease revenue		51,000	-	51,000	-
Government wage subsidy		7,269	-	7,269	-
Gain (loss) on digital currencies		-	87,769	16,686	77,977
Interest and other income	7,8	61,188	189,937	186,004	322,330
		2,169,484	82,318	6,489,023	(20,489)
<b>Net income (loss) for the period before income taxes</b>		<b>1,441,001</b>	<b>(1,120,678)</b>	<b>4,732,568</b>	<b>(2,752,728)</b>
<b>Income taxes</b>		<b>(6,194)</b>	<b>-</b>	<b>(6,194)</b>	<b>-</b>
<b>Net income (loss) for the period</b>		<b>1,434,807</b>	<b>(1,120,678)</b>	<b>4,726,374</b>	<b>(2,752,728)</b>
<b>Net income (loss) attributable to:</b>					
Shareholders of the parent company		1,434,807	(796,354)	5,049,566	(1,923,831)
Non-controlling interest		-	(324,324)	(323,192)	(828,897)
		1,434,807	(1,120,678)	4,726,374	(2,752,728)
<b>Other comprehensive income</b>					
Currency translation adjustment		(27)	(426)	493	795
<b>Total comprehensive income (loss)</b>		<b>\$ 1,434,780</b>	<b>\$ (1,121,104)</b>	<b>\$ 4,726,867</b>	<b>\$ (2,751,933)</b>
<b>Basic and diluted earnings (loss) per share attributable to the shareholders of the parent company</b>		<b>\$ 0.02</b>	<b>\$ (0.01)</b>	<b>\$ 0.07</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding for the period - basic and diluted</b>		<b>74,702,624</b>	<b>73,045,719</b>	<b>73,878,737</b>	<b>72,702,362</b>

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

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

	Note	Share Capital		Accumulated other comprehensive income	Reserve	Obligation to issue shares	Equity portion of convertible debentures	Deficit	Non-controlling interest	Total
		Number of shares	Amount							
<b>Balance at January 1, 2019</b>		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		-	-	-	322,067	-	-	-	-	322,067
Convertible debenture		-	-	-	5,178	-	199,703	-	-	204,881
Currency translation adjustment		-	-	795	-	-	-	-	-	795
Net loss for the period		-	-	-	-	-	-	(1,923,831)	(828,897)	(2,752,728)
<b>Balance at June 30, 2019</b>		<b>73,054,850</b>	<b>\$ 31,353,728</b>	<b>\$ 58,731</b>	<b>\$ 924,763</b>	<b>\$ -</b>	<b>\$ 199,703</b>	<b>\$ (19,309,417)</b>	<b>\$ 928,731</b>	<b>\$ 14,156,239</b>
<b>Balance at January 1, 2020</b>		73,054,850	\$ 31,353,728	\$ 58,598	\$ 1,570,083	\$ -	\$ 199,703	\$ (24,853,920)	\$ 323,192	\$ 8,651,384
Shares issued - settlement of debt	16	2,726,317	218,105	-	-	-	-	-	-	218,105
Share-based payments	16	-	-	-	84,812	-	-	-	-	84,812
Deconsolidation of associate	3	-	-	-	(1,203,766)	-	-	-	-	(1,203,766)
Proceeds received in advance of share issuance of subsidiary	16	-	-	-	-	972,795	-	-	-	972,795
Currency translation adjustment		-	-	493	-	-	-	-	-	493
Net loss for the period		-	-	-	-	-	-	5,049,566	(323,192)	4,726,374
<b>Balance at June 30, 2020</b>		<b>75,781,167</b>	<b>\$ 31,571,833</b>	<b>\$ 59,091</b>	<b>\$ 451,129</b>	<b>\$ 972,795</b>	<b>\$ 199,703</b>	<b>\$ (19,804,354)</b>	<b>\$ -</b>	<b>\$ 13,450,197</b>

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

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

	Six months ended June 30,	
	2020	2019
<b>Operating activities</b>		
Net income (loss) for the period	\$ 4,726,374	\$ (2,752,728)
Adjustments for non-cash items:		
Amortization and depreciation	413,993	356,623
Share-based payments	84,812	322,067
Gain on digital currencies	(16,687)	(77,977)
Consulting fees paid in shares	-	91,969
Interest income	(185,674)	(305,901)
Interest expense	161,534	68,413
Fair value gain on investments	(2,620,277)	(410,704)
Gain on deconsolidation of associates	(3,567,004)	-
Fair value gain on marketable securities	(1,650)	-
Equity loss on investments	610	831,500
Gain on disposal of assets	(20,174)	-
Gain on settlement of debt	(19,569)	-
Foreign exchange loss (gain)	(91,843)	1,943
Changes in non-cash working capital items:		
Prepaid expenses	(47,297)	203,906
Receivables	91,420	71,160
Government sales tax recoverable	4,954	(32,814)
Trade payables and accrued liabilities	(34,739)	(131,176)
Other payables	-	(257,856)
Deferred revenue	150,462	167,276
<b>Net cash flows used in operating activities</b>	<b>(970,755)</b>	<b>(1,854,299)</b>
<b>Investing activities</b>		
Cash used in deconsolidation of subsidiaries	(74,422)	-
Acquisition of investments	-	(1,556,277)
Acquisition of intangibles	-	(12,500)
Proceeds from investments	40,000	163,075
Proceeds from GIC	-	1,000,000
Proceeds from disposal of property and equipment	15,705	-
Loan receivable	104,042	-
Advances	(32,000)	(333,250)
Purchase of equipment	(2,412)	(7,101)
Proceeds from sale of digital currencies	55,100	11,336
<b>Net cash flows used in investing activities</b>	<b>106,013</b>	<b>(734,717)</b>
<b>Financing activities</b>		
Convertible debentures issued, net of issuance costs	-	1,235,561
Proceeds received in advance of convertible debenture issue	250,000	-
Proceeds from term loans	80,000	-
Lease payments	(42,272)	(50,020)
Proceeds received in advance of issuance of subsidiary shares	1,040,795	-
Proceeds from related party loans	670,000	-
Repayment of related party loans	(360,472)	(537,100)
<b>Net cash flows from financing activities</b>	<b>1,638,051</b>	<b>648,441</b>
<b>Effect of foreign exchange on cash</b>	<b>493</b>	<b>795</b>
Change in cash and cash equivalents	773,802	(1,939,780)
Cash and cash equivalents, beginning	212,651	2,736,683
<b>Cash and cash equivalents, ending</b>	<b>\$ 986,453</b>	<b>\$ 796,903</b>

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

## 1. Nature of Operations and Going Concern

Victory Square Technologies Inc. (“Victory Square Technologies” or the “Company”) was incorporated under the Business Corporation Act (British Columbia) on February 10, 2015. The condensed consolidated interim unaudited 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”), V2 Games Inc. (“V2 Games”), and Victory Entertainment Inc. (“Victory Entertainment”). The condensed consolidated interim unaudited statements of income (loss) and comprehensive income (loss) also include the results of operations of the Company’s associate FansUnite Entertainment Inc. (“FansUnite”) to March 26, 2020 and the results of operations of the Company’s former subsidiary Victory Square Health Inc. (“Victory Square Health”) to June 6, 2020. The Company held a 48.55% interest and de facto control over FansUnite until March 26, 2020 when the Company’s ownership was diluted to 13.89% (Note 3). The Company also held a 100% interest in Victory Square Health until June 3, 2020 when the Company’s ownership was diluted to 20% (Note 3). 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 1080, 789 West Pender Street, Vancouver, British Columbia, Canada, V6E 2J3. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “VST” and the Frankfurt Stock Exchange under the symbol “6F6”. The Company is also quoted on the OTCQX Best Markets in the United States under the symbol of “VSQTF”.

These condensed consolidated interim unaudited financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2020, the Company had a working capital deficit of \$2,296,243 (December 31, 2019 – \$1,396,528) and an accumulated deficit of \$19,804,354. 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. Statement of Compliance and Basis of Preparation

These condensed consolidated interim unaudited financial statements were authorized for issue on August 31, 2020, by the directors of the Company.

## **2. Statement of Compliance and Basis of Preparation (continued)**

### **a) Statement of Compliance**

These condensed consolidated interim unaudited financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim unaudited financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended December 31, 2019.

The condensed consolidated interim unaudited financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company’s annual financial statements as at and for the year ended December 31, 2019.

### **b) Principles of Consolidation**

The condensed consolidated interim unaudited financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries DLT, PDL, Fantasy 360, V2 Games, and Victory Entertainment (Note 3).

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

### **c) Basis of Preparation**

The condensed consolidated interim unaudited 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. The functional currency of PDL is the US dollar.

Certain comparative figures have been restated to conform to the current period’s presentation.

## **3. Loss of Control of Associate and Loss of Control of Subsidiary**

On March 26, 2020, FansUnite completed a private placement financing, issuing 8,948,326 common shares for gross proceeds of \$3,131,914. As a result of the private placement, the Company’s ownership in FansUnite was reduced from 48.55% to 13.89% (Note 9). Accordingly, at March 26, 2020, the Company deconsolidated FansUnite and recognized a gain on deconsolidation of \$2,518,676.

On June 3, 2020, Victory Square Health entered into an agreement with Safetest Comerico de Diagnosticos Ltd. (“Safetest”) whereby Victory Square Health acquired Safetest assets and intellectual property for \$4,000,000 in exchange for the issuance of 80% of the common shares of Victory Square Health. Accordingly, the Company deconsolidated Victory Square Health and recognized a gain on deconsolidation of \$1,048,328. The Company’s interest was reduced from 100% to 20% as a result of this transaction (Note 9).

## **4. Cash and Cash Equivalents**

Cash and cash equivalents include \$972,795 of deposits held in trust for the Company with respect to the shares of the subsidiary to be issued.



Victory Square Technologies Inc.  
Notes to the condensed consolidated interim unaudited financial statements  
For the six months ended June 30, 2020 and 2019  
(Expressed in Canadian dollars)

**5. Prepaids**

Prepaids consist of the following:

		<b>June 30, 2020</b>		<b>December 31, 2019</b>
Marketing fees	\$	185,333	\$	300,000
Sponsorships		18,750		31,250
Rental deposits		16,843		14,003
Insurance		-		25,858
Listing fees and transfer agent		19,440		2,166
Consulting		-		3,000
Software		817		-
<b>Total prepaids</b>	<b>\$</b>	<b>241,183</b>	<b>\$</b>	<b>376,277</b>

**6. Receivables**

Receivables consist of the following:

		<b>June 30, 2020</b>		<b>December 31, 2019</b>
Immersive services	\$	18,514	\$	125,560
Other		21,302		676
<b>Total receivables</b>	<b>\$</b>	<b>39,816</b>	<b>\$</b>	<b>126,236</b>

During the period ended June 30, 2020, the Company recognized a foreign exchange gain of \$52,971 (Period ended June 30, 2019 – exchange loss of \$23,167) on the settlement of US dollar receivables related to immersive services.

**7. 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 period ended June 30, 2020, accretion of \$435 was recorded on the lease and is included in interest income in the condensed consolidated interim unaudited statement of income (loss) and comprehensive income (loss). The lease was paid out during the current period.

Lease transactions for the period ended June 30, 2020 are as follows:

Balance, December 31, 2019	\$	50,565
Recognition of deferred lease revenue		(51,000)
Accretion		435
<b>Balance, June 30, 2020</b>	<b>\$</b>	<b>-</b>

**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 receive a royalty of 20% of the gross revenues generated by the game.

Victory Square Technologies Inc.  
Notes to the condensed consolidated interim unaudited financial statements  
For the six months ended June 30, 2020 and 2019  
(Expressed in Canadian dollars)

**8. Loan Receivable (continued)**

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

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.

In April 2020, FansUnite purchased 50% of the loan receivable as well as a 50% interest in two minor investments from V2 Games for 3,142,857 common shares of FansUnite. The shares issued are subject to vesting provisions over the period during which monthly payments are to be made on the loan receivable and FansUnite has the option to buy back any of the unvested shares at a price of \$0.001 per share if any payments are not received. As at June 30, 2020, FansUnite had only received one of three required payments. Due to the aforementioned conditions of the agreement, the gain on the transaction will be recorded over the period of the agreement as the shares vest. No shares had vested as at June 30, 2020.

During the period ended June 30, 2020, the Company received payments of \$104,042 on the loan and recorded interest income of \$185,239 and a foreign exchange gain of \$91,843. The value of the loan receivable at June 30, 2020 is \$816,079 (US \$598,825).

	June 30, 2020	December 31, 2019
Current portion	\$ 290,771	\$ 557,784
Long term portion	525,308	914,831
	\$ 816,079	\$ 1,472,615

**9. Investments**

The Company's investments at June 30, 2020 and December 31, 2019 consist of the following:

Investment	June 30, 2020	December 31, 2019
FansUnite Entertainment Inc. (2)	\$ 5,051,902	\$ -
1108641 BC Ltd. (3)	1,361,592	1,676,118
Cassia (1)	1,328,140	1,346,819
Victory Square Health Inc. (2)	1,000,000	-
Multapplied Networks, Inc. (2)	936,000	936,000
TLA Films, LLC (3)	907,329	907,329
Talo Flow Inc. (formerly LocoNoco Inc.) (2)	641,496	641,496
Aspen (2)	620,000	620,000
Flo Digital (1)	460,275	460,275
Cloud Benefit Solutions Inc. (2)	300,000	300,000
Personalized Biomarkers Inc. (2)	-	227,081
Other (1) (2)	176,983	223,864
	\$ 12,783,717	\$ 7,338,982

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.

## 9. Investments (continued)

### a) FansUnite

Prior to March 26, 2020, the Company held a 48.55% interest in and had de facto control over FansUnite and, as a result, the Company presented the assets, liabilities, certain reserves and results of operations of FansUnite in its consolidated financial statements. On March 26, 2020, FansUnite completed a private placement which reduced the Company's ownership to 13.89%. Accordingly, at March 26, 2020, the Company deconsolidated FansUnite and recognized a gain on deconsolidation of associate of \$2,518,676 (Note 3). In April 2020, V2 Games received 3,142,857 shares of FansUnite in connection with the sale of 50% of the loan receivable from Just Games Entertainment as well as two other minor investments. These shares vest over time and any unvested shares may be repurchased by FansUnite for \$0.001 per share and are therefore carried at cost until they have vested. During the period ended June 30, 2020, the Company recorded a fair value gain of \$2,620,277 on the FansUnite shares recorded at fair value. As at June 30, 2020, the Company owns 9,225,000 shares of FansUnite with a fair value of \$4,197,375 and 3,142,857 shares with a carrying value of \$854,527.

### b) 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. 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 period ended June 30, 2020, the Company recorded amortization of \$314,525 (2019 - \$Nil) and the investment was reduced to \$1,361,592.

### c) Cassia

During the year ended December 31, 2018, the Company entered into an agreement to purchase a 23.1% interest in the issued and outstanding common shares of Cassia Research Inc. ("Cassia") for cash of \$1,000,000 and 187,266 common shares of the Company with a fair value of \$514,982 for total consideration of \$1,514,982. As at June 30, 2020, 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. During the period ended June 30, 2020, the Company recorded an equity loss of \$18,679 (Period ended June 30, 2019 - \$27,836) 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.

### d) Victory Square Health

On June 6, 2020, Victory Square Health entered into an agreement with Safetest whereby, Victory Square Health acquired Safetest assets and intellectual property for \$4,000,000 in exchange for the issuance of 80% of the common shares of Victory Square Health. Accordingly, the Company deconsolidated Victory Square Health and recognized a gain on deconsolidation of \$1,048,328. The Company's interest was reduced from 100% to 20% as a result of the transaction. At June 30, 2020, the value of the Company's investment in Victory Square Health was \$1,000,000.

### e) Multapplied Networks, Inc.

On December 27, 2017, the Company entered into an agreement to acquire 10% of the issued and outstanding common shares of Multapplied Networks, Inc. ("MNI") for \$600,000. During the year ended December 31, 2018, the Company recorded a fair value gain of \$336,000 on MNI and the fair value was increased to \$936,000.

## 9. Investments (continued)

### e) Multapplied Networks, Inc. (continued)

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

### f) 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 June 30, 2020.

### g) 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.

### h) 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. During the period ended June 30, 2020, the Company recorded an equity loss of \$Nil (Period ended June 30, 2019 - \$67,432) on its investment in Aspen.

### i) Flo Digital

During the year ended December 31, 2018, the Company purchased a 49% interest in the issued and outstanding shares of Flo Digital through the issue of 446,428 common shares of the Company with a fair value of \$999,999. In addition, the Company has agreed to provide Flo Digital with a convertible loan in the amount of \$300,000. The loan has a term of 4 years and is non-interest bearing for the first year and bears interest at 4.45% thereafter. The Company has advanced \$25,000 of the loan (Note 17).

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. During the period ended June 30, 2020, the Company recorded an equity loss of \$Nil (Period ended June 30, 2019 - \$20,016) on its investment in Flo Digital.

## **9. Investments (continued)**

### **i) Flo Digital (continued)**

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.

### **j) 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.

### **k) 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 is held by Victory Square Health, and, as a result of the deconsolidation of Victory Square Health, this investment is no longer included in the Company's portfolio as of June 3, 2020.

### **l) Other**

The Company has minor investments in other private companies. During the period ended June 30, 2020, the Company recorded an equity gain of \$18,069 (Period ending June 30, 2019 – equity loss of \$82,123) on these investments.

## **10. Advances**

During the year ended December 31, 2019, FansUnite entered into a letter of intent for an acquisition and advanced \$161,559. The acquisition completed subsequent to the deconsolidation of FansUnite. During the period ended June 30, 2020, the Company paid \$32,000 to FansUnite on behalf of Just Games Entertainment in connection with the loan receivable.

Victory Square Technologies Inc.  
Notes to the condensed consolidated interim unaudited financial statements  
For the six months ended June 30, 2020 and 2019  
(Expressed in Canadian dollars)

**11. Property and Equipment**

	Computer Equipment	Furniture and Other Equipment	Right of Use Asset	Total
<b>Cost</b>				
Balance, December 31, 2019	\$ 22,137	\$ 11,386	\$ 346,603	495,538
Additions	2,412	-	-	2,412
Disposals (Notes 3 and 13)	(5,672)	(7,500)	(346,603)	(359,775)
Balance, June 30, 2020	\$ 18,877	\$ 3,886	- \$	138,175
<b>Accumulated depreciation</b>				
Balance, December 31, 2019	\$ (11,559)	\$ (2,523)	\$ (52,038)	(181,532)
Depreciation	(3,105)	(1,065)	(10,194)	(14,364)
Disposals (Notes 3 and 13)	2,550	2,292	62,232	67,074
Balance, June 30, 2020	\$ (12,114)	\$ (1,296)	- \$	(128,822)
Net book value, December 31, 2019	\$ 10,578	\$ 8,863	\$ 294,565	314,006
Net book value, June 30, 2020	\$ 6,763	\$ 2,590	- \$	9,353

**12. Intangible Assets**

A summary of intangible assets is as follows:

Balance, December 31, 2019	\$ 922,888
Amortization	(85,104)
Disposal (Note 3)	(837,784)
Balance June 30, 2020	\$ -

**13. 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 was included in interest expense in the consolidated statement of loss and comprehensive loss. During the period ended June 30, 2020, accretion of \$179 was recorded on the lease and the lease was paid out.

On April 1, 2019, the Company entered into an office lease with a term of 68 months and monthly lease payments of \$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 was included in interest expense in the consolidated statement of loss and comprehensive loss. During the period ended June 30, 2010, accretion of \$3,805 was recorded on the lease. On February 29, 2020, the lease was transferred to a third party and the liability was extinguished. At February 29, 2020, the Company recorded a disposal of the lease liability and a disposal of the right of use asset (Note 11).

Victory Square Technologies Inc.  
Notes to the condensed consolidated interim unaudited financial statements  
For the six months ended June 30, 2020 and 2019  
(Expressed in Canadian dollars)

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### 13. Leases Payable

Lease transactions for the period ended June 30, 2020 are as follows:

Balance, December 31, 2019	\$	327,336
Payments made		(42,272)
Accretion		3,984
Disposal of lease		(289,048)
Balance, June 30, 2020	\$	-

### 14. 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.

### 15. 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, 2021. 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. During the period ended June 30, 2020, the Company recorded accretion and interest of \$125,479 on the debentures. As at June 30, 2020, the value of the debentures is \$1,317,682 including accrued interest.

As at June 30, 2020, the Company has also received \$480,000 in advance of the issuance of additional convertible debentures.

### 16. Share Capital

#### Authorized Share Capital

Unlimited common shares without par value.

#### Issued Share Capital

At June 30, 2020, there were 75,781,167 common shares outstanding (December 31, 2019 – 73,054,850).

During the period ended June 30, 2020 In May 2020, the Company issued 2,726,317 common shares to settle debt of \$218,105. Debt of \$195,000 was settled with an officer and director of the Company for 2,437,500 common shares. The Company recorded a gain on settlement of debt of \$19,570 in connection with the share issuance.

#### Warrants

There were no warrants outstanding at June 30, 2020.

#### 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.

Victory Square Technologies Inc.  
Notes to the condensed consolidated interim unaudited financial statements  
For the six months ended June 30, 2020 and 2019  
(Expressed in Canadian dollars)

**16. Share Capital (continued)**

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.

Options outstanding at June 30, 2020 are as follows:

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

During the period ended June 30, 2020, the Company recorded share-based payments of \$84,812 (Period ended June 30, 2019 - \$322,066) related to stock options issued by FansUnite in 2018.

**Obligation to Issue Shares of Subsidiary**

During the period ended June 30, 2020, the Company received \$972,795 in advance of issuance of subsidiary shares.

**17. Related Party Transactions**

During the periods ended June 30, 2020 and 2019, the Company entered into the following transactions with related parties:

	June 30, 2020	June 30, 2019
Interest	\$ 3,181	\$ -
Management fees	\$ 65,000	\$ 65,000
Salary	\$ 80,000	\$ 80,000
Professional and consulting fees	\$ 78,708	\$ 121,747
Wages paid to officers of a former subsidiary of the Company	\$ -	\$ 178,000
Director fees	\$ -	\$ 13,623

**Related Party Balances**

At June 30, 2020, the Company has \$301,851 (December 31, 2019 - \$249,976) 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:

- \$78,708 (2019 - \$115,747) in professional fees to companies controlled by the CFO, for bookkeeping, corporate secretarial and CFO services;
- \$65,000 (2019 - \$65,000) in management fees to the CEO; and
- \$80,000 (2019 - \$80,000) in salary to the CTO;
- \$Nil (2019 - \$6,000) in consulting fees to a director;
- \$Nil (2019 - \$13,623) in director fees to directors of a FansUnite subsidiary.



Victory Square Technologies Inc.  
Notes to the condensed consolidated interim unaudited financial statements  
For the six months ended June 30, 2020 and 2019  
(Expressed in Canadian dollars)

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**17. Related Party Transactions (continued)**

**Related Party Loans**

As at June 30, 2020, the Company has \$690,859 (December 31, 2019 - \$596,291) in related party loans, which includes \$20,209 (December 31, 2019 - \$12,984) in accrued interest. The related party loans are unsecured and due on demand. Related party loans of \$452,806 bear interest at 3%.

**Due from Related Parties**

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	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Due from Aspen	\$ 2,065,463	\$ 1,987,709
Due from a director	50,000	50,000
Due from Victory Square Health (Note 3)	261,726	-
Due from FansUnite (Note 3)	553,373	-
Due from Flo Digital (Note 9)	25,000	25,000
	\$ 2,955,562	\$ 2,062,709

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The majority of the amount due from Aspen is related to the sale of Limitless to Aspen and the resulting discounted receivable of \$1,587,001. During the year ended December 31, 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 amount due from FansUnite is an intercompany receivable which was previously eliminated on consolidation, but which is now recognized as a result of the deconsolidation of FansUnite (Note 3).

The amount due from Victory Square Health is an intercompany receivable which was previously eliminated on consolidation, but which is now recognized as a result of the deconsolidation of Victory Square Health (Note 3).

Amounts due from Aspen, FansUnite, Victory Square Health and the director are unsecured, non-interest bearing and due on demand.

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).

**18. Operating Segments**

The Company operates in three segments including investments, immersive services, and software development. All long-term assets are related to the investment segment.

**19. 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. Based on the evaluation of receivables at June 30,

#### 19. Financial Risk Management (continued)

a) Credit risk (continued)

2020, 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.

b) Interest rate risk

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

c) Liquidity risk

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

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

d) Foreign exchange risk

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

#### 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.

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.

Victory Square Technologies Inc.  
Notes to the condensed consolidated interim unaudited financial statements  
For the six months ended June 30, 2020 and 2019  
(Expressed in Canadian dollars)

Cash, marketable securities and certain investments are measured using Level 1 inputs. Investments in private companies are measured using Level 3 inputs.

**19. Financial Risk Management (continued)**

Fair value (continued)

The Company's financial instruments consist of cash, trade receivables, marketable securities, certain investments, amounts due from related parties, advances, trade payables, loan payable, term loans payable and related party loans. The carrying value of financial instruments approximates the fair value at June 30, 2020.

**20. Capital Management**

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

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

**21. Revenue and Cost of Goods Sold**

**Revenue**

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Immersive experiences	\$ 88,419	\$ 414,476	\$ 437,982	\$ 575,105
Royalties	-	248,366	44,548	358,413
	\$ 88,419	\$ 662,842	\$ 482,530	\$ 933,518

**Cost of Goods Sold**

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Immersive experiences	\$ 177,456	\$ 287,447	\$ 380,259	\$ 415,335
Software	30,620	-	73,376	-
	\$ 208,076	\$ 287,447	\$ 453,635	\$ 415,335