

Victory Square Technologies Inc.

Condensed Consolidated Interim Unaudited Financial Statements Three and nine months ended September 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	September 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 878,965	\$ 128,593
Prepays	5	705,636	222,219
Receivables	6	318,494	108,035
Government sales tax receivable		124,550	128,421
Lease receivable	7	-	50,565
Marketable securities		6,000	1,050
Current portion of loan receivable	8	-	557,784
Deferred Financing Fees		180,000	-
Advance Bonavita	10	100,000	-
		2,313,645	1,196,667
Non-current assets			
Investments	9	22,302,748	7,111,901
Advances	10	500	500
Loan receivable	8	250,700	914,831
Due from related parties	18	2,812,221	2,402,190
Property and equipment	11	7,552	310,631
Assets from continuing operations		27,687,366	11,936,720
Assets from discontinued operations	3, 12	-	1,274,979
TOTAL ASSETS		\$ 27,687,366	\$ 13,211,699
LIABILITIES			
Current liabilities			
Trade payables	18	\$ 317,532	\$ 492,373
Accrued liabilities	18	524,355	726,441
Deferred revenue		372,343	310,834
Related party loans	18	797,141	15,833
Loan payable	13	367,521	328,428
Current portion of leases payable	15	-	81,976
Short term advances		158,766	158,766
		2,537,658	2,114,651
Convertible debentures	16	1,382,777	1,192,203
Obligation to issue convertible debentures	16	280,000	230,000
CEBA loans	14	85,664	-
Lease payable	15	-	245,360
Liabilities from continuing operations		4,286,099	3,782,214
Liabilities from discontinued operations	3	-	778,101
TOTAL LIABILITIES		4,286,099	4,560,315
EQUITY			
Share capital	17	31,577,291	31,353,728
Reserve	17	449,422	1,570,083
Obligation to issue shares of subsidiary	17	2,170,349	-
Equity portion of convertible debentures	16	199,703	199,703
Accumulated other comprehensive income		59,078	58,598
Deficit		(11,054,576)	(24,853,920)
Equity attributable to owners of the Company		23,401,267	8,328,192
Non-controlling interest	3	-	323,192
EQUITY		23,401,267	8,651,384
TOTAL LIABILITIES AND EQUITY		\$ 27,687,366	\$ 13,211,699

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 September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Revenue	22	583,303	\$ 2,210,820	\$ 1,065,833	\$ 3,144,338
Cost of goods sold	22	73,307	1,611,455	526,942	2,026,790
		509,996	599,365	538,891	1,117,548
Expenses					
Amortization and depreciation	9,11,12	160,792	156,105	489,428	341,795
Donations		-	-	-	1,000
Foreign exchange loss (gain)		23,966	(49,206)	(121,841)	15,674
General and administration		29,920	2,666	120,645	50,937
Insurance		-	25,963	26,935	61,553
Investor relations		14,285	(9,781)	20,350	32,083
Management fees	18	63,050	63,104	96,490	201,778
Professional and consulting fees	18	72,877	295,434	310,801	578,163
Rent		37,921	35,894	134,489	62,148
Sales and marketing		58,535	187,845	280,883	425,499
Transfer agent and regulatory fees		15,504	27,289	44,693	59,823
Wages	18	105,515	223,594	414,699	546,678
Total expenses		(582,365)	(958,907)	(1,817,572)	(2,377,132)
Other Items					
Equity gain (loss) on investments	9	47,155	(126,310)	46,545	(957,810)
Gain on deconsolidation of VS Health	3	-	-	696,328	-
Gain on deconsolidation of FansUnite	3	-	-	4,311,300	-
Fair value gain (loss) on investments	9	9,471,838	(1,500)	10,651,491	409,204
Fair value gain on marketable securities		3,300	-	4,950	-
Impairment of investments	9	(100,000)	-	(100,000)	-
Impairment of note receivable	8	(630,258)	-	(630,258)	-
Gain on disposal of assets		1,450	-	21,624	-
Gain on settlement of payables		-	-	19,569	-
Lease revenue		34,000	-	85,000	-
Government wage subsidy		46,975	-	54,244	-
Gain on CEBA loans	14	78,753	-	78,753	-
Loss on digital currencies		-	(798)	-	(2,836)
Interest expense	13,14,15, 18	(83,580)	(84,916)	(248,641)	(154,534)
Interest and other income	7,8	63,444	212,563	249,243	528,672
		8,933,077	(961)	15,240,148	(177,304)
Net income (loss) for the period before income taxes		8,860,708	(360,503)	13,961,467	(1,436,888)
Income tax expense		30,042	-	23,848	-
Net income (loss) for the period		8,890,750	(360,503)	13,985,315	(1,436,888)
Net income (loss) attributable to:					
Shareholders of the parent company		8,890,750	10,458	13,799,344	(237,030)
Non-controlling interest		140,972	(370,961)	(182,220)	(1,199,858)
Net income (loss) for the period		9,031,722	(360,503)	13,617,124	(1,436,888)
Total net income (loss) from continuing operations		\$ 9,031,722	\$ (360,503)	\$ 13,985,314	\$ (1,436,888)
Total net income (loss) from discontinued operations	3	\$ -	\$ (655,712)	\$ (368,190)	\$ (2,332,481)
Total net income (loss)		\$ 9,031,722	\$ (1,016,215)	\$ 13,617,124	\$ (3,769,369)
Other comprehensive income					
Currency translation adjustment		(13)	(154)	480	1,068
Comprehensive income (loss)		\$ 9,031,709	\$ (1,016,369)	\$ 13,617,604	\$ (3,768,301)
Basic earnings (loss) from continuing operations per share attributable to the shareholders of the parent company		\$ 0.12	\$ (0.01)	\$ 0.18	\$ (0.05)
Diluted earnings (loss) from continuing operations per share attributable to the shareholders of the parent company		\$ 0.11	\$ (0.01)	\$ 0.17	\$ (0.05)
Weighted average number of common shares outstanding for the period - basic		75,783,069	73,054,850	74,518,148	72,821,149
Weighted average number of common shares outstanding for the period - diluted		80,758,069	78,054,850	79,493,148	77,821,149

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							
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		282,981	91,969	-	-	-	-	-	-	91,969
Share-based payments		-	-	-	510,039	-	-	-	-	510,039
Convertible debenture adjustment		-	-	-	5,178	-	199,703	-	-	204,881
Net loss for the period		-	-	679	-	-	-	-	-	679
Balance at September 30, 2019		73,054,850	\$ 31,353,728	\$ 58,615	\$ 1,112,735	\$ -	\$ 199,703	\$ (19,954,709)	\$ 557,770	\$ 13,327,842
Balance at January 1, 2020		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	17	2,726,317	218,105	-	-	-	-	-	-	218,105
Share-based payments	17	-	-	-	84,812	-	-	-	-	84,812
Deconsolidation of associate	3	-	-	-	(1,203,766)	-	-	-	-	(1,203,766)
Proceeds received in advance of share issuance of subsidiary	17	-	-	-	-	2,170,349	-	-	-	2,170,349
Currency translation		-	-	480	-	-	-	-	-	480
Stock option exercise		25,000	5,458	-	(1,707)	-	-	-	-	3,751
Discontinued operations	3	-	-	-	-	-	-	-	(323,192)	(323,192)
Net income (loss) for the period		-	-	-	-	-	-	13,799,345	-	13,799,345
Balance at September 30, 2020		75,806,167	\$ 31,577,291	\$ 59,078	\$ 449,422	\$ 2,170,349	\$ 199,703	\$ (11,054,575)	\$ -	\$ 23,401,268

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)

	Nine months ended September 30,	
	2020	2019
Operating activities		
Net income (loss) for the period	\$ 13,985,794	\$ (1,435,821)
Adjustments for non-cash items:		
Amortization and depreciation	489,428	341,795
Fair value (gain) / loss on marketable sec	(4,950)	-
(Gain) / loss on CEBA loans	(78,753)	-
(Gain) / loss on digital currencies	-	2,836
Consulting fees paid in shares	-	91,969
Interest income	(249,243)	(485,484)
Sublease revenue	(51,000)	(35,020)
Interest expense	248,641	154,147
Fair value (gain) / loss on investments	(10,651,491)	(409,204)
Equity (gain) / loss on investments	(46,545)	957,810
(Gain) / loss on disposal of lease assets	(6,126)	-
(Gain) / loss on disposal of capital assets	(15,497)	-
Gain on deconsolidation of FansUnite	(4,311,300)	-
Gain on deconsolidation of VS Health	(696,328)	-
Impairment of investment	100,000	-
Impairment of note receivable	630,259	-
Gain on settlement of debt	(19,570)	-
Foreign exchange (gain) / loss	(121,841)	(48,735)
Changes in non-cash working capital items:		
Prepaid expenses	(483,417)	39,965
Receivables	(210,460)	(974,195)
Government sales tax recoverable	3,871	(52,557)
Trade payables and accrued liabilities	174,841	1,211,914
Other payables	202,086	(257,856)
Deferred revenue	(61,509)	62,627
Net cash flows used in operating activities by continuing operations	(1,173,110)	(835,809)
Net cash flows used in operating activities by discontinued operations	(86,378)	(1,483,172)
Investing activities		
Cash used for investments	-	(2,550,333)
Acquisition of intangibles	-	(12,500)
Proceeds from investments	40,000	315,688
Proceeds from GIC	-	1,000,000
Cash effect of deconsolidation of subsidiaries	(688,185)	-
Loan receivable	104,042	-
Advances	61,559	(362,929)
Advances to related parties	797,141	(25,041)
Repayment of related party loans	(583,977)	-
Deferred financing fees	(180,000)	-
Purchase of equipment	(2,412)	(15,583)
Proceeds from sale of furniture	15,705	-
Net cash flows used in investing activities by continuing operations	(436,127)	(1,650,698)
Net cash flows used in investing activities by discontinued operations	14,358	998,835
Financing activities		
Government loans	160,000	-
Convertible debentures issued, net of issuance costs	-	1,235,561
Interest paid on loan receivable	(33,697)	-
Proceeds from stock options exercise	3,750	-
Proceeds received in advance of convertible debenture issue	50,000	-
Lease payments made	(42,273)	(80,020)
Lease payments received	51,000	-
Proceeds received in advance of issuance of subsidiary shares	2,170,349	-
Proceeds from related party loans	-	219,019
Repayment of related party loans	-	(545,300)
Net cash flows used in financing activities by continuing operations	2,359,129	829,260
Net cash flows used in financing activities by discontinued operations	-	(57,500)
Effect of foreign exchange on cash	480	(778)
Change in cash and cash equivalents	750,372	(1,658,025)
Cash and cash equivalents, beginning	128,593	1,763,363
Cash and cash equivalents, ending	\$ 878,965	\$ 105,338

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”), Pro Draft League USA Inc. (“PDL”), Fantasy 360 Technologies Inc. (“Fantasy 360”), V2 Games Inc. (“V2 Games”), Victory Entertainment Inc. (“Victory Entertainment”), and Victory Square Digital Health Inc. (“VSDH”). 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 3, 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 invests 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, V6C 1H2. 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 September 30, 2020, the Company had a working capital deficit of \$224,013 (December 31, 2019 – \$917,984) and an accumulated deficit of \$11,054,576 (December 31, 2019 – \$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. Statement of Compliance and Basis of Preparation

These condensed consolidated interim unaudited financial statements were authorized for issue on November 30, 2020, by the directors of the Company.

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, Victory Entertainment, and VSDH (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, Victory Entertainment, and VSDH. The functional currency of PDL is the US dollar.

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

3. Discontinued Operations

a) FansUnite

Prior to March 18, 2020, the Company held 16,950,000 shares which represented 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 18, 2020 the Company transferred 7,725,000 shares of FansUnite to various strategic partners in anticipation of the financing closing. 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 \$4,311,300. After this de-consolidation date, the investment is recorded as an investment measured at Fair Value under IFRS 9 (Note 9).

For the year ended December 31, 2019 and for the period from January 1, 2020 to March 26, 2020, the net income (loss) from FansUnite is reported as income (loss) from discontinued operations. Total assets and liabilities of FansUnite are reported as assets and liabilities from discontinued operations as separate line items on the consolidated financial statements under IFRS 10.

Victory Square Technologies Inc.
Notes to the condensed consolidated interim unaudited financial statements
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(Expressed in Canadian dollars)

3. Discontinued Operations (continued)

a) FansUnite (continued)

The net loss from FansUnite are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Expenses				
Amortization	\$ -	\$ 85,467	\$ 85,358	\$ 256,400
Foreign exchange (gain) / loss	-	(104)	(836)	5,197
General and administrative	-	37,098	45,123	166,733
Professional fees	-	49,904	42,585	308,159
Salaries and wages	-	256,672	77,778	709,260
Sales and marketing	-	57,098	36,241	416,140
Share based payments	-	123,214	84,813	510,038
Loss before other items	-	(609,349)	(371,062)	(2,371,927)
Other items				
Interest income / (expense)	-	84	206	6,305
Fair value gain / (loss) on digital currencies	-	(46,485)	16,686	33,530
	-	(46,401)	16,892	39,835
Net income / (loss) for the year	-	(655,750)	(354,170)	(2,332,092)
Currency translation adjustment	-	38	-	(389)
Total comprehensive income / (loss) from FansUnite Discontinued	\$ -	\$ (655,712)	\$ (354,170)	\$ (2,332,481)

The major classes of assets and liabilities of FansUnite are as follows:

	December 31, 2019
Assets	
Cash	\$ 84,058
Accounts Receivable	18,201
Prepaid expenses and deposits	154,058
Digital currencies	42,902
Long-term receivable	161,559
Due from related parties	(77,754)
Intangible assets	922,888
Property and equipment	3,375
Total Assets from FansUnite Discontinued Operations	\$ 1,309,287
Liabilities	
Accounts payable and accrued liabilities	\$ 197,643
Due to related parties	580,458
Total Liabilities from FansUnite Discontinued Operations	\$ 778,101

The following table provides details of the cash flow from operating and investing activities of FansUnite:

	Nine months ended September 30,	
	2020	2019
Net cash flows used in operating activities	\$ (86,378)	\$ (1,483,172)
Net cash flows used in investing activities	14,358	998,835
Net cash flows used in financing activities	-	(57,500)

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

3. Discontinued Operations (continued)

b) Victory Square Health

On June 3, 2020, Victory Square Health entered into an agreement with Safetest Comercio de Diagnosticos Ltd. ("Safetest") whereby Victory Square Health acquired all outstanding shares of Safetest and therefore 100% ownership of the assets and intellectual property in exchange for the issuance of 80% of the common shares of Victory Square Health. Victory Square also contributed \$400,000 in the form of an obligation to deliver cash by November 30, 2020. As at September 30, 2020, the company has paid \$95,000 to Victory Square Health and the obligation remains outstanding at \$315,000. It is Management's intent to pay the full balance by the November 30, 2020 date or else incur interest at 2% per month on the outstanding balance.

The Company's interest was reduced from 100% to 20% as a result of this transaction (Note 9). Accordingly, the Company deconsolidated Victory Square Health and recognized a gain on deconsolidation of \$696,328. The investment in Victory Square Health will subsequently be recognized at fair value under IFRS 9 (Note 9).

For the year ended December 31, 2019 and the nine months ended September 30, 2020, Victory Square Health had a \$Nil and \$14,020 net loss respectively. There were no adjustments required for the discontinued cash flows due to Victory Square Health's inactivity during these periods. Total assets and liabilities of Victory Square Health are reported as assets and liabilities from discontinued operations as separate line items on the consolidated financial statements under IFRS 10.

The major classes of assets and liabilities of Victory Square Health are as follows:

	December 31, 2019
Assets	
Personalized Biomarkers Inc Investment	\$ 227,081
GST Payable	338
Total Assets from VSH Discontinued Operations	\$ 227,419
Liabilities	
Due to the Company	\$ 261,726
Total Liabilities from VSH Discontinued Operations	\$ 261,726

4. Cash and Cash Equivalents

Cash and cash equivalents include \$11,500 (December 31, 2019 – \$11,500) of cash held in a GIC.

5. Prepaids

Prepaids consist of the following:

	September 30, 2020	December 31, 2019
Marketing fees	\$ 486,726	\$ 150,000
Sponsorships	12,500	31,250
Rental deposits	16,843	11,159
Insurance	-	24,644
Listing fees and transfer agent	55,087	2,166
Consulting	134,480	3,000
Total prepaids	\$ 705,636	\$ 222,219

Victory Square Technologies Inc.
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(Expressed in Canadian dollars)

6. Receivables

Receivables consist of the following:

	September 30, 2020	December 31, 2019
Immersive services	\$ 297,192	\$ 107,359
Other	21,302	676
Total receivables	\$ 318,494	\$ 108,035

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 September 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 ended during the current period.

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

Balance, December 31, 2019	\$	50,565
Recognition of deferred lease revenue		(51,000)
Accretion		435
Balance, September 30, 2020	\$	-

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.

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.

On April 16, 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 September 30, 2020, FansUnite had only received one of three required payments.

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

8. Loan Receivable (continued)

During the period ended September 30, 2020, the Company received payments of \$104,042 on the loan and recorded interest income of \$248,679 and a foreign exchange gain of \$93,283.

Due to the lack of payments, the loan receivable was deemed to be impaired as at September 30, 2020. Management determined the recoverable amount to be 40% of the face value of the loan (\$500,000 USD) based on market data for comparable loans, and the remainder of the note value was impaired in the current period. This resulted in a \$250,700 receivable balance and a \$630,259 impairment loss. Of the remaining balance, we have classified all amounts as long-term.

The loan receivable is as follows:

	September 30, 2020	December 31, 2019
Current portion	\$ -	\$ 557,784
Long term portion	250,700	914,831
	\$ 250,700	\$ 1,472,615

9. Investments

The Company's investments consist of the following:

Investment	September 30, 2020	December 31, 2019
FansUnite Entertainment Inc. (2)	\$ 2,782,768	\$ -
1108641 BC Ltd. (3)	1,202,601	1,676,118
Cassia (1)	1,387,747	1,346,819
Victory Square Health Inc. (2)	13,000,000	-
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 (1)	620,000	620,000
Flo Digital (1)	460,275	460,275
Cloud Benefit Solutions Inc. (2)	300,000	300,000
Personalized Biomarkers Inc. (2)	-	-
Other (1) (2)	64,532	223,864
	\$ 22,302,748	\$ 7,111,901

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) FansUnite

Prior to March 18, 2020, the Company held 16,950,000 shares which represented 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 18, 2020 the Company transferred 7,725,000 shares of FansUnite to various strategic partners in anticipation of the financing closing. 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 \$4,311,300 (Note 3).

9. Investments (continued)

a) FansUnite (continued)

On April 16, 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 (Note 8).

During the period ended September 30, 2020, the Company recorded a fair value loss of \$1,205,670 on the FansUnite shares recorded at fair value. As at September 30, 2020, the Company owns 9,225,000 shares of FansUnite with a fair value of \$2,075,625 and V2 Games owns 3,142,857 shares with a fair value of \$707,143 for a total holding of \$2,782,768.

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 September 30, 2020, the Company recorded amortization of \$473,517 (2019 - \$Nil) and the investment was reduced to \$1,202,601.

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" or "CoPilot Advisor") 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 September 30, 2020, the Company holds an interest of 22.94% in Cassia.

During the period ended September 30, 2020, the Company recorded an equity gain of \$40,928 (Period ended September 30, 2019 - \$26,526) on its investment in Cassia.

Cassia 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 3, 2020, Victory Square Health entered into an agreement with Safetest Comercio de Diagnosticos Ltd. ("Safetest") whereby Victory Square Health acquired all outstanding shares of Safetest and therefore 100% ownership of the assets and intellectual property in exchange for the issuance of 80% of the common shares of Victory Square Health. The investment in Victory Square Health was valued on June 3, 2020 and initially recognized at \$1,048,000 on the date of loss of control. The Company's interest was reduced to and remains at 20% of Victory Square Health. The Company deconsolidated Victory Square Health on this date and recognized a gain on deconsolidation of \$696,328 (Note 3).

At September 30, 2020, the value of the Company's 20% investment in Victory Square Health was fair valued at \$13,000,000, resulting in a fair value gain of \$11,952,000.

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. This value has remained unchanged as at September 30, 2020.

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 had not been released as at September 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). There has been no change to this investment as at September 30, 2020.

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 September 30, 2020, the Company recorded an equity loss of \$Nil (Period ended September 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 18).

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9. Investments (continued)

i) Flo Digital (continued)

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 September 30, 2020, the Company recorded an equity loss of \$Nil (Period ended September 30, 2019 - \$28,925) 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.

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. There has been no change to this investment for the period ended September 30, 2020.

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 and has been removed from prior period comparatives and disclosed separately in Note 3.

l) Other

The Company has minor investments in other private companies. During the period ended September 30, 2020, the Company recorded an equity loss of \$5,617 (Period ended September 30, 2019 -\$133,418) and an impairment loss of \$100,000 (Period ended September 30, 2019 - \$Nil) on these investments.

10. Advances

During the period ended September 30, 2020, the Company paid \$100,000 as an advance on two assets relating to films rights.

The Company's advances consist of the following:

	September 30, 2020		December 31, 2019	
Advance Bonavita	\$	100,000	\$	-
Other		500		500
	\$	100,500	\$	500

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11. Property and Equipment

A summary of property and equipment is as follows:

	Computer Equipment	Furniture and Other Equipment	Right of Use Asset	Total
Cost				
Balance, December 31, 2019	\$ 16,465	\$ 11,386	\$ 346,603	\$ 495,538
Additions	2,412	-	-	2,412
Disposals (Notes 3)	-	(7,500)	(346,603)	(354,103)
Balance, September 30, 2020	\$ 18,877	\$ 3,886	\$ -	\$ 143,847
Accumulated depreciation				
Balance, December 31, 2019	\$ (9,263)	\$ (2,523)	\$ (52,038)	\$ (181,532)
Depreciation	(4,329)	(1,388)	(10,194)	(15,911)
Disposals (Notes 3)	-	2,292	62,232	64,524
Balance, September 30, 2020	\$ (13,592)	\$ (1,619)	\$ -	\$ (132,919)
Net book value, December 31, 2019	\$ 7,203	\$ 8,863	\$ 294,565	\$ 310,631
Net book value, September 30, 2020	\$ 5,285	\$ 2,267	\$ -	\$ 7,552

12. Intangible Assets

The intangible assets held by the Company as of December 31, 2019 all related to the discontinued operations of FansUnite (Note 3).

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 was \$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.

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13. Loan payable (continued)

For the period ended September 30, 2020 the interest on the loan was \$39,093 (Period ended September 30, 2019 – \$33,882). The balance of the loan as of September 30, 2020 is \$367,521 (September 30, 2019 – \$317,010).

14. CEBA loans

The Canadian Emergency Business Account (CEBA) loan originally launched on April 9, 2020 and is intended to support businesses during the COVID-19 pandemic. The value of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company's incremental borrowing rate of 20%. The difference between this discounted value of \$78,753 and the proceeds received of \$160,000 was recognized as a gain on CEBA loans of \$78,753. The loan also had accretion of \$4,417 for the period. As at September 30, 2020, the full value of the grant has been spent in the course of business operations and the gain has been recognized in other income.

15. 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.

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. 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).

Lease transactions for the period are as follows:

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

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, 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.

16. Convertible Debentures (continued)

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 September 30, 2020, the Company recorded accretion and interest of \$150,480 on the debentures. As at September 30, 2020, the value of the debentures is \$1,382,777 including accrued interest.

As at September 30, 2020, the Company has also received \$280,000 (December 31, 2019 – \$230,000) in advance of the issuance of additional convertible debentures.

17. Share Capital

Authorized Share Capital

Unlimited common shares without par value.

Issued Share Capital

At September 30, 2020, there were 75,806,167 common shares outstanding (December 31, 2019 – 73,054,850).

During the period ended September 30, 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 September 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.

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 September 30, 2020 are as follows:

Exercise Price	Number of Shares Issuable upon Exercise	Expiry Date
\$0.15	4,975,000	March 17, 2025

During the period ended September 30, 2020, 25,000 options were exercised at the above noted exercise price for a net cash proceed of \$3,750.

Prior to the deconsolidation of FansUnite as of March 26, 2020, the Company recorded share-based payments of \$84,813 (September 30, 2019 - \$510,039) related to stock options issued by FansUnite in 2018. This was de-consolidated and disclosed separately in Note 3.

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18. Related Party Transactions

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

	September 30, 2020	September 30, 2019
Interest	\$ 12,360	\$ 1,270
Management fees	\$ 97,500	\$ 97,500
Salary	\$ 120,000	\$ -
Professional and consulting fees	\$ 94,080	\$ 183,708
Wages paid to officers of a former subsidiary of the Company	\$ -	\$ 267,000
Director fees	\$ -	\$ 18,998

Related Party Balances

At September 30, 2020, the Company has \$44,452 (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:

- \$94,080 (2019 - \$183,708) in professional fees to companies controlled by the CFO, for bookkeeping, corporate secretarial and CFO services;
- \$97,500 (2019 - \$97,500) in management fees to the CEO;
- \$120,000 (2019 - \$120,000) in salary to the CGO;
- \$Nil (2019 - \$267,000) in wages paid to officers of a former subsidiary of the Company; and
- \$Nil (2019 - \$18,998) in director fees to directors of a former subsidiary of the Company.

Related Party Loans

As at September 30, 2020, the Company has \$797,141 (December 31, 2019 - \$15,833) in related party loans due, which includes \$22,693 (December 31, 2019 - \$12,984) in accrued interest. The related party loans are unsecured, due on demand, and have no fixed terms of repayment. Related party loans of \$458,449 bear interest at 3%.

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18. Related Party Transactions (continued)

Due from Related Parties

Balances due from related parties for the period are as follows:

	September 30, 2020	December 31, 2019
Due from Aspen	\$ 1,869,171	\$ 1,987,709
Due from a director	56,000	50,000
Due from Victory Square Health (Note 3)	274,727	-
Due from FansUnite (Note 3)	585,228	339,481
Due from Cassia (Note 9)	2,095	-
Due from Flo Digital (Note 9)	25,000	25,000
Due from other (Note 9)	-	-
	\$ 2,812,221	\$ 2,402,190

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).

19. 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.

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

20. Financial Risk Management (continued)

a) Credit risk (continued)

related parties and government sales tax receivable. Based on the evaluation of receivables at September 30, 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.

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20. Financial Risk Management (continued)

Fair value (continued)

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, term loans payable and related party loans. The carrying value of financial instruments approximates the fair value at September 30, 2020.

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 adjusts 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.

22. Revenue and Cost of Goods Sold

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Immersive experiences	\$ 540,066	\$ 1,116,094	\$ 976,621	\$ 1,691,199
Royalties	-	62,229	44,548	420,642
Software	43,236	1,032,497	44,662	1,032,497
	\$ 583,302	\$ 2,210,820	\$ 1,065,832	\$ 3,144,338

Cost of Goods Sold

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Immersive experiences	\$ 105,181	\$ 717,807	\$ 485,440	\$ 1,133,142
Software	32,095	893,648	105,471	893,648
	\$ 137,276	\$ 1,611,455	\$ 590,911	\$ 2,026,790

23. Subsequent events

- a) On October 9, 2020 Victory Square and V2 Games closed an assignment and subrogation agreement with FansUnite to transfer the one half value of the loan receivable held by FansUnite back to the Company in exchange for the settlement of outstanding debts of , and a 501,484 share repurchase by FansUnite from the previously issued shares to V2 Games (Notes 8 and 9).

- b) On November 9, 2020 Victory Square closed a \$6.1 Million private placement of special warrants. Total special warrants were 11,713,053, including an aggregate of 1,136,129 special warrants issued as a result of the exercise of the agent's over-allotment option pursuant to the offering. Warrants were sold at a price of \$0.52 per warrant. As part of this financing, 585,651 common shares of Victory Square were issued to a broker as compensation upon closing.