

Victory Square Technologies Inc.

Condensed Consolidated Interim Unaudited Financial Statements Six months ended June 30, 2021 and 2020

Expressed in Canadian Dollars



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim unaudited financial statements of Victory Square Technologies Inc. are the responsibility of the Company's management. The condensed consolidated interim unaudited 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, 2021 | December 31, 2020 |
|--|---------|----------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | \$ 6,131,231 | \$ 4,551,751 |
| Prepays | 5 | 371,397 | 499,803 |
| Trade receivables | 6 | 62,293 | 72,233 |
| Government sales tax receivable | | 115,679 | 120,432 |
| Marketable securities | | - | 13,515 |
| Loan receivable | 3,7 | - | 1,697,912 |
| Digital currencies | 8 | 1,738,476 | - |
| | | 8,419,076 | 6,955,646 |
| Non-current assets | | | |
| Investments | 9 | 33,583,466 | 28,876,300 |
| Advances | 3 | - | 500 |
| Due from related parties | 19 | 1,877,341 | 2,440,227 |
| Property and equipment | 11 | 10,090 | 5,751 |
| Intangible assets | 3,10,12 | 5,912,536 | 941,000 |
| Goodwill | 3,10 | 1,593,738 | 3,432,783 |
| TOTAL ASSETS | | \$ 51,396,247 | \$ 42,652,207 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 19 | \$ 527,899 | \$ 363,361 |
| Accrued liabilities | 19 | 440,194 | 651,229 |
| Related party loans | 19 | 1,610,369 | 355,818 |
| Loan payable | 3,13 | - | 295,078 |
| Share consideration | 3,10 | - | 104,542 |
| Other payables | 15 | 158,766 | 404,421 |
| Convertible debentures | 3,17 | - | 1,447,872 |
| Obligation to issue convertible debentures | 3,17 | - | 95,000 |
| | | 2,737,228 | 3,717,321 |
| Non-current liabilities | | | |
| Derivative liability | 3,16 | - | 97,896 |
| Convertible note | 3,16 | - | 8,758 |
| CEBA loans | 14 | 110,965 | 123,405 |
| TOTAL LIABILITIES | | 2,848,193 | 3,947,380 |
| EQUITY | | | |
| Share capital | 18 | 42,981,503 | 31,865,593 |
| Stock option reserve | 18 | 2,155,696 | 442,591 |
| Equity portion of convertible debentures | 3,17 | - | 199,703 |
| Special warrants | 18 | - | 4,889,021 |
| Broker's warrants | 18 | 428,856 | 427,165 |
| Obligation to issue shares | 10 | 396,691 | - |
| Accumulated other comprehensive income | | 59,078 | 59,078 |
| Deficit | | (1,314,674) | (4,938,669) |
| Equity attributable to owners of the Company | | 44,707,150 | 32,944,482 |
| Non-controlling interest | 3,18 | 3,840,904 | 5,760,345 |
| EQUITY | | 48,548,054 | 38,704,827 |
| TOTAL LIABILITIES AND EQUITY | | \$ 51,396,247 | \$ 42,652,207 |

Nature of operations and going concern – Note 1

Subsequent events – Note 26

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

| | Note | Three months ended June 30, | | Six months ended June 30, | |
|---|----------|-----------------------------|-------------------|---------------------------|-------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Revenue | 23 | \$ 276,301 | \$ 88,419 | \$ 411,074 | \$ 482,530 |
| Cost of goods sold | 23 | 96,328 | 208,076 | 130,976 | 453,635 |
| | | 179,973 | (119,657) | 280,098 | 28,895 |
| Expenses | | | | | |
| Amortization and depreciation | 9,11 | 183,267 | 1,800 | 364,539 | 14,110 |
| Donations | | - | - | 263,359 | - |
| Foreign exchange (gain) loss | | 28,916 | (25,994) | 63,538 | (53,140) |
| General and administration | | 162,260 | 39,434 | 467,581 | 85,990 |
| Insurance | | (4,311) | - | 2,080 | 26,935 |
| Investor relations | | 441,107 | (1,404) | 482,844 | 6,065 |
| Management fees | 19 | 253,286 | 32,500 | 370,899 | 34,450 |
| Professional and consulting fees | 19 | 237,193 | 72,113 | 342,790 | 236,083 |
| Rent | | 53,456 | 41,232 | 98,650 | 96,568 |
| Research and development | 24 | 772,774 | - | 772,774 | - |
| Sales and marketing | | 386,463 | 26,598 | 877,076 | 207,737 |
| Share based payments | 18,19 | 519,548 | - | 2,085,606 | - |
| Transfer agent and regulatory fees | | 46,496 | 14,350 | 64,411 | 25,043 |
| Wages | 19 | 530,930 | 95,710 | 675,888 | 272,576 |
| Total expenses | | (3,611,385) | (296,339) | (6,932,035) | (952,417) |
| Other Items | | | | | |
| Fair value gain on marketable securities | | - | 1,650 | 46,375 | 1,650 |
| Gain on deconsolidation of subsidiaries | 3 | 5,266,509 | 1,048,328 | 5,266,509 | 3,567,004 |
| Gain on exercise of warrants | 9 | - | - | 1,688,148 | - |
| Equity gain (loss) on investments | 9 | 43,706 | 12,305 | 146,979 | (610) |
| Fair value gain (loss) on investments | 9 | (2,279,672) | 968,175 | (3,436,861) | 2,620,277 |
| Fair value gain on digital currencies | 8 | 1,738,476 | - | 1,738,476 | - |
| Impairment of investments | 9 | (233,000) | - | (853,000) | - |
| Impairment of related party loans | 19 | - | - | 5,428 | - |
| Gain (loss) on disposal of assets | 9,12 | (118,816) | - | 7,361,795 | 20,174 |
| Loss on settlement of payables | | (529) | (1) | (150,137) | (1) |
| Lease revenue | | - | 51,000 | - | 51,000 |
| Gain (loss) on settlement of receivables | | 528 | - | (923,612) | - |
| Gain on CEBA loans | 14 | - | 7,269 | 8,649 | 7,269 |
| Interest expense | 14,16,17 | (5,412) | (7,403) | 33,880 | (14,348) |
| Interest and other income | 25 | 164,194 | (1,261) | 302,761 | (825) |
| | | 4,575,984 | 2,080,062 | 11,235,390 | 6,251,590 |
| Net income from continuing operations for the period | | 1,144,572 | 1,664,066 | 4,583,453 | 5,328,068 |
| Net loss from discontinued operations for the period | 3 | (823,648) | (229,260) | (1,900,499) | (601,694) |
| Net income for the period | | 320,924 | 1,434,806 | 2,682,954 | 4,726,374 |
| Other Comprehensive Income | | | | | |
| Currency translation adjustment | | (3,377) | (27) | (3,687) | 493 |
| Comprehensive income for the period | | 317,547 | 1,434,779 | 2,679,267 | 4,726,867 |
| Net income attributable to: | | | | | |
| Shareholders of the parent company | | 878,984 | 1,111,614 | 3,667,150 | 4,726,374 |
| Non-controlling interest | 3,18 | (558,060) | 323,192 | (984,196) | - |
| | | \$ 320,924 | \$ 1,434,806 | \$ 2,682,954 | \$ 4,726,374 |
| Basic earnings from continuing operations per share attributable to the shareholders of the parent company | | \$ 0.00 | \$ 0.02 | \$ 0.05 | \$ 0.07 |
| Diluted earnings from continuing operations per share attributable to the shareholders of the parent company | | \$ 0.00 | \$ 0.02 | \$ 0.04 | \$ 0.07 |
| Weighted average number of common shares outstanding for the period - basic | | 96,493,146 | 74,702,624 | 90,860,139 | 73,878,737 |
| Weighted average number of common shares outstanding for the period - diluted | | 110,407,744 | 74,702,624 | 104,943,937 | 73,878,737 |

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

| | Note | Share Capital | | Accumulated other comprehensive income | Stock option reserve | Obligation to issue shares | Equity portion of convertible debentures | Special Warrants | Broker's Warrants | Deficit | Non- controlling interest | Total |
|--|--------|---------------------|----------------------|---|-------------------------|-------------------------------|--|---------------------|----------------------|------------------------|---------------------------------|----------------------|
| | | Number of shares | Amount | | | | | | | | | |
| 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 | 18 | 2,726,317 | 218,105 | - | - | - | - | - | - | - | - | 218,105 |
| Share-based payments | 3 | - | - | - | 84,812 | - | - | - | - | - | - | 84,812 |
| Deconsolidation of associate | 3 | - | - | - | (1,203,766) | - | - | - | - | - | - | (1,203,766) |
| Proceeds received in advance of share issuance of subsidiary | | - | - | - | - | 972,795 | - | - | - | - | - | 972,795 |
| Currency translation adjustment | | - | - | 493 | - | - | - | - | - | - | - | 493 |
| Net loss for the period | | - | - | - | - | - | - | - | - | 5,049,566 | (323,192) | 4,726,374 |
| Balance at June 30, 2020 | | 75,781,167 | \$ 31,571,833 | \$ 59,091 | \$ 451,129 | \$ 972,795 | \$ 199,703 | \$ - | \$ - | \$ (19,804,354) | \$ - | \$ 13,450,197 |
| Balance at January 1, 2021 | | 76,491,818 | \$ 31,865,593 | \$ 59,078 | \$ 442,591 | \$ - | \$ 199,703 | \$ 4,889,021 | \$ 427,165 | \$ (4,938,669) | \$ 5,760,345 | \$ 38,704,827 |
| Conversion of special warrants, net of issuance costs | 18 | 11,713,053 | 4,889,021 | - | - | - | - | (4,889,021) | - | - | - | - |
| Shares issued - acquisition of Hydreight | 10,18 | 3,239,124 | 2,267,386 | - | - | 396,691 | - | - | - | - | - | 2,664,077 |
| Shares issued - acquisition of intangible assets | 12,18 | 4,600,048 | 3,404,035 | - | - | - | - | - | - | - | - | 3,404,035 |
| Shares issued - investment in Stardust | 9,18 | 674,157 | 438,202 | - | - | - | - | - | - | - | - | 438,202 |
| Share buybacks | 18 | (105,000) | (81,830) | - | - | - | - | - | - | - | - | (81,830) |
| Exercise of warrants | 18 | 62,000 | 43,548 | - | - | - | - | - | 1,691 | - | - | 45,239 |
| Exercise of stock options | 18 | 712,500 | 155,548 | - | (48,673) | - | - | - | - | - | - | 106,875 |
| Share-based payments | 18 | - | - | - | 1,766,956 | - | - | - | - | - | 318,650 | 2,085,606 |
| Shares issued - subsidiary company | 18 | - | - | - | - | - | - | - | - | - | 1,172,795 | 1,172,795 |
| Subscription receipts - subsidiary company | 18 | - | - | - | - | - | - | - | - | - | 2,349,459 | 2,349,459 |
| Deconsolidation of GameOn Entertainment | 3 | - | - | - | (5,178) | - | (199,703) | - | - | 1,444,722 | (5,760,345) | (4,520,504) |
| Dividend in kind | 3,9,18 | - | - | - | - | - | - | - | - | (499,994) | - | (499,994) |
| Currency translation adjustment | | - | - | - | - | - | - | - | - | (3,687) | - | (3,687) |
| Net income for the period | | - | - | - | - | - | - | - | - | 2,682,954 | - | 2,682,954 |
| Balance at June 30, 2021 | | 97,387,700 | \$ 42,981,503 | \$ 59,078 | \$ 2,155,696 | \$ 396,691 | \$ - | \$ - | \$ 428,856 | \$ (1,314,674) | \$ 3,840,904 | \$ 48,548,054 |

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

| | 2021 | Six months ended June 30, 2020 |
|---|---------------------|-----------------------------------|
| Operating activities | | |
| Net income for the period | \$ 2,679,267 | \$ 5,328,561 |
| Adjustments for non-cash items: | | |
| Amortization and depreciation | 364,539 | 413,993 |
| Foreign exchange (gain) loss | 63,538 | (91,843) |
| Non-cash consulting costs | 212,500 | - |
| Share based payments | 2,085,606 | 84,812 |
| Fair value gain on marketable securities | (46,375) | (1,650) |
| Gain on deconsolidation of subsidiaries | (5,266,509) | (3,567,004) |
| Gain on exercise of warrants | (1,688,148) | - |
| Equity (gain) loss on investments | (146,979) | 610 |
| Fair value (gain) loss on investments | 3,436,861 | (2,620,277) |
| Fair value gain on digital currencies | (1,738,476) | - |
| Impairment of investment | 853,000 | - |
| Impairment of related party loans | (5,428) | - |
| Gain on disposal of assets | (7,361,795) | (20,174) |
| (Gain) loss on settlement of payables | 150,137 | (19,569) |
| (Gain) loss on settlement of receivables | 923,612 | - |
| Gain on CEBA loans | (8,649) | - |
| Accrued interest expense | (33,880) | 161,534 |
| Accrued interest income | (55,953) | (185,674) |
| Gain on digital currencies | - | (16,687) |
| Changes in non-cash working capital items: | | |
| Trade receivables | 9,940 | 91,420 |
| Government sales tax recoverable | 4,753 | 4,954 |
| Prepaid expenses | 128,405 | (47,297) |
| Trade payables | 164,536 | (34,739) |
| Accrued liabilities | (211,035) | - |
| Deferred revenue | - | 150,462 |
| Other payables | (245,655) | - |
| Net cash flows used in operating activities by continuing operations | (5,732,188) | (368,568) |
| Net cash flows used in operating activities by discontinued operations | (1,239,583) | (250,930) |
| Investing activities | | |
| Cash flows from discontinued operations | (2,228,900) | (592,220) |
| Cash used for investments | (85,496) | - |
| Cash used for additions to property and equipment | (7,940) | (2,412) |
| Cash used for additions to intangible assets | (142,533) | - |
| Cash used for share buybacks | (81,830) | - |
| Proceeds received on acquisition of investment | 36,940 | - |
| Proceeds received from note receivable | 1,697,912 | 72,042 |
| Proceeds received from sale of furniture | - | 15,705 |
| Proceeds received from sale of investments | 3,081,822 | 40,000 |
| Proceeds received from sale of marketable securities | 44,508 | - |
| Proceeds received from sale of digital currencies | - | 55,100 |
| Net cash flows provided by (used in) investing activities by continuing operations | 2,314,483 | (411,785) |
| Net cash flows provided by (used in) investing activities by discontinued operations | (1,711,717) | 104,042 |
| Financing activities | | |
| Cash used for lease payments | - | (42,272) |
| Cash used for payments to related party loans | (135,221) | (360,472) |
| Proceeds received for exercise of warrants | 45,240 | - |
| Proceeds received for exercise of stock options | 106,875 | - |
| Proceeds received for subscription receipts of subsidiary | 2,349,459 | - |
| Proceeds received in advance of share issuance of subsidiary | - | 1,040,795 |
| Proceeds received (refunded) in advance of convertible debenture issuance of subsidiary | (95,000) | 250,000 |
| Proceeds received from CEBA loans | 20,000 | 80,000 |
| Proceeds received from related parties | - | 670,000 |
| Net cash flows provided by financing activities by continuing operations | 2,291,353 | 1,638,051 |
| Net cash flows provided by financing activities by discontinued operations | 5,657,132 | 62,499 |
| Effect of foreign exchange on cash | - | 493 |
| Change in cash and cash equivalents | 1,579,480 | 773,802 |
| Cash and cash equivalents, beginning | 4,551,751 | 212,651 |
| Cash and cash equivalents, ending | \$ 6,131,231 | \$ 986,453 |

1. Nature of Operations and Going Concern

Victory Square Technologies Inc. (“Victory Square Technologies”, “VST”, 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. (“Draft Label”), PDL USA Inc. (“PDL USA”), Fantasy 360 Technologies Inc. (“Fantasy 360”), BlockX Capital Corp. (“BlockX Capital”), VS Blockchain Assembly (“VS Blockchain”), IV Hydreight Inc. (“Hydreight”), Victory Entertainment Inc. (“Victory Entertainment”), and Victory Square Digital Health Inc. (“VS Digital Health”). The Company was deemed to have lost control of the previously consolidated subsidiary GameOn Entertainment technologies Inc. (“GameOn Entertainment”) on May 26, 2021 (Note 3). GameOn Entertainment was formerly known as V2 Games Inc. and changed its name on January 13, 2021.

Victory Square Technologies has numerous 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 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, 2021, the Company had working capital of \$5,681,848 (2020 - \$3,238,325) and an accumulated deficit of \$1,314,674 (2020 - \$4,938,669). 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 pandemic has not had a material impact on the operations of the Company, but Management continues to monitor the situation; however, it could have a potential impact of increasing the difficulty to raise funding, finding target investments to acquire or on its investees’ ability to obtain profitable operations.

2. Significant Accounting Policies

These condensed consolidated interim unaudited financial statements were authorized for issue on August 30, 2021, 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, 2020.

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, 2020.

b) Principles of Consolidation

The condensed consolidated interim unaudited financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries Draft Label, PDL USA, Fantasy 360, BlockX Capital, VS Blockchain, Hydreight, Victory Entertainment, VS Digital Health, and GameOn Entertainment from January 1, 2021 to May 26, 2021 (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, Draft Label, Fantasy 360, BlockX Capital, VS Blockchain, Victory Entertainment, VS Digital Health, and GameOn Entertainment (Note 3). The functional currency of PDL USA and Hydreight is the US dollar.

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

Victory Square Technologies Inc.
Notes to the condensed consolidated interim unaudited financial statements
For the six months ended June 30, 2021 and 2020
(Expressed in Canadian dollars)

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 a 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 period from January 1, 2020 to March 26, 2020, the net loss from FansUnite is reported as loss from discontinued operations.

The net loss from FansUnite is as follows:

| | January 1, 2020 to March 26, 2020 |
|---------------------------------------|--------------------------------------|
| Expenses | |
| Amortization | \$ 85,358 |
| Foreign exchange (gain) loss | (836) |
| General and administrative | 45,123 |
| Professional fees | 42,585 |
| Salaries and wages | 77,778 |
| Sales and marketing | 36,241 |
| Share based payments | 84,813 |
| Loss before other items | (371,062) |
| Other items | |
| Interest income | 206 |
| Fair value gain on digital currencies | 16,686 |
| | 16,892 |
| Net loss | \$ (354,170) |

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

| | January 1, 2020 to March 26, 2020 |
|---|--------------------------------------|
| Net cash flows used in operating activities | \$ (124,490) |
| Net cash flows provided by investing activities | \$ - |
| Net cash flows provided by financing activities | \$ 54,877 |

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. The Company also contributed \$400,000 in the form of an obligation to deliver cash. As at December 31, 2020, the company has paid the entire balance of the obligation.

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 period prior to deconsolidation, Victory Square Health had a \$14,020 net loss (2019 - \$Nil). 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 5.

For the year ended December 31, 2020, cash flows from discontinued operations relating to Victory Square Health were \$14,020 (2019 - \$Nil) used in operating activities, and \$68,000 provided by financing activities (2019 - \$Nil).

c) GameOn Entertainment

Prior to May 26, 2021, the Company was deemed to have de facto control over GameOn Entertainment and, as a result, the Company presented the assets, liabilities, certain reserves, and results of operations of GameOn Entertainment in its consolidated financial statements.

On December 31, 2020, the Company held 24,293,101 or 55.87% of GameOn Entertainment. On May 13, 2021, the Company transferred 2,020,000 shares of GameOn Entertainment to various consultants for \$Nil cash consideration to the Company decreasing their holding to 22,273,101 or 50.16%. On May 14, 2021, the Company cancelled 6,125,933 shares of GameOn Entertainment pursuant to GameOn Entertainment's indenture debenture dated May 10, 2021 and to settle the outstanding convertible debentures in GameOn Entertainment for the same number of shares with a value of \$1,538,481 or \$0.25 per share in GameOn Entertainment but for \$Nil consideration to the Company. This transaction decreased the Company's holding to 16,147,168 or 36.37%. On May 26, 2021, GameOn Entertainment completed a private placement which increased the total common shares outstanding and reduced the Company's ownership to 26.51%. Accordingly, at May 26, 2021, the Company deconsolidated GameOn Entertainment and recognized a gain on deconsolidation of associate of \$5,266,509. Subsequently, on May 27, 2021, the Company issued a dividend in kind of 1,999,974 GameOn Entertainment common shares to Company shareholders valued at \$499,494. As at June 30, 2021, the Company held 14,147,194 out of 62,936,922 or 22.48%. After this de-consolidation date, the investment is recorded as an investment measured at fair value under IFRS 9 (Note 9).

For the period from January 1, 2020 to May 26, 2021, the net loss from GameOn Entertainment is reported as loss from discontinued operations.

Victory Square Technologies Inc.
Notes to the condensed consolidated interim unaudited financial statements
For the six months ended June 30, 2021 and 2020
(Expressed in Canadian dollars)

3. Discontinued Operations (Continued)

c) GameOn Entertainment (continued)

The net loss from GameOn Entertainment is as follows:

| | January 1, 2021 to May 26, 2021 | January 1, 2020 to June 30, 2020 |
|--|------------------------------------|-------------------------------------|
| Revenue | \$ 5,862 | \$ - |
| Cost of goods sold | 31,990 | - |
| | (26,128) | - |
| Expenses | | |
| Amortization and depreciation | 139,523 | 314,525 |
| Foreign exchange gain | (3,008) | (92,667) |
| General and administration | 158,121 | 588 |
| Interest and accretion | 159,719 | 150,713 |
| Management fees | - | (1,010) |
| Professional and consulting fees | 648,039 | 891 |
| Sales and marketing | 140,728 | 18,760 |
| Share based compensation | 958,526 | - |
| Transfer agent and regulatory fees | 21,237 | 4,146 |
| Wages | 377,333 | 37,558 |
| Total expenses | (2,600,218) | (433,504) |
| Other items | | |
| Impairment of related party receivable | (10,819) | - |
| Gain on derivative liability | 27,008 | - |
| Gain on conversion of related party debt | 427,778 | - |
| Gain on settlement of debt | 281,880 | 19,570 |
| Interest and other income | - | 186,623 |
| | 725,847 | 206,193 |
| Income taxes | - | (6,193) |
| Net loss | \$ (1,900,499) | \$ (233,504) |

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3. Discontinued Operations (Continued)

c) GameOn Entertainment (continued)

The major classes of assets and liabilities of GameOn Entertainment are as follows:

| | May 26, 2021 | December 31, 2020 |
|---|----------------------|---------------------|
| Assets | | |
| Cash | \$ 6,264,741 | \$ 135,476 |
| Prepays | 89,117 | 60,620 |
| Government sales tax receivable | 23,115 | 9,231 |
| Current portion of loan receivable | - | 1,697,912 |
| Investments | 845,351 | 984,874 |
| Advances | 500 | 500 |
| Intangible assets | 941,000 | 941,000 |
| Goodwill | 3,432,783 | 3,432,783 |
| Due from related party | 373,279 | 103,816 |
| Total Assets from Discontinued Operations | \$ 11,969,886 | \$ 7,366,212 |
| Liabilities | | |
| Accounts payable | \$ 550,585 | \$ 104,161 |
| Accrued liabilities | 22,384 | 56,771 |
| Income taxes payable | 21,404 | 21,405 |
| Loan payable | - | 295,077 |
| Share consideration | 104,542 | 104,542 |
| Other payables | - | 237,655 |
| Obligation to issue convertible debentures | 95,000 | 95,000 |
| Convertible debentures | - | 1,447,872 |
| Related party loans | 557,383 | 866,057 |
| Derivative liability | - | 97,896 |
| Convertible note | - | 8,758 |
| CEBA loan | 35,246 | 33,626 |
| Total Liabilities from Discontinued Operations | \$ 1,386,544 | \$ 3,368,820 |

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

| | January 1, 2021 to May 26, 2021 | January 1, 2020 to June 30, 2020 |
|---|------------------------------------|-------------------------------------|
| Net cash flows used in operating activities | \$ (1,239,583) | \$ (112,420) |
| Net cash flows provided by (used in) investing activities | \$ (1,711,717) | \$ 104,042 |
| Net cash flows provided by (used in) financing activities | \$ 5,657,132 | \$ (60,378) |

4. Cash and Cash Equivalents

As at June 30, 2021, cash and cash equivalents include \$11,500 (2020 – \$ 11,500) of cash held in a GIC and \$Nil (2020 - \$3,000) drawdown on a line of credit. As at June 30, 2021, cash and cash equivalents also includes \$2,128,126 relate to funds held in trust for Fantasy 360 relating to the private placement of subscription receipts (Note 18) which closed subsequent to the current period end date (Note 26).

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5. Prepaids

Prepaids consist of the following:

| | June 30, 2021 | December 31, 2020 |
|-----------------------------|----------------------|--------------------------|
| Marketing fees | \$ 172,519 | \$ 221,951 |
| Sponsorships | 25,000 | 6,250 |
| Rental deposits | 70,550 | 13,297 |
| Transfer agent | 14,583 | 18,240 |
| Consulting | 9,172 | 125,514 |
| Software | - | 5,305 |
| Deposit on medical supplies | 44,562 | 44,562 |
| Legal | 35,011 | 64,684 |
| | \$ 371,397 | \$ 499,803 |

6. Trade Receivables

Trade receivables consists of the following:

| | June 30, 2021 | December 31, 2020 |
|--------------------|----------------------|--------------------------|
| Immersive services | \$ 62,293 | \$ 63,565 |
| Other | - | 8,668 |
| | \$ 62,293 | \$ 72,233 |

7. Loan Receivable

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

On February 1, 2019, the investment was converted to a loan receivable. The loan was unsecured and bore interest at 30%. The loan and interest were to be repaid in monthly installments which varied from USD \$50,000 to USD \$75,000 from July 2019 to November 2021. On modification, GameOn Entertainment recognized a gain of \$410,554 on the modification of the investment to a loan receivable.

On April 16, 2020, FansUnite purchased 50% of the loan receivable as well as a 100% interest in two minor investments from GameOn Entertainment for 3,142,857 common shares of FansUnite (Note 7, 9). 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 had the option to buy back any of the unvested shares at a price of \$0.00001 per share if any payments were not received.

On October 9, 2020, GameOn Entertainment and the Company closed an assignment and subrogation agreement with FansUnite to transfer 50% of the Just Games loan receivable held by FansUnite back to GameOn Entertainment in exchange for the settlement of outstanding debts of \$658,212 owed to the Company and 501,484 shares being repurchased by FansUnite from the previously issued shares to the Company (Note 9).

On December 10, 2020, the GameOn Entertainment entered into a further amending agreement with Just Games, modifying the terms of the loan receivable to be paid in three installments of \$25,000, \$250,000, and \$1,422,912 on December 31, 2020, January 31, 2021, and March 31, 2021. The fair value of the loan was deemed to be the present value of the 3 repayments. This resulted in a balance of \$1,697,912 and a loss on modification of the loan receivable of \$20,212 for the year ended December 31, 2020.

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7. Loan Receivable (Continued)

During the period ended June 30, 2021, GameOn Entertainment received payments of \$1,697,912 (2020 - \$104,042) on the loan and recorded interest income of \$Nil (2020 - \$185,248) and a foreign exchange gain of \$Nil (2020 - \$91,843).

The loan was repaid in full in the first half of 2021, leaving a \$Nil balance as at June 30, 2021. This amount was deconsolidated on May 26, 2021 (Note 3).

8. Digital Currencies

| | June 30, 2021 | December 31, 2020 |
|--------------|---------------|-------------------|
| Covalent CQT | \$ 1,738,476 | \$ - |
| | \$ 1,738,476 | \$ - |

During the period ended June 30, 2021, the Company held 6,363,965 tokens of the digital currency Covalent CQT which had a market value of \$2,483,537 on June 30, 2021 less a 30% discount for liquidity on market due to the tokens being tradeable over a period of fifteen months from the date of issuance on June 23, 2021 resulting in digital currency asset of \$1,738,476 and a corresponding fair value gain on digital currencies of \$1,738,476.

9. Investments

The Company's investments consist of the following:

| | June 30, 2021 | December 31, 2020 |
|---------------------------------------|---------------|-------------------|
| FansUnite (2) | \$ 7,313,056 | \$ 9,335,991 |
| 1108641 BC Ltd. (3) | - | 884,874 |
| Cassia, dba CoPilot (1) | 1,479,101 | 1,362,211 |
| Victory Square Health (2) | 13,000,000 | 13,000,000 |
| Turnium (2) | 1,425,000 | 1,425,000 |
| TLA Films, LLC (3) | 394,838 | 755,775 |
| Talo Flow (4) | - | 413,790 |
| Aspen (4) | - | 620,000 |
| Cloud Benefit, dba Cloud Advisors (2) | 263,500 | 263,500 |
| Shop & Shout, dba Creator.co (2) | 120,905 | 120,905 |
| Silota (2) | 300,000 | 533,000 |
| Bonavita Investment Group Ltd. (3) | - | 100,000 |
| Cloud Nine (2) | 3,088,235 | - |
| Argo Blockchain (2) | - | - |
| GameOn Entertainment (2) | 5,012,377 | - |
| Stardust Solar (2) | 569,120 | - |
| Next Decentrum (2) | 500,990 | - |
| Other (1) (2) | 116,344 | 61,254 |
| | \$ 33,583,466 | \$ 28,876,300 |

The investments are accounted for as follows: (1) IAS 28, Investment in Associates and Joint Ventures (2) IFRS 9, Financial Instruments, (3) IAS 38, Intangible Assets, and (4) IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

9. Investments (Continued)

a) FansUnite

On March 26, 2020, FansUnite completed a private placement which reduced the Company's ownership to 13.89% resulting in the Company deconsolidating FansUnite and recognizing a gain on deconsolidation of subsidiary of \$4,311,300 (Note 3).

On April 16, 2020, GameOn Entertainment 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 7).

On October 9, 2020, FansUnite repurchased 501,484 shares at a nominal price of \$0.0001 per share for \$5.01 in total in connection with an assignment and subrogation agreement whereby FansUnite returned the previously purchased 50% interest in the Just Games Entertainment loan receivable (Note 7).

In December 2020, the Company sold 910,714 shares of FansUnite for net proceeds of \$737,334 and recognized a gain on the sale of \$539,873. At this date, the Company held a total of 10,955,659 common shares of FansUnite.

During the period ended June 30, 2021, the Company sold 1,706,900 shares of FansUnite for net proceeds of \$1,518,217 and recognized a gain on the sale of \$188,513 less transfer agent expenses of \$12,637. The Company also transferred 171,429 common shares of FansUnite to a consultant to settle consultant invoices in the year for a total value of \$160,000 which was recorded in non-cash consulting costs in the statement of income and comprehensive income.

As at June 30, 2021, the Company held 9,077,330 shares of FansUnite with a market value of \$8,805,010 (2020 - \$12,051,225). Given these shares are held in escrow with release dates from May 2021 to May 2023, the discounted fair value as at June 30, 2021 is \$7,313,056 (2020 - \$9,335,991), or a 17% (2020 - 23%) weighted average discount rate. For the period ended June 30, 2021, the Company recognized a fair value loss of this investment of \$520,593 (2020 - gain of \$2,620,277).

b) 1108641 BC Ltd.

During the year ended December 31, 2018, GameOn Entertainment 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 GameOn Entertainment to USD \$1,500,000. As at December 31, 2019, \$1,894,065 (USD \$1,500,000) has been advanced with \$217,947 in amortization recognized for a December 31, 2019 balance of \$1,676,118. 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 year ended December 31, 2020, GameOn Entertainment recognized an impairment of \$158,737 on this investment.

As of May 26, 2021, the Company deconsolidated GameOn Entertainment (Note 3) such that this investment value of \$752,803 is no longer reflected in the Company's statement of financial position as of June 30, 2021. Up to the date of deconsolidation, GameOn Entertainment recognized amortization of \$132,071 (2020 - \$314,525).

9. Investments (Continued)

c) Cassia, dba CoPilot

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 CoPilot 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 December 31, 2020, the Company holds an interest of 25.7% in Cassia.

During the period ended June 30, 2021, the Company recorded an equity gain of \$116,891 (2020 - loss of \$18,679) on its investment in Cassia. As at June 30, 2021, the balance of the investment is \$1,479,101 (2020 - \$1,362,211).

d) Victory Square Health

On June 3, 2020, Victory Square Health entered into an agreement with 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.

As at June 30, 2021, the value of the Company's 20% investment in Victory Square Health was fair valued at \$13,000,000 (2020 - \$13,000,000), resulting in a fair value gain of \$Nil (2020 - \$Nil).

e) Turnium

On December 27, 2017, the Company entered into an agreement to acquire 10% of the issued and outstanding common shares of Multapplied for \$600,000.

On October 1, 2020, Multapplied, along with M.N.I. Investment Holdings Ltd., Plait Networks Ltd., Turnium, and Turnium Technology Ltd. amalgamated as one company under the name Turnium. Following the amalgamation, the Company held 3,109,183 shares of Turnium for a total 6.4% equity interest.

As at June 30, 2021, the value of the Company's investment in Turnium was fair valued at \$1,425,000 (2020 - \$1,425,000), resulting in a fair value gain of \$Nil (2020 - \$Nil).

f) TLA Films, LLC

During the year ended December 31, 2018, the Company 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 released on October 16, 2020 is amortized from this date per the Company's annual financial statements as at and for the year ended December 31, 2020 Note 2(g).

For the period ended June 30, 2021, the Company recorded \$360,938 (2020 - \$Nil) in amortization on the investment. The value of the investment as at June 30, 2021 is \$394,838 (2020 - \$755,775). No revenues have been recorded on the investment for the period ended June 30, 2021 due to a lag in the collection and distribution of film royalties.

9. Investments (Continued)

g) Talo Flow

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

This investment was classified as held for sale as of December 31, 2020 and carried at the fair value less costs to sell which was determined to be USD \$325,000 or \$413,790 Canadian equivalent. This resulted in a fair value loss of \$227,706 for the year ended December 31, 2020.

For the period ended June 30, 2021, the investment was disposed of at USD \$325,000 or \$413,790 Canadian equivalent, bringing the ending balance of the investment as at June 30, 2021 to \$Nil.

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.

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, 2020, the Company's investment in Aspen which includes the investment balance of \$620,000, the receivable of \$2,072,015 (Note 19), and the payable of \$280,598 (\$77,754 due to Aspen and \$202,844 due to Limitless Blockchain Technology LLC, "Limitless") (Note 19) were all classified as held for sale under IFRS 5. The three balances which net to an asset of \$2,411,417 were carried at the lower of carrying amount and fair value less costs to sell.

As a result of the transaction between Aspen and the Company in the period ended June 30, 2021 (Note 12, 18), the remaining value of the investment in Aspen was written down to \$Nil (2020 - \$620,000). This resulted in an impairment loss on investment of \$620,000.

i) Cloud Benefit, dba Cloud Advisors

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

During the year ended December 31, 2020, the Company recorded a fair value loss of \$36,500 on Cloud Advisors and the fair value was decreased to \$263,500.

During the period ended June 30, 2021, there was no change in the fair value of this investment.

j) Shop & Shout, dba Creator.co

On November 23, 2020, the Company invested \$100,300 for 118,000 shares of Creator.co at a price of \$0.85 per share. This interest represents 1% of the issued and outstanding shares of Shop&Shout (dba Creator.co). The Company was also issued 58,824 stock options with an exercise price of \$0.85 vesting in two equal installments of 29,412 being on the date of grant (December 3, 2020) and one year thereafter (December 3, 2021). The options were valued using the Black-Scholes Option Pricing Model resulting in an asset and gain of \$20,605. The total investment held in Creator.co as of December 31, 2020 is \$120,905.

During the period ended June 30, 2021, there was no change in the fair value of this investment.

9. Investments (Continued)

k) Silota

During the year ended December 31, 2020, the Company invested \$60,000 cash via a convertible note (Note 19) and \$24 cash for 238,500 common shares representing 12.5% of Silota. For the year ended December 31, 2020, the Company recognized a fair value gain of \$532,976 on the shares held and \$13,834 on the convertible note (Note 19). The ending value of the investment as at December 31, 2020 was \$533,000 in investment, and \$73,834 in convertible note (Note 19).

During the period ended June 30, 2021, the Company recognized a \$233,000 impairment on this investment for an ending balance of \$300,000.

l) Bonavita Investment Group Ltd.

On August 11, 2020, GameOn Entertainment entered into an agreement to provide \$100,000 to Bonavita Investment Group Ltd. ("Bonavita") to create a diverse portfolio which will concentrate on film and technology ventures. The funds were applied to a film called "Crisis" which was released on February 26, 2021.

During the period prior to deconsolidation, GameOn Entertainment recorded amortization of \$7,452 (2020 - \$Nil). On May 26, 2021, the Company deconsolidated GameOn Entertainment and this investment balance of \$92,548 for a balance as at June 30, 2021 of \$Nil (2020 - \$100,000).

m) Cloud Nine

On March 15, 2021, the Company sold certain intangible assets (Note 12) to Cloud Nine Web Technologies Inc. ("Cloud Nine") for 4,411,765 common shares of Cloud Nine with a fair value of \$1.76 per share or \$7,764,706 total consideration.

For the period ended June 30, 2021, the Company recorded a fair value loss on the Cloud Nine shares of \$4,676,471 (2020 - \$Nil).

n) Argo Blockchain

On February 18, 2021, the Company exercised 350,000 warrants in Argo Blockchain PLC ("Argo Blockchain") at an exercise price of £0.08 per unit for total proceeds paid of £28,000 or \$49,000. Given the trading price of Argo on this date was £2.80, the Company recognized a gain on exercise of warrants on this date of £952,000 or \$1,688,148. The value of the shares on this exercise date was £980,000 or \$1,737,148.

During the period ended March 31, 2021, the Company sold 30,000 units at a prices between £2.04 to £2.35. Total proceeds on these sales were £66,155 or \$114,693. Transfer agent fees were £692 or \$1,199 and a loss on sale of investment of £17,153 or \$29,738 was recognized. During the period ended March 31, 2021, the Company recognized a fair value loss on this investment of £124,800 or \$216,366 and a foreign exchange loss of \$38,122.

During the period ended June 30, 2021, the Company sold 320,000 units at a prices between £1.30 to £2.41. Total proceeds on these sales were £593,574 or \$1,021,244. Transfer agent fees were £6,379 or \$10,974 and a loss on sale of investment of £171,247 or \$294,631 was recognized.

As at June 30, 2021, the Company holds Nil shares of Argo Blockchain with a fair value of £Nil or \$Nil. During the period ended June 30, 2021, the Company recognized a fair value loss of \$Nil and a foreign exchange loss of \$10,180 on this investment.

9. Investments (Continued)

o) GameOn Entertainment

On May 26, 2021, the Company deconsolidated the former subsidiary GameOn Entertainment and recognized a gain on deconsolidation of \$5,266,509 with a beginning value of the investment on this date being \$4,036,792 for 16,147,168 common shares (Note 3). Subsequently, on May 27, 2021, the Company issued a dividend in kind of 1,999,974 GameOn Entertainment common shares to Company shareholders valued at \$499,494. After this de-consolidation date, the investment is recorded as an investment measured at fair value under IFRS 9.

As at June 30, 2021, the Company held 14,147,194 out of 62,936,922 or 22.48% with a market value of \$5,800,350. Given these shares are held in escrow with release dates from May 2021 to June 2022, the discounted fair value as at June 30, 2021 is \$5,012,378, or a 14% weighted average discount rate. For the period ended June 30, 2021, the Company recognized a fair value gain of this investment of \$1,475,579.

p) Stardust Solar

On June 8, 2021, the Company issued 674,157 common shares to Stardust Solar Inc. ("Stardust Solar") with a fair market value on this date of \$438,202 for 25,000 shares or a 20% ownership of Stardust Solar. The Company also recorded a contingent liability relating to this investment which is recorded at a value of \$130,918 in related party loans (Note 19).

As at June 30, 2021 the value of the investment is \$569,120.

q) Next Decentrum

During the year ended December 31, 2018, the Company entered into an agreement to purchase a 26.5% interest in the issued and outstanding shares of Next Decentrum for \$3. As the Company's share in the net loss of Next Decentrum for the year ended December 31, 2018 exceeded the amount of the investment, the investment was written down to \$Nil. In connection with the investment, the Company also entered into an agreement to provide Next Decentrum with \$450,000 under a secured, non-interest-bearing convertible promissory note. As at December 31, 2019, the Company had advanced \$175,000 of the loan. In accordance with IAS 28, the Company reallocated the value of the loan to investments and recorded an equity loss of \$42,490 for 2018. During the year ended December 31, 2019, the Company recorded an equity loss of \$11,560 and a fair value loss of \$120,950 bringing the remaining value of the investment to \$Nil. The investment was held at \$Nil since this date.

During the period ended June 30, 2021, a third-party investor signed an agreement to acquire a 19.7% ownership interest in Next Decentrum for a total cash payment of \$500,000 in exchange for an aggregate of 2,673,792 units at a price of \$0.187 per unit. Each unit is comprised of one common share of Next Decentrum and one non-transferrable common share purchase warrant which entitles the holder to acquire one additional common share of Next Decentrum at a price of \$0.2805 for a period of 24 months from the date of issuance. Given this third-party transaction, the Company re-assessed their holding in Next Decentrum and re-classified the investment from equity accounting under IAS 28 to fair value through profit and loss accounting under IFRS 9 given their holding of Next Decentrum as of June 30, 2021 was 3,605,442 common shares or 19.37%. The fair value of these common shares was determined to be \$500,990 with a corresponding fair value gain recognized in the statement of net income and comprehensive income.

r) Other

The Company has minor investments in other private companies. During the period ended June 30, 2021, the Company recorded an equity gain of \$30,008 (2020 – \$18,069) on these investments. The Company spent \$36,496 cash on two new investments. The Company also disposed of an investment for a gain on disposal of \$18,066 and received cash proceeds from this sale of \$13,878 less transfer agent fees of \$302.

10. Acquisitions

a) GameOn

On December 1, 2020, GameOn Entertainment entered into an agreement to acquire the assets of GameOn App Inc. for 15,199,985 common shares with a fair value of \$3,799,996, representing 35.2% of the outstanding common shares of GameOn Entertainment. In addition, GameOn Entertainment agreed to assume USD \$274,400 in liabilities of GameOn App Inc. and agreed to issue to Matthew Bailey, the CEO of GameOn App Inc., a convertible note in the amount of USD \$92,000 (Note 16) maturing on December 1, 2022. The convertible note is convertible into common shares at the option of the holder at a conversion price of \$0.25 per common share. Certain contingent share consideration was also included in the purchase price under IFRS 3. These contingent shares are to be issued on the event of GameOn Entertainment going public. The transaction closed on December 31, 2020.

The acquisition was treated as a business combination. In accordance with IFRS 3 Business Combinations, the fair value of the common shares in excess of the fair value of the identifiable assets and liabilities acquired was recognized as goodwill. GameOn Entertainment will begin amortizing the intangible asset when it is fully ready for use and ready to be released to market.

The acquisition was recorded as follows:

| | Acquisition of GameOn | |
|---------------------------------|----------------------------------|-----------|
| Fair value of consideration | | |
| Common shares | \$ | 3,799,996 |
| Convertible note | | 119,159 |
| Bonus share consideration | | 104,542 |
| | \$ | 4,023,697 |
| Assets and liabilities acquired | | |
| Intellectual property | \$ | 941,000 |
| Assumed liabilities | | (350,086) |
| Goodwill | | 3,432,783 |
| | \$ | 4,023,697 |

Goodwill calculated in this acquisition essentially represents the expected synergies from combining the operations of GameOn App Inc. with those of GameOn Entertainment, revenue growth, future market development and customer relations. These benefits are not recognized separately from goodwill since the resulting economic impact cannot be measured reliably. Goodwill is non-deductible for tax purposes.

On December 1, 2020, in concurrence with the closing of the asset purchase agreement, GameOn Entertainment signed an employment agreement with the CEO of GameOn App Inc. to come on as the CEO of GameOn Entertainment. In addition to the regular annual salary, the CEO has also been granted 2,000,000 common shares to be issued in tranches upon the achievement of certain performance milestones. As at June 30, 2021, no shares have yet been issued in relation to the milestone shares.

In addition to the milestone shares, the CEO will also receive a USD\$100,000 cash bonus and \$150,000 worth of stock options in the event of GameOn Entertainment going public. The stock options are exercisable at \$0.04 per share for a period of two years. As at June 30, 2021, none of these stock options have vested.

From the period December 1, 2020 to December 31, 2020, GameOn Entertainment made \$112,431 in payments against the assumed debt noted above, leaving a balance in other payables of \$237,655 as at December 31, 2020.

10. Acquisitions (Continued)

a) GameOn (continued)

For the period ended June 30, 2021, GameOn Entertainment repaid the remaining assumed debt amounts the balance in other payables was \$Nil as at June 30, 2021. These statement of financial position amounts were deconsolidated on May 26, 2021 (Note 3).

b) Hydreight

On February 10, 2021, the Company closed the acquisition of the shares of IV Hydreight Inc. (“Hydreight”) for total consideration of USD \$1,600,000 via issuance of 3,007,058 common shares of the Company. The CEO of Hydreight, Shane Madden, was also granted an earn-in feature valued at USD \$1,000,000 or 1,634,271 common shares contingent on future operating metrics of the entity. The Company paid 232,066 common shares or \$162,446 as Finder’s Fee on the transaction. The fair value of common shares issued on the acquisition date was determined to be \$2,267,386 as recorded in share capital for the period (Note 18). The remaining value of \$396,691 was recorded as an obligation to issue shares in equity for the future earn-out shares under the agreement.

The acquisition was recorded as follows:

| | Acquisition of Hydreight | |
|---|-------------------------------------|-----------|
| Fair value of consideration | | |
| Common shares | \$ | 2,074,870 |
| Adjustment for restrictive stock discount | | (531,685) |
| Earn-out shares | | 1,120,894 |
| | \$ | 2,664,079 |
| Assets and liabilities acquired | | |
| Cash | \$ | 36,940 |
| Intangible assets | | 1,593,739 |
| Goodwill | | 1,033,400 |
| | \$ | 2,664,079 |

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11. Property and Equipment

Property and equipment consist of the following:

| | Computer Equipment | Furniture and Other Equipment | Total |
|---------------------------------|-----------------------|----------------------------------|-----------|
| Cost | | | |
| Balance, January 1, 2021 | \$ 18,877 | \$ 3,886 | \$ 22,763 |
| Additions | 2,670 | 4,117 | 6,787 |
| Disposals (Note 3) | 1,153 | - | 1,153 |
| Balance, June 30, 2021 | \$ 22,700 | \$ 8,003 | \$ 30,703 |
| Accumulated depreciation | | | |
| Balance, January 1, 2021 | \$ 15,070 | \$ 1,943 | \$ 17,013 |
| Depreciation | 2,953 | 648 | 3,601 |
| Balance, June 30, 2021 | \$ 18,023 | \$ 2,591 | \$ 20,614 |
| Net book value, January 1, 2021 | \$ 3,808 | \$ 1,943 | \$ 5,751 |
| Net book value, June 30, 2021 | \$ 4,678 | \$ 5,412 | \$ 10,090 |

12. Intangible Assets

Intangible assets consist of the following:

| | GameOn App Intellectual Property | Blockchain Technology | DiscreetCare Website | Dating Website | Hydreight App | Total |
|---------------------------------|--|--------------------------|-------------------------|----------------|---------------|--------------|
| Cost | | | | | | |
| Balance, January 1, 2021 | \$ 941,000 | \$ - | \$ - | \$ - | \$ - | \$ 941,000 |
| Additions | - | 4,766,037 | 60,100 | 53,000 | 1,033,399 | 5,912,536 |
| Balance, June 30, 2021 | \$ 941,000 | \$ 4,766,037 | \$ 60,100 | \$ 53,000 | \$ 1,033,399 | \$ 6,853,536 |
| Accumulated depreciation | | | | | | |
| Balance, January 1, 2021 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Disposals (Note 3) | (941,000) | - | - | - | - | (941,000) |
| Balance, June 30, 2021 | \$ (941,000) | \$ - | \$ - | \$ - | \$ - | \$ (941,000) |
| Net book value, January 1, 2021 | \$ 941,000 | \$ - | \$ - | \$ - | \$ - | \$ 941,000 |
| Net book value, June 30, 2021 | \$ - | \$ 4,766,037 | \$ 60,100 | \$ 53,000 | \$ 1,033,399 | \$ 5,912,536 |

GameOn App Intellectual Property

During the year ended December 31, 2020, GameOn Entertainment acquired \$941,000 in intellectual property during the asset acquisition from GameOn App Inc. (Note 10). This amount was deconsolidated on May 26, 2021 (Note 3).

Blockchain Technology

On March 5, 2021, the Company acquired certain intangible assets related to blockchain technology from Aspen (Note 9, 18) for 4,600,048 common shares of the Company with a fair value of \$0.74 per common share for total share consideration of \$3,404,036 as well as forgiveness of outstanding debts of \$1,587,001. After acquisition, the Company incurred costs to bring these assets to saleable state, resulting in an additional \$29,357 costs capitalized to the asset for a total added value of \$5,020,394 in the period.

A portion of these assets with a cost base of \$254,357 were subsequently sold to Cloud Nine (Note 9) for 4,411,765 common shares of Cloud Nine with a fair value of \$1.36 per share. This resulted in a gain on disposal of \$7,510,349.

DiscreetCare Website

During the period ended June 30, 2021, VS Digital Health capitalized \$60,100 in consultant costs related to the creation of a DiscreetCare website which will be depreciated once the website goes live.

12. Intangible Assets (Continued)

Dating Website

During the period ended June 30, 2021, Draft Label capitalized \$53,000 in consultant costs related to the creation of a dating website which will be depreciated once the website goes live.

Hydreight App

On February 10, 2021, the Company acquired Hydreight through a share purchase agreement (Note 10). The purchase price allocation of this acquisition was finalized during the period ended June 30, 2021 and \$1,033,399 was allocated to intangible assets as a result (Note 10).

13. Loan Payable

On August 17, 2017, GameOn Entertainment 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. GameOn Entertainment is required to make repayments as follows:

- 100% of the proceeds from GameOn Entertainment's 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 GameOn Entertainment's 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 GameOn Entertainment under a June 14, 2016 mobile game publishing agreement; and
- 50% of the proceeds from Canada Media Fund payments to be received by GameOn Entertainment 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 GameOn Entertainment as well as an assignment of the payments to be received for SRED, BC IDMTC and the mobile game publishing agreement.

During the year ended December 31, 2020, GameOn Entertainment recognized a gain on settlement of debt of \$72,444 to adjust the carrying value of the loan down to the amount stated in a demand letter received from the lender dated July 27, 2020.

On January 15, 2021, GameOn Entertainment settled the loan payable through the issuance of shares (Note 18). For the period ended June 30, 2021, a gain on settlement of debt of \$65,902 (2020 - \$Nil) was recognized.

During the period ended June 30, 2021 the interest on the loan was \$Nil (2020 - \$24,846). The balance of the loan as at June 30, 2021 was \$Nil (2020 - \$295,077). This amount was deconsolidated on May 26, 2021 (Note 3).

14. CEBA Loans

The Canada 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. Four of the Company's subsidiaries applied for and received the first \$40,000 in funds, and the same four entities applied the additional \$20,000. Only three entities received this additional amount in the year ended December 31, 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.

14. CEBA Loans (Continued)

The loans were recognized at fair value using the Company's incremental borrowing rate of 20%. The difference between this discounted value of \$114,828 and the proceeds received of \$220,000 was recognized as a gain on CEBA loans of \$105,172. The loan also had accretion of \$8,577 for the period ended December 31, 2020. The balance of the loan as at December 31, 2020 was \$123,405.

For the period ended June 30, 2021, one Company received the additional \$20,000 and recognized a gain on CEBA loans of \$8,649. Accretion was recorded for the CEBA loans of \$11,454 (2020 - \$Nil) and the CEBA loan held by GameOn Entertainment with a balance of \$35,246 as of May 26, 2021 was deconsolidated for an ending balance of the CEBA loans as at June 30, 2021 of \$110,965 (2020 - \$123,405).

15. Other Payables

Other payables consist of the following:

| | | June 30, 2021 | | December 31, 2020 |
|--|----|---------------|----|-------------------|
| Funds received from investors for investments not proceeding | \$ | 158,766 | \$ | 158,766 |
| Assumed GameOn App Inc. debt | | - | | 237,655 |
| Other | | - | | 8,000 |
| | \$ | 158,766 | \$ | 404,421 |

16. Convertible Note and Derivative Liability

On December 1, 2020, GameOn Entertainment issued a convertible promissory note for USD \$92,000 to Matthew Bailey in relation to the asset purchase agreement with GameOn App Inc. (Note 10). The note is non-interest bearing, convertible at any time by the holder at a price of \$0.25 per share and matures on December 1, 2022.

The conversion feature of the debentures was classified as a derivative liability due to the exercise price being denominated in a different currency than the face value of the note. The derivative is recorded at fair value on recognition and at each subsequent reporting date the changes in fair value are recognized in the statement of income and comprehensive income. On recognition, the fair value of the derivative was calculated using the Black Scholes Option Pricing Model with the residual value attributed to the convertible note.

On May 19, 2021, the convertible note was settled via a delivery of USD \$92,000 or CAD \$103,132. For the period then ended, GameOn Entertainment recognized a gain on derivative liability of \$27,008 (2020 - \$Nil) and accretion on the convertible note of \$15,547 (2020 - \$Nil). The balance in both the convertible note and derivative liability as at June 30, 2021 is \$Nil (2020 - \$8,758 and \$97,896). This amount was deconsolidated on May 26, 2021 (Note 3).

GameOn Entertainment uses the Black Scholes Option Pricing Model to calculate the fair values of the derivative liabilities. The following table shows the assumptions used in the calculations:

| | Expected Volatility | Risk-free Interest Rate | Expected Dividend Yield | Expected Life (in years) |
|-------------------------|------------------------|----------------------------|----------------------------|-----------------------------|
| As at December 1, 2020 | 272% | 0.25% | 0% | 2 |
| As at December 31, 2020 | 201% | 0.20% | 0% | 1.9 |
| As at March 31, 2021 | 211% | 0.20% | 0% | 1.67 |
| As at May 19, 2021 | 216% | 0.23% | 0% | 1.53 |

17. Convertible Debentures

On May 10, 2019, GameOn Entertainment issued convertible debentures for gross proceeds of \$1,319,000. The debentures bear interest at 8% and are convertible into common shares of GameOn Entertainment 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.

For the period ended June 30, 2021, GameOn Entertainment recorded accretion and interest of \$90,610 (2020 - \$125,479) on the debentures. On May 14, 2021, the balance of convertible debentures of \$1,538,482 (2020 - \$1,447,872) was settled via the issuance of 6,125,933 common shares at a value of \$0.25 per common share (Note 3).

During the year ended December 31, 2020, GameOn Entertainment also received a further \$50,000 and refunded \$185,000 in advance of the issuance of additional convertible debentures. The net deposit on convertible debentures as at December 31, 2020 is \$95,000. This amount was deconsolidated on May 26, 2021 (Note 3).

18. Share Capital

Authorized Share Capital

Unlimited common shares without par value.

Issued Share Capital

As at June 30, 2021, there were 97,387,700 common shares outstanding (2020 - 76,491,818).

Shares Issued during the period ended June 30, 2021

On February 10, 2021, the Company issued 3,239,124 common shares with a fair value of \$2,267,386 in relation to the acquisition of Hydreight (Note 10).

On February 16, 2021, the Company issued 11,713,053 common shares with a fair value of \$6,090,788 less share issuance costs of \$1,201,767 for a net addition to share capital of \$4,889,021 in relation to the automatic conversion of previously outstanding special warrants.

On March 5, 2021, the Company issued 4,600,048 common shares with a fair value of \$3,404,035 in relation to the purchase of intangible assets from Aspen (Note 12).

On March 22, 2021, the Company issued 8,400 common shares with a fair value of \$3,183 in relation to the exercise of broker's warrants.

On March 24, 2021, the Company issued 50,000 common shares with a fair value of \$39,000 in relation to the exercise of warrants.

On March 9 and 18, 2021, the Company bought back 105,000 common shares at prices of \$0.77 to \$0.79 for a total buyback value of \$81,830.

On May 6, 19, and June 7, 2021, the Company issued 712,500 common shares with a fair value of \$155,548 in relation to the exercise of stock options.

On May 11, 2021, the Company issued 3,600 common shares with a fair value of \$1,365 in relation to the exercise of warrants.

On June 8, 2021, the Company issued 674,157 common shares with a fair value of \$438,202 in relation to the investment in Stardust Solar (Note 9).

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18. Share Capital (Continued)

Stock Option Reserve

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 period ended June 30, 2021, the Company's board of directors authorized the issue of 3,215,000 stock options to employees, officers, directors, and consultants. Share-based payments of \$1,766,956 were recorded in the statement of income and comprehensive income for the Company for the period ended June 30, 2021 relating to the immediate vesting of the options. The fair value of the options was calculated using the Black-Scholes option pricing model with the following assumptions:

| | Expected Volatility | Risk-free Interest Rate | Expected Dividend Yield | Expected Life (in years) |
|--------------------------|---------------------|-------------------------|-------------------------|--------------------------|
| Issued March 17, 2020 | 116% | 0.15% | 0% | 5 |
| Issued January 11, 2021 | 176% | 0.30% | 0% | 3 |
| Issued February 24, 2021 | 199% | 0.25% | 0% | 2 |
| Issued April 23, 2021 | 197% | 0.30% | 0% | 2 |

Options outstanding as at June 30, 2021 are as follows:

| Exercise Price | Number of Shares Issuable upon Exercise | Expiry Date |
|----------------|---|-------------------|
| \$0.15 | 4,162,500 | March 17, 2025 |
| \$0.60 | 2,765,000 | January 11, 2024 |
| \$0.94 | 150,000 | February 24, 2024 |
| \$0.80 | 300,000 | April 23, 2021 |

Stock options continuity for the period is as follows:

| | Number of units |
|--------------------------|-----------------|
| Balance, January 1, 2020 | 5,000,000 |
| Exercised | (125,000) |
| Balance, January 1, 2021 | 4,875,000 |
| Granted | 3,215,000 |
| Exercised | (712,500) |
| Balance, June 30, 2021 | 7,377,500 |

18. Share Capital (Continued)

Special Warrants

On November 9, 2020 the Company closed a special warrants financing transaction, issuing 11,713,053 special warrants at \$0.52 per special warrant for gross proceeds of \$5,590,788 and settlement of \$500,000 in debt to the CEO of the Company. After agent, legal, and syndicate costs, the net proceeds received by the Company were \$4,832,656. Each special warrant converts to 1 common share and ½ warrant, of which each full warrant can be exercised to purchase a common share of the Company at \$0.78.

On February 16, 2021, the special warrants automatically converted to 11,713,053 common shares and 5,856,526 warrants.

Warrants

As a part of the special warrants financing transaction, 784,867 broker's warrants were issued, which convert to 1 common share and ½ agent's warrant, of which each full agent's warrant can be exercised to purchase a common share of the Company at \$0.52. Additionally, 292,825 warrants were issued which are exercisable to purchase a common share of the Company at \$0.78.

All warrants and broker's warrants are exercisable until November 9, 2023.

| | Warrants | Broker's Warrants | Special warrants |
|--------------------------|-----------|-------------------|------------------|
| Balance, January 1, 2021 | 292,825 | 784,867 | 11,713,053 |
| Granted | 6,000 | - | - |
| Exercised | (50,000) | (12,000) | - |
| Converted | 5,856,526 | - | (11,713,053) |
| Balance, June 30, 2021 | 6,105,351 | 772,867 | - |

Non-Controlling Interest

Share-based payments of subsidiary company

On May 1, 2021, Fantasy 360 granted 4,300,000 stock options to employees, consultants, and directors exercisable at \$0.25 and expiring on May 1, 2026. These stock options vest according to specific terms on each employee, consultant, or director's stock option agreements. The total number of stock options vested as of June 30, 2021 was 250,433.

Total share-based compensation recorded for the period ended June 30, 2021 was \$318,650 (2020 - \$Nil).

Proceeds received in advance of share issuance of subsidiary company

During the period ended June 30, 2021, Fantasy 360 received an additional \$2,362,781 in advance of a private placement. The transaction had not closed as at June 30, 2021. Share issuance costs of \$13,323 were recorded in the period ended June 30, 2021 related to these subscription receipt amounts.

Shares issued of subsidiary company

On April 1, 2021, Fantasy 360 issued 4,691,180 common shares to settle the remaining balance in the deposit on shares liability for a value of \$1,172,795. The shares were issued at a price of \$0.25 per share to two parties.

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19. Related Parties

Related Party Transactions

During the periods ended June 30, 2021 and 2020, the Company entered into the following transactions with related parties:

| | June 30, 2021 | | June 30, 2020 | |
|--|----------------------|---------|----------------------|--------|
| Management fees | \$ | 32,500 | \$ | 65,000 |
| Salary | \$ | 165,000 | \$ | 80,000 |
| Professional and consulting fees | \$ | 165,985 | \$ | 78,708 |
| Interest | \$ | - | \$ | 3,181 |
| Share-based compensation of the Company | \$ | 942,196 | \$ | - |
| Share-based compensation of GameOn Entertainment | \$ | 495,463 | \$ | - |
| Share-based compensation of Fantasy 360 | \$ | 66,660 | \$ | - |

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:

- \$32,500 (2020 - \$65,000) in management fees and \$62,500 in salaries (2020 - \$Nil) to the CEO;
- \$102,500 (2020 - \$80,000) in salary to the COO;
- \$165,985 (2020 - \$78,708) in professional fees to companies controlled by the CFO, for bookkeeping, corporate secretarial and CFO services;
- \$942,196 (2020 - \$Nil) in share-based compensation to various Directors and Management of the Company;
- \$495,463 (2020 - \$Nil) in share-based compensation related to GameOn Entertainment stock options to various Directors and Management of GameOn Entertainment; and
- \$66,660 (2020 - \$Nil) in share-based compensation related to Fantasy 360 stock options to various Directors and Management of Fantasy 360.

Due from Related Parties

| | June 30, 2021 | | December 31, 2020 | |
|---|----------------------|-----------|--------------------------|-----------|
| Due from Aspen (Note 9) | \$ | - | \$ | 2,072,015 |
| Due from a Director | | 250 | | 52,750 |
| Due from CEO | | 35,656 | | - |
| Due from COO | | 3,625 | | - |
| Due from GameOn Entertainment (Note 3,9) | | 1,701,881 | | - |
| Due from Victory Square Health (Note 3,9) | | - | | 239,533 |
| Due from Silota (Note 9) | | 73,834 | | 73,834 |
| Due from Stardust Solar (Note 9) | | 60,000 | | - |
| Due from Cassia, dba CoPilot (Note 9) | | 2,095 | | 2,095 |
| | \$ | 1,877,341 | \$ | 2,440,227 |

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 recognized on the date of sale. This amount was accreted over the years held to a balance of \$2,072,015 as at December 31, 2020. During the period ended June 30, 2021, the Company settled the base amount of this receivable via an asset acquisition of blockchain intangible assets (Note 12). The remaining \$485,014 was recognized as an impairment of related party loans in the period. Amounts are unsecured, non-interest bearing, and due on demand.

19. Related Parties (Continued)

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. This amount was majorly settled via consulting services within the fiscal year 2021. Amounts are unsecured, non-interest bearing, and due on demand.

The amounts due from CEO and COO are related to overpayments of expenses or short-term loans from the Company. The amounts will be settled within the fiscal year 2021. Amounts are unsecured, non-interest bearing, and due on demand.

The amounts due from GameOn Entertainment relate to the historically intercompany loans which are no longer intercompany with the deconsolidation of GameOn Entertainment from the Company as of May 26, 2021 (Note 3). Amounts are unsecured, non-interest bearing, and due on demand.

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. This amount was written off for an impairment of related party loans of \$239,533 in the period ended June 30, 2021. Amounts are unsecured, non-interest bearing, and due on demand.

The loan due from Silota is secured under a General Security Agreement, non-interest bearing, contains a conversion feature which has not been triggered as of the date of these financial statements, and has a term of 5 years. The Company originally provided funds of \$60,000, and given the conversion feature of this loan, the \$60,000 funds advanced plus the conversion feature resulted in a fair value gain of \$13,834 for an ending balance as at December 31, 2020 of \$73,834. No change to this balance occurred in the period ended June 30, 2021.

As part of the Company's investment in Stardust Solar, the Company will advance up to \$100,000 in cash as a loan to Stardust Solar. As of June 30, 2021, only \$60,000 had been advanced to Stardust Solar and is recorded as a related party loan here. Amounts are unsecured, non-interest bearing, and due on demand.

The amount due from CoPilot relates to payment of supplier invoices on behalf of the entity. The balance does not have a fixed repayment date and is non-interest bearing.

Due to Related Parties

| | June 30, 2021 | December 31, 2020 |
|--|---------------|-------------------|
| Due to Aspen (Note 9) | \$ - | \$ 77,754 |
| Due to Limitless | - | 202,844 |
| Due to GameOn Entertainment (Note 3,9) | 1,479,451 | - |
| Due to Stardust Solar (Note 9) | 130,918 | - |
| Due to CEO | - | 75,220 |
| | \$ 1,610,369 | \$ 355,818 |

As at June 30, 2021, the Company has \$Nil (2020 - \$77,754) in related party loans due to Aspen, \$Nil (2020 - \$202,844) due to Limitless, \$1,479,451 (2020 - \$Nil) due to GameOn Entertainment and \$130,918 (2020 - \$Nil) due to Stardust Solar. These related party loans are unsecured, due on demand, and non-interest bearing.

As part of the asset acquisition from Aspen, the Company wrote off all remaining balances with Aspen and Limitless. This resulted in a gain on settlement of payables of \$77,754 to Aspen and \$202,844 to Limitless.

The amount due to GameOn Entertainment relates to historically intercompany amounts between the Company and its subsidiaries and the deconsolidated GameOn Entertainment entity. These amounts were operating loans or intercompany transactions over the years prior to deconsolidation on May 26, 2021 which are now recorded as related party loans here. These related party loans are unsecured, due on demand, and non-interest bearing.

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19. Related Parties (Continued)

The amount due to Stardust Solar relates to a clause within the Stardust Solar investment agreement wherein the Company shall pay amount equal to difference between aggregate value of already issued or transferred VST shares and the sum of \$600,000 to reach total sum of \$600,000. On the date of closing of the investment transaction, the value of VST common shares issued for the investment was \$438,202. The value of this financial instrument as of June 30, 2021 was determined to be \$130,918 using historical stock price data and scenario modelling such that the total investment value was \$569,120 (Note 9).

As at June 30, 2021, the Company has \$Nil (2020 - \$75,220) in related party loans due to the CEO, which includes \$Nil (2020 - \$Nil) in accrued interest. This related party loan is unsecured, due on demand, and bear interest at 3%. As at June 30, 2021, the balance between the CEO and the Company is a net receivable from the CEO, which is discussed in Due from Related Parties.

Related Party Balances

As at June 30, 2021, the Company has \$379,531 (2020 - \$315,001) 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.

20. Operating Segments

The Company operates in several segments, broken down by entity as follows:

| Legal Entities | Segment |
|-----------------------------|--------------------|
| Draft Label | Software |
| PDL USA | Software |
| Fantasy 360 | Immersive Services |
| GameOn Entertainment (1) | Gaming |
| Victory Entertainment | Investments |
| Victory Square Technologies | Investments |
| BlockX Capital | Investments |
| VS Blockchain | Investments |
| VS Digital Health | Health |
| Hydreight | Health |

(1) GameOn Entertainment was deconsolidated from the company as of May 26, 2021 when Management deemed a loss of control.

Segmented operations were as follows as at and for the period ended June 30, 2021:

| | Investments | Gaming | Software | Immersive Services | Health | Total |
|-------------------------|--------------------|---------------|-----------------|---------------------------|---------------|----------------|
| Current assets | \$ 5,868,847 | \$ - | \$ 63,076 | \$ 2,361,217 | \$ 125,937 | \$ 8,419,076 |
| Non-current assets | 42,375,564 | - | 11,000 | 530,507 | 60,100 | 42,977,171 |
| | \$ 48,244,410 | \$ - | \$ 74,076 | \$ 2,891,724 | \$ 186,037 | \$ 51,396,247 |
| Current liabilities | \$ (2,484,293) | \$ - | \$ (135,774) | \$ (116,980) | \$ (181) | \$ (2,737,228) |
| Non-current liabilities | (36,999) | - | (36,966) | (37,000) | - | (110,965) |
| | \$ (2,521,292) | \$ - | \$ (172,740) | \$ (153,980) | \$ (181) | \$ (2,848,193) |

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20. Operating Segments (Continued)

| | Investments | Gaming | Software | Immersive Services | Health | Total |
|----------------------|--------------|----------------|--------------|--------------------|--------------|--------------|
| Revenue | \$ - | \$ - | \$ 31,902 | \$ 40,544 | \$ 338,628 | \$ 411,074 |
| Cost of goods sold | - | - | (34,095) | (28,746) | (68,135) | (130,976) |
| Gross margin | - | - | (2,193) | 11,798 | 270,493 | 280,098 |
| Expenses | (4,720,360) | - | (114,800) | (1,722,642) | (374,233) | (6,932,035) |
| Other gains (losses) | 10,984,910 | - | 4,955 | 254,686 | (9,161) | 11,235,390 |
| Discontinued loss | - | (1,900,499) | - | - | - | (1,900,499) |
| Net income (loss) | \$ 6,264,550 | \$ (1,900,499) | \$ (112,037) | \$ (1,456,159) | \$ (112,900) | \$ 2,682,954 |

21. 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 primary exposure to credit risk is on its cash held in bank accounts. The cash is deposited in a bank account in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a bank that is a high credit quality financial institution as determined by rating agencies. Credit risk on cash is assessed as low.

The Company's receivables consist of trade receivables, government sales tax receivable, lease receivable, loan receivable, and due from related parties. Based on the evaluation of receivables at June 30, 2021, 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 risks.

c) Liquidity risk

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

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

21. Financial Risk Management (Continued)

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.

Cash, marketable securities and certain investments are measured using Level 1 inputs.

Investments in private companies are measured using level 3 inputs.

The Company's financial instruments consist of cash, trade receivables, marketable securities, certain investments, amounts due from related parties, advances, trade payables, loan payable and related party loans. The carrying value of financial instruments approximates the fair value at June 30, 2021.

22. 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 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 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.

Victory Square Technologies Inc.
Notes to the condensed consolidated interim unaudited financial statements
For the six months ended June 30, 2021 and 2020
(Expressed in Canadian dollars)

23. Revenue and Cost of Goods Sold

Revenue

| | Three months ended June 30, | | Six months ended June 30, | |
|-----------------------|-----------------------------|-----------|---------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Immersive experiences | \$ 40,544 | \$ 88,419 | \$ 40,544 | \$ 437,982 |
| Film royalties | - | - | - | 44,548 |
| Health | 231,387 | - | 338,628 | - |
| Software | 4,370 | - | 31,902 | - |
| | \$ 276,301 | \$ 88,419 | \$ 411,074 | \$ 482,530 |

Cost of Goods Sold

| | Three months ended June 30, | | Six months ended June 30, | |
|-----------------------|-----------------------------|------------|---------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Immersive experiences | \$ (5,902) | \$ 177,456 | \$ 28,746 | \$ 380,259 |
| Health | 68,135 | - | 68,135 | - |
| Software | 34,095 | 30,620 | 34,095 | 73,376 |
| | \$ 96,328 | \$ 208,076 | \$ 130,976 | \$ 453,635 |

24. Research and Development

During the fiscal year 2021, Fantasy 360 began incurring costs related to the UNCONTAINED project, both relating to the internal development of intangible software as well as a customized shipping container. Total research and development costs for the period ended June 30, 2021 were \$736,979 (2020 - \$Nil).

Hydreight also incurred \$35,795 in research and development costs in the period from date of acquisition to June 30, 2021 (Note 10).

25. Interest and Other Income

During the period ended June 30, 2021, Fantasy 360 had major sources of interest and other income including \$46,838 (2020 - \$Nil) in government grants and \$181,399 (2020 - \$Nil) in government subsidies. Government grants included Canada Emergency Wage Subsidy (CEWS), Canada Emergency Rent Subsidy (CERS), and a CanExport Canadian government grant that supports businesses as they explore/expand new and under-developed international markets. There are no unfulfilled conditions or other contingencies related to these grants or subsidies.

The Company also received \$18,572 in subsidy income relating to a Digital Skills for Youth (DS4Y) grant. There are no unfulfilled conditions or other contingencies related to these grants or subsidies.

The Company earned \$55,952 in interest income during the period on related party loans (Note 19).

26. Subsequent Events

- a) On July 22, 2021, the Company granted 250,000 stock options to consultants with exercise price of \$0.51 and expiring in 3 years.
- b) On July 27, 2021, the Company signed an LOI for a follow-on investment of \$1,000,000 in portfolio company, Creator.co (Note 9).
- c) On July 28, 2021, the Company granted 75,000 stock options to a consultant with exercise price of \$0.53 and expiring in 2 years.
- d) On August 12, 2021, the Company announced a dividend in kind of a portion of their investment in Fantasy 360 to shareholders. The Dividend represents approximately 9,000,000 shares in Immersive in total (“Immersive Shares”) which will be distributed to Victory Square shareholders on separate dates as two different tranches.
- e) On August 16, 2021, Fantasy 360 received the balance of funds in relation to the private placement of subscription receipts that were previously held in trust. The gross funds received on this date were \$2,126,502 less \$13,848 in transfer agent fees, for net proceeds received on this date of \$2,112,654 (Note 4,18).