

Victory Square Technologies Inc.

**Consolidated Financial Statements
Years ended December 31, 2021 and 2020**

Expressed in Canadian Dollars



To the Shareholders of Victory Square Technologies Inc:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

DMCL Chartered Professional Accountants, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board of Directors, Audit Committee and management to discuss their audit findings.

June 3, 2022

"Shafin Tejani"

CEO, Director

"Sheri Rempel"

CFO



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Victory Square Technologies Inc.

Opinion

We have audited the consolidated financial statements of Victory Square Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.



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

June 3, 2022



An independent firm
associated with Moore
Global Network Limited

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

	Note	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 4,376,374	\$ 4,551,751
Prepays	5	510,545	499,803
Trade receivables	6	289,291	72,233
Government sales tax receivable		121,835	120,432
Marketable securities		-	13,515
Loan receivable	3,7	-	1,697,912
Inventories	8	144,018	-
		5,442,063	6,955,646
Non-current assets			
Investments	10	23,945,058	28,876,300
Advances	3	-	500
Due from related parties	21	210,597	2,440,227
Right of use asset	12	621,361	-
Property and equipment	13	284,247	5,751
Intangible assets	3,10,11,14	5,187,174	941,000
Goodwill	3,11	1,640,653	3,432,783
TOTAL ASSETS		\$ 37,331,153	\$ 42,652,207
LIABILITIES			
Current liabilities			
Trade payables	21	\$ 384,578	\$ 363,361
Accrued liabilities	21	727,702	651,229
Deferred Revenue		387,160	-
Related party loans	21	959,921	355,818
Loan payable	3,15	2,560,172	295,078
Share consideration	3,11	-	104,542
Other payables	17	158,765	404,421
Current portion of lease liability	12	172,690	-
Convertible debentures	3,19	-	1,447,872
Obligation to issue convertible debentures	3,19	-	95,000
		5,350,988	3,717,321
Non-current liabilities			
Derivative liability	3,11,18	-	97,896
Convertible note	3,11,18	-	8,758
CEBA loans	16	122,150	123,405
Deferred tax liability	11,28	235,655	-
Lease liability	12	463,349	-
TOTAL LIABILITIES		6,172,142	3,947,380
EQUITY			
Share capital	20	42,795,726	31,865,593
Stock option reserve	20	2,226,661	442,591
Equity portion of debt	3,15,19	89,944	199,703
Special warrants	20	-	4,889,021
Broker's warrants	20	427,165	427,165
Obligation to issue shares	11	1,120,895	-
Accumulated other comprehensive income		59,400	59,078
Deficit		(19,337,171)	(4,938,669)
Equity attributable to owners of the Company		27,382,620	32,944,482
Non-controlling interest	3,20,29	3,776,391	5,760,345
EQUITY		31,159,011	38,704,827
TOTAL LIABILITIES AND EQUITY		\$ 37,331,153	\$ 42,652,207

Nature of operations and going concern – Note 1

Commitment – Note 30

Subsequent events – Note 31

See accompanying notes to the consolidated financial statements.

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

	Note	Year ended December 31,	
		2021	2020
Revenue	25	\$ 1,494,450	\$ 1,487,020
Cost of goods sold	25	584,314	951,507
		910,136	535,513
Expenses			
Amortization and depreciation	10,12,13,14	2,595,222	169,267
Donations		288,358	20,500
Foreign exchange loss		63,786	77,616
General and administration		746,693	189,095
Insurance		61,511	26,984
Investor relations		617,779	76,181
Management fees	21	387,516	118,713
Professional and consulting fees	21	1,841,594	948,135
Rent		115,470	141,989
Research and development	26	2,307,999	-
Sales and marketing		1,259,442	712,370
Share based payments	20,21	2,794,297	-
Transfer agent and regulatory fees		247,535	93,098
Wages		1,755,645	500,939
Total expenses		(15,082,847)	(3,074,887)
Other Items			
Fair value gain on marketable securities		46,375	14,250
Gain on exercise of warrants	10	1,688,148	-
Equity gain (loss) on investments	10	(17,473)	17,733
Fair value gain (loss) on investments	10	(12,936,782)	18,448,845
Impairment of investments	10	(801,466)	(540,063)
Impairment of related party loans	21	(22,696)	(25,000)
Impairment on loan receivable		-	(20,212)
Loss on recognition of convertible debenture		(427,778)	-
Gain (loss) on disposal of assets	10,13,14	6,664,727	389,831
Loss on settlement of payables		(12,877)	30,684
Lease revenue		-	93,097
Gain (loss) on settlement of receivables		-	(17,053)
Gain on CEBA loans	16	8,649	77,439
Interest expense	12,15,16,17,18,19,21	(330,017)	(23,548)
Interest and other income	27	784,503	167,836
		(5,356,687)	18,613,839
Deferred tax recovery	28	99,030	-
Net income (loss) from continuing operations for the year		(19,430,368)	16,074,465
Net loss from discontinued operations	3	(2,423,705)	(1,349,062)
Gain on deconsolidation of subsidiaries	3	6,108,408	5,007,628
Net income (loss) for the year		(15,745,665)	19,733,031
Other Comprehensive Income			
Currency translation adjustment		322	480
Comprehensive income (loss) for the year		(15,745,343)	19,733,511
Net income (loss) attributable to:			
Shareholders of the parent company		(13,853,938)	19,915,251
Non-controlling interest		(1,891,727)	(182,220)
		\$ (15,745,665)	\$ 19,733,031
Basic earnings (loss) from continuing operations per share attributable to the shareholders of the parent company		\$ (0.15)	\$ 0.27
Diluted earnings (loss) from continuing operations per share attributable to the shareholders of the parent company		\$ (0.15)	\$ 0.26
Weighted average number of common shares outstanding for the period - basic		94,240,905	74,928,905
Weighted average number of common shares outstanding for the period - diluted		94,240,905	78,063,603

See accompanying notes to the consolidated financial statements.

Victory Square Technologies Inc.
Consolidated 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 debt	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	20	2,726,317	218,105	-	-	-	-	-	-	-	-	218,105
Shares and special warrants issued - private placements	20	585,651	266,471	-	-	-	-	4,889,021	427,165	-	-	5,582,657
Share-based payments	20	-	-	-	84,813	-	-	-	-	-	-	84,813
Deconsolidation of Victory Square Health	3	-	-	-	(1,203,766)	-	-	-	-	-	-	(1,203,766)
Proceeds received in advance of share issuance of subsidiary	3	-	-	-	-	-	-	-	-	-	1,172,796	1,172,796
Stock option exercise	20	125,000	27,289	-	(8,539)	-	-	-	-	-	-	18,750
Currency translation adjustment		-	-	480	-	-	-	-	-	-	-	480
Discontinued operations		-	-	-	-	-	-	-	-	-	(140,972)	(140,972)
Shares issued - subsidiary company	3	-	-	-	-	-	-	-	-	-	4,587,549	4,587,549
Net loss for the year		-	-	-	-	-	-	-	-	19,915,251	(182,220)	19,733,031
Balance at December 31, 2020		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	20	11,713,053	4,889,021	-	-	-	-	(4,889,021)	-	-	-	-
Shares issued - acquisition of Hydreight	11,20	3,007,058	1,543,185	-	-	1,120,895	-	-	-	-	-	2,664,080
Shares issued for finders fee - acquisition of Hydreight	11,20	232,066	162,446	-	-	-	-	-	-	-	-	162,446
Shares issued - acquisition of intangible assets	14,20	4,600,048	3,542,037	-	-	-	-	-	-	-	-	3,542,037
Shares issued - investment in Stardust	10,20	674,157	438,202	-	-	-	-	-	-	-	-	438,202
Shares issued - investment in Shop and Shout	10,20	1,000,000	425,000	-	-	-	-	-	-	-	-	425,000
Share buybacks	20	(562,000)	(270,543)	-	-	-	-	-	-	-	-	(270,543)
Exercise of warrants	20	62,000	45,239	-	-	-	-	-	-	-	-	45,239
Exercise of stock options	20	712,500	155,546	-	(48,673)	-	-	-	-	-	-	106,873
Share-based payments	20	-	-	-	1,707,261	-	-	-	-	-	1,087,036	2,794,297
Shares issued - subsidiary company	20	-	-	-	-	-	-	-	-	-	2,519,869	2,519,869
Discontinued operations		-	-	-	-	-	-	-	-	-	1,125,725	1,125,725
Deconsolidation of GameOn Entertainment	3	-	-	-	(5,178)	-	(199,703)	-	-	-	(4,587,549)	(4,792,430)
Equity portion of loan	15	-	-	-	-	-	89,944	-	-	-	-	89,944
Related party debt forgiveness, net	21	-	-	-	130,660	-	-	-	-	-	(542,383)	(411,723)
Dividend in kind	3,10,20	-	-	-	-	-	-	-	-	(544,564)	305,075	(239,489)
Currency translation adjustment		-	-	322	-	-	-	-	-	-	-	322
Net loss for the year		-	-	-	-	-	-	-	-	(13,853,938)	(1,891,727)	(15,745,665)
Balance at December 31, 2021		97,930,700	\$ 42,795,726	\$ 59,400	\$ 2,226,661	\$ 1,120,895	\$ 89,944	\$ -	\$ 427,165	\$ (19,337,171)	\$ 3,776,391	\$ 31,159,011

See accompanying notes to the consolidated financial statements.

Victory Square Technologies Inc.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Year ended December 31,	
	2021	2020
Operating activities		
Net income (loss) for the year	\$ (19,430,368)	\$ 16,074,465
Adjustments for non-cash items:		
Amortization and depreciation	2,595,222	801,773
Interest expense, amortization of debt, accretion	330,017	155,707
Deferred tax recovery	(99,030)	-
Foreign exchange gain	-	(97,982)
Consultant expense - non-cash	52,500	-
Share based payments	2,794,297	-
Shares to settle non cash consulting costs	150,000	-
Executive performance share issuance	175,000	-
Fair value gain on marketable securities	(46,375)	(14,250)
Gain on sale of investments	-	(561,496)
Gain on recognition of convertible note	427,778	-
Gain on exercise of warrants	(1,688,148)	-
Gain on derivative liability	-	(14,820)
Equity (gain) loss on investments	17,473	(17,732)
Fair value (gain) loss on investments	12,936,782	(18,346,832)
Impairment of investment	801,466	719,012
Impairment of related party loans	22,696	67,867
Gain on disposal of assets	(6,664,727)	(20,173)
(Gain) loss on settlement of payables	12,877	(122,698)
Loss on modification of loan receivable	-	20,212
Gain on CEBA loans	(8,649)	(105,172)
Distribution of GameOn shares to settle VST consulting expenses	101,898	-
Distribution of XRI shares to settle VST consulting expenses	192,147	-
Accrued interest expense	-	154,056
Accrued interest income	(205,099)	(252,128)
Changes in non-cash working capital items:		
Trade receivables	(217,058)	(120,757)
Government sales tax recoverable	(10,634)	7,590
Prepaid expenses	43,342	(116,025)
Inventories	(144,018)	-
Trade payables	85,309	142,390
Accrued liabilities	138,452	(76,524)
Deferred revenue	122,573	(310,834)
Other payables	(5,832)	(104,431)
Net cash flows used in operating activities by continuing operations	(7,520,109)	(2,138,782)
Net cash flows used in operating activities by discontinued operations	(1,049,522)	(1,119,382)
Investing activities		
Cash used for investments	(384,500)	(200,300)
Cash used for additions to property and equipment	(286,499)	(2,412)
Cash received on acquisition of subsidiary	28,962	-
Proceeds received from note receivable	-	104,042
Proceeds received from sale of furniture	-	15,705
Proceeds received from sale of investments	3,322,753	777,344
Proceeds received from sale of marketable securities	44,508	-
Net cash flows provided by (used in) investing activities by continuing operations	2,725,224	694,379
Net cash flows provided by (used in) investing activities by discontinued operations	(6,230,826)	12,636
Financing activities		
Cash used for lease payments	(92,787)	(42,273)
Cash used for (proceeds from) payments to related parties	117,009	(705,891)
Proceeds received for lease payments	-	51,000
Repayment of obligation to issue convertible debentures	-	(185,000)
Share issuance costs paid on issuance of shares of subsidiary	-	(210,000)
Cash used for share buybacks	(270,543)	-
Cash used on loan to investee company	(200,000)	-
Proceeds from loan payable, net	2,834,000	-
Proceeds from related party loans	-	401,358
Proceeds received for exercise of warrants	45,240	5,082,657
Proceeds received for exercise of stock options	106,875	18,750
Proceeds received for share issuance of subsidiary	2,194,869	997,553
Proceeds from obligation to issue shares of subsidiary	-	1,172,796
Proceeds received (refunded) in advance of convertible debenture issuance of subsidiary	-	50,000
Proceeds received from CEBA loans	20,000	220,000
Net cash flows provided by financing activities by continuing operations	4,754,663	6,850,950
Net cash flows provided by financing activities by discontinued operations	7,144,871	122,877
Effect of foreign exchange on cash	322	480
Change in cash and cash equivalents	(175,377)	4,423,158
Cash and cash equivalents, beginning	4,551,751	128,593
Cash and cash equivalents, ending	\$ 4,376,374	\$ 4,551,751

See accompanying notes to the consolidated financial statements.

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 consolidated 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”), Block X Capital Corp. (“BlockX Capital”), VS Blockchain Assembly Inc. (“VS Blockchain”), IV Hydreight Inc. (“Hydreight”), Victory Entertainment Inc. (“Victory Entertainment”), and VS Digital Health Inc. (“VS Digital Health”). The Company also consolidates and reports Non-Controlling Interest (“NCI”) on XR Immersive Tech Inc. (“XRI”), of which the Company holds 69.8% and control as of December 31, 2021. XRI was formerly known as Fantasy 360 Technologies Inc. and changed its name on February 3, 2022. The Company was determined to have lost control of the previously consolidated subsidiary GameOn Entertainment Technologies (“GameOn”) on May 26, 2021 (Note 3). GameOn 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 401, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “VST” and the Frankfurt Stock Exchange under the symbol “6F6”. The Company is also quoted on the OTCQX Best Markets in the United States under the symbol of “VSQTF”.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2021, the Company had working capital of \$91,075 (December 31, 2020 – \$3,238,325) and an accumulated deficit of \$19,337,171 (December 31, 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 consolidated financial statements were authorized for issue on June 3, 2022, by the directors of the Company.

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as applicable to the preparation of annual financial statements.

b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries Draft Label, PDL USA, XRI, BlockX Capital (incorporated on March 29, 2021), VS Blockchain (incorporated on February 28, 2021), Hydreight (from acquisition on February 10, 2021 to December 31, 2021), Victory Entertainment, VS Digital Health, and GameOn 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 consolidated financial statements have been prepared on a historical cost basis, except for certain assets measured at fair value, and are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company, Draft Label, XRI, 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 reclassified to conform to the current year's presentation.

d) Use of Estimates and Judgements

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the following:

Fair Value of Investments

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

Recoverability of Loan Receivable and Accrued Interest

Management assesses the valuation of the loan receivable and accrued interest at the end of each reporting period. Management will assess the repayment schedule for the loan, ability of the borrower to repay the loan receivable and accrued interest, and the Company's overall ability to collect the loan receivable and accrued interest amount.

2. Significant Accounting Policies (Continued)

Management's assessment is based on significant judgements and estimates available at each reporting period. Changes in the assumptions may materially affect the amount of the loan receivable and accrued interest determined to be collectible.

Recognition and Valuation of Deferred Tax Assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities of the particular legal entity in which the deferred tax assets have been recognized.

Estimated Useful Life of Intangible Assets

The relative size of the Company's intangible assets makes the judgements surrounding the estimated useful lives critical to the Company's financial position and performance. The useful life of intangible assets relates to the future performance of the assets and management's judgement of the period over which economic benefit will be derived from the assets. The useful life is determined by management and is regularly reviewed for appropriateness. The amortization of Company's finite-life intangible assets begins when the assets are available for use. The useful life is based on historical experience with similar development costs as well as anticipation of future events which may impact their life such as changes in technology.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements include the following:

Going Concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2021 and 2020. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months.

Intangible Assets Acquired Through Acquisition

Determining whether or not the February 10, 2021, share acquisition from Hydright (Note 11) constituted a business combination or acquisition of assets. At acquisition, Hydright had an application, a user base, and contracts with a number of subscriber partners as well as revenues. As such the acquisition was considered a business combination and the fair value of the consideration paid was allocated to the identifiable assets acquired with the remaining value allocated to goodwill.

Research and Development Costs for Applications

Evaluating whether costs incurred by the Company in developing its applications meet the criteria for capitalizing as intangible assets. Management determined that as at December 31, 2021 and 2020, it was not yet able to demonstrate with sufficient certainty that it is probable the economic benefits will flow to the Company. Accordingly, all research and development costs incurred to date have been expensed.

2. Significant Accounting Policies (Continued)

d) Use of Estimates and Judgements (continued)

Significant influence over Victory Square Health Inc (“Victory Square Health”)

The Company determined that it does not have significant influence over Victory Square Health and accordingly does not equity account for this investment. Consequently, the investment is measured at fair value through profit and loss. The Company’s determination was based on the fact that they have the right to appoint only one of the seven directors of Victory Square Health. In addition, the Company is contractually excluded from participating in the management of Victory Square Health.

d) Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation and amortization are calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of equipment are as follows:

Class of property and equipment	Depreciation rate
Computer equipment	3 years
Furniture and other equipment	3 years
Leasehold Improvements	Term of the lease

e) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net income (loss) in the period in which they arise.

2. Significant Accounting Policies (Continued)

f) Financial instruments (continued)

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in the consolidated statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in profit or loss.

f) Investments

Investments which are classified as financial instruments under IFRS 9 are initially recorded at the fair value at the time of acquisition. Subsequent measurement depends on the classification of the financial instrument as noted above in Note 2(f).

For those investments in which the Company has significant influence the Company uses the equity method of accounting whereby an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the investee. Any distributions received from the investee company reduce the carrying amount of the investment.

2. Significant Accounting Policies (Continued)

g) Investments (continued)

The Company has determined that it has significant influence over the following: Cassia Research Inc. (“Cassia”, dba CoPilot AI, “CoPilot”) and Next Decentrum Technologies Inc. (“Next Decentrum”), and GrowTech Academy (“GrowTech”) (Note 10). The Company has determined the equity accounted investments to be immaterial to the Company’s financial statements and does not provide additional disclosures for these equity accounted investments under IFRS 12.B10-16.

Investments classified as held at FVTPL under IFRS 9 include FansUnite Entertainment Inc. (“FansUnite”), Victory Square Health, Turnium Technology Group Inc. (“Turnium”, formerly Multapplied Networks Inc., “Multapplied”), Cloud Benefit Solutions Inc. (“Cloud Benefit”, dba Cloud Advisors, “Cloud Advisors”), Shop & Shout Ltd. (“Shop & Shout”, dba Creator.co, “Creator.co”), Silota Research and Development Inc. (“Silota”, dba Covalent, “Covalent”), GameOn, Cloud Nine Web Technologies Inc. (“Cloud Nine”), Argo Blockchain PLC (“Argo”), GameOn, Stardust Solar Inc (“Stardust”) and MLVX Technologies Inc. (“MLVX”), included within other (Note 10).

During the year ended December 31, 2021, the Company has elected to use the exemption in IAS 28 – Investments in Associates (“IAS 28”) for venture capital companies. Under this exemption, the Company may designate all investments managed in the same way at fair value through profit or loss (“FVTPL”). The Company has designated certain investments, upon initial recognition, at FVTPL, regardless of whether or not significant influence exists. In these cases, all realized and unrealized gains and losses are recorded in the consolidated statements of loss. At December 31, 2021, the exemption has been applied to the Company’s investment in GameOn and Stardust (Note 10).

Investments in films and games are classified as intangible assets and recorded at the lower of amortized cost or recoverable amount. The valuation of investments in films and games are reviewed when an event or change in circumstances indicates that the fair value of a film or game is less than its unamortized cost. The Company records an impairment charge if the amount is less than the amortized cost. The recoverable amount is higher of value in use or fair value less cost of disposal. Investments in films are amortized over a three-year period, 80% in year of release, 15% in the year thereafter and 5% in the second year after release. Investments in games are amortized on a straight-line basis over a three-year period, starting in the year the game is released.

g) Digital Assets

The Company has determined that digital currencies are intangible assets. The Company has classified digital currencies as current assets, if based on management’s assessment its digital currencies held are considered to be commodities, there is a liquid market in which the Company may sell a portion of its holdings and if the Company is able to sell a portion of its digital currencies in the near future to generate a profit from price fluctuations. Digital currencies not classified as current assets are classified as long-term assets.

Digital currencies are initially recorded on the consolidated statements of financial position at their cost on the date acquired and are only re-measured at each reporting date if those assets are traded in an active market. Digital currencies that are not traded in an active market will be recorded at historical cost. Revaluation losses, as well as realised gains or losses on the sale of digital currencies are included in the consolidated statement of loss and comprehensive loss. Unrealized revaluation gains, for those digital currencies that are traded in an active market, above their initial fair, are included in other comprehensive income.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised judgement in determining the appropriate accounting treatment for the recognition of income from digital currencies.

The determination of a principal market is specific to a particular digital asset. To determine which exchange is the principal market for the purpose of calculating the fair value less cost to sell of a particular digital asset, the Company

2. Significant Accounting Policies (Continued)

considers only those exchanges that are available to be used by the Company, have an online trading platform and published transaction price and volume data. The Company evaluates the principal markets annually and conducts a quarterly analysis to determine if any changes in principal market required. Changes in estimates and assumptions about these inputs could affect the reported fair value.

h) Website Development Costs

The Company capitalizes website development costs that consist of costs incurred to develop internet websites to earn revenue with respect to the Company's business operations. Costs are capitalized in accordance with International Accounting Standard ("IAS 38"), Intangible assets and SIC Interpretation 32, Intangible assets – website costs and are amortized on a straight-line basis over 3 years from when the internet web site has been completed.

i) Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars. At the time of consolidation and financial reporting the following conversion methods are used:

Translation of Foreign Currency Transactions

At each statement of financial position date, foreign currency monetary items are translated to reflect the exchange rate at the statement of financial position date. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences are recorded in profit and loss.

Translation of Foreign Operations

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

j) Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against

2. Significant Accounting Policies (Continued)

k) Income Taxes (continued)

current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

k) Research and Development

Research costs are expensed when incurred. Internally-generated software costs and product prototypes, including personnel costs of the Company's development group, are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses.

Government grants for research and development are recorded as a recovery of the cost of those expenditures at the earliest of when the assistance is received or receivable.

l) Impairment of Non-financial Assets

The carrying amount of the Company's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

m) Income (Loss) per Share

Basic income (loss) per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted income (loss) per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

o) Revenue Recognition

IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

2. Significant Accounting Policies (Continued)

o) Revenue Recognition (Continued)

Game and Film Revenue

The Company recognizes revenue from investments in films when the significant risks and rewards of ownership have transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the Company does not retain either continuing managerial involvement or effective control.

Royalties received from investments in games is recognized as revenue when amounts become due to the Company, based on the sale of the games to users. Revenues are recognized at the later of when the subsequent sale or the performance obligation to which some or all the sales royalty has been allocated and has been satisfied.

Immersive Experiences Revenue

Revenue from providing immersive experiences is recognised in the accounting year in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting year as a proportion of the total services to be provided. This is determined based on the actual total costs spent relative to the expected total costs.

Estimates of revenues, costs, or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that gave rise to the revision become known to management. In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset (receivable) is recognised. If the payments exceed the services rendered, a contract liability (deferred revenue) is recognized.

Software Development Services

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

Digital applications and telehealth revenue

The Company generates telehealth services revenue by providing support, hosting, and related services to business partners across the US that use the digital app platform. The business partners are the Company's professional provider network of medical practitioners that use the telehealth platform to service their patients. Telehealth revenue is typically for an annual term, except for exclusivity contracts, and prepaid by business partners in advance and earned over a period and generated from the Company rendering the service. These arrangements are non-cancelable, do not contain refund-type provisions and generally with an option to renew. The Company's performance obligations for digital services are satisfied as services are rendered over the term of service arrangement.

The Company generates commissions from end users that visit its platform to have access to and hire a provider within the Company's network of medical practitioners. Commission revenue is generated mainly on a per-telehealth visit basis, as the end user enter a contractual relationship with the business partner. The Company does not have a performance obligation and commission revenue is earned based on the level of activity the business partner generates. The Company acts as an agent, recording revenue on a net basis.

Determining when a performance obligation has been satisfied requires judgment. The Company's revenues are recognized as commissions are earned. All revenues are recorded at the amount received or receivable from customers.

The Company offers an online pharmacy to its subscribers, which allow its network of medical practitioners to purchase pharmacy products from federally regulated pharmacies. Sales orders are received through the Company's online store and products are sourced and shipped by independent pharmacies. The Company collects

2. Significant Accounting Policies (Continued)

o) Revenue Recognition (continued)

payment upon the completion of the online ordering by the customer, and revenue is recognized when the products are delivered to the customer. Although the independent pharmacies are sourced to ship the products to the customer, the Company has access and control over the contents of the online store, determines the pharmacy to source the delivery of the products, sets the prices for the products paid by the customer, and acts as the principal point of contact with the customer.

p) Comprehensive Income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of loss and comprehensive loss. For the year ended December 31, 2021, and 2020, other comprehensive income is related to the currency translation adjustments.

q) Unit Offerings

Proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual remaining is allocated to common share purchase warrants.

r) Share-based Payments

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

s) Leases

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

t) Recent Accounting Pronouncements

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

New standards, interpretations and amendments not adopted are not expected to have a material impact on the Company's consolidated financial statements.

Victory Square Technologies Inc.
Notes to the consolidated financial statements
For the years ended December 31, 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 parties 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 \$4,311,300. After this de-consolidation date, the investment is recorded as an investment measured at fair value under IFRS 9 (Note 10).

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 financing 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

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 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 had paid the entire balance of the obligation.

3. Discontinued Operations (Continued)

b) Victory Square Health (continued)

The Company's interest was reduced from 100% to 20% as a result of this transaction. 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 10).

For the period prior to deconsolidation, Victory Square Health had a \$14,020 net loss. There were no adjustments required for the discontinued cash flows due to Victory Square Health's inactivity during these periods.

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

c) GameOn

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

On December 31, 2020, the Company held 24,293,101 or 55.87% of GameOn. On May 13, 2021, the Company transferred 2,020,000 shares of GameOn, with a fair value of \$101,898, to various parties for no consideration decreasing the Company's holding to 22,273,101 shares or 50.16%. This transaction was recorded to consulting expense. On May 14, 2021, the Company cancelled 6,125,933 shares of GameOn pursuant to GameOn's indenture debenture dated May 10, 2021, and to settle the outstanding convertible debentures in GameOn for the same number of shares with a value of \$1,538,481 or \$0.25 per share in GameOn but for no consideration to the Company. This transaction decreased the Company's holding to 16,147,168 or 36.37%. On May 26, 2021, GameOn 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 and recognized a gain on deconsolidation of \$6,108,408. On May 27, 2021, the Company issued a dividend in kind of 1,999,974 GameOn common shares to the Company shareholders valued at \$499,992. As at May 28, 2021, the Company held 14,149,373 out of 62,936,922 or 22.48%. On September 9, 2021, the Company transferred 200,000 shares as part of the consideration paid for an investment in Silota (Note 10). As at December 31, 2021, the Company held 13,949,373 shares or 22.07% of GameOn. After the de-consolidation, the investment is recorded as an investment measured at fair value under IFRS 9 (Note 10).

For the period from January 1, 2021 to May 26, 2021, the net loss from GameOn is reported as loss from discontinued operations of \$2,423,705.

On December 31, 2021, as the result of an agreement between the Company, DLT, and GameOn, the Company recorded a net increase to contributed surplus of \$359,503 resulting from the write-off of several related party balances between GameOn, DLT, and VST.

Victory Square Technologies Inc.
Notes to the consolidated financial statements
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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 December 31, 2020	
Revenue	\$	5,862	\$	2,626
Cost of goods sold		39,879		10,351
		(34,017)		(7,725)
Expenses				
Amortization and depreciation		165,291		632,507
Foreign exchange gain		(1,239)		(113,436)
General and administration		190,265		13,873
Interest and accretion		195,465		300,204
Management fees		57,553		88,990
Professional and consulting fees		590,486		221,926
Sales and marketing		132,840		1,619
Share based compensation		958,526		-
Transfer agent and regulatory fees		21,237		9,791
Wages		377,333		74,138
Total expenses		(2,687,757)		(1,229,612)
Other items				
Impairment of related party receivable		(10,819)		(42,867)
Impairment of investments		-		(178,949)
Fair value loss on investments		-		(102,013)
Gain on derivative liability		27,008		14,820
Gain on disposal of assets		-		171,665
Gain on conversion of related party debt		-		-
Gain on settlement of debt		281,880		92,013
Gain on CEBA loan		-		27,733
Interest and other income		-		274,063
		298,069		256,465
Net loss	\$	(2,423,705)	\$	(980,872)

Victory Square Technologies Inc.
Notes to the consolidated financial statements
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

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	\$ 6,230,826	\$ 135,476
Prepays	89,117	60,620
Government sales tax receivable	23,115	9,231
Current portion of loan receivable	-	1,697,912
Investments	819,583	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	\$ 11,910,203	\$ 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, investing, and financing activities of GameOn:

	January 1, 2021 to May 26, 2021	January 1, 2020 to December 31, 2020
Net cash flows used in operating activities	\$ (1,049,522)	\$ (499,521)
Net cash flows provided by (used in) investing activities	\$ (122,418)	\$ 4,042
Net cash flows provided by (used in) financing activities	\$ 7,144,871	\$ 573,859

4. Cash and Cash Equivalents

Cash and cash equivalents include \$11,500 (December 31, 2020 – \$11,500) of cash held in a GIC and \$Nil (December 31, 2020 - \$3,000) drawdown on a line of credit.

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5. Prepaids

Prepaids consist of the following:

	December 31, 2021	December 31, 2020
Marketing fees	\$ 177,672	\$ 221,951
Sponsorships	-	6,250
Rental deposits	77,085	13,297
Transfer agent	31,928	18,240
Consulting	156,616	125,514
Software	30,000	5,305
Deposit on medical supplies	9,382	44,562
Listing fees	18,823	-
Legal	9,039	64,684
	\$ 510,545	\$ 499,803

6. Trade Receivables

Trade receivables consists of the following:

	December 31, 2021	December 31, 2020
Immersive services	\$ 200,054	\$ 63,565
Other	89,237	8,668
	\$ 289,291	\$ 72,233

7. Loan Receivable

During the year ended December 31, 2018, GameOn 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 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 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 for 3,142,857 common shares of FansUnite (Note 10). The FansUnite shares 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 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 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 10).

On December 10, 2020, the GameOn 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.

Victory Square Technologies Inc.
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7. Loan Receivable (Continued)

The loan was repaid in full in the first half of 2021 according to the terms of the updated agreement, leaving a \$Nil balance as at the May 26, 2021 date of deconsolidation of GameOn balances (Note 3).

8. Inventories

During the year ended December 31, 2021, XRI began incurring costs related to a project ("UNCONTAINED"). To December 31, 2021, inventory related to UNCONTAINED is comprised of the following:

	Units under		Supplies		Total
	Construction		Inventory		
Balance, January 1, 2021	\$	-	\$	-	\$ -
Additions		140,699		3,319	144,018
Balance December 31, 2021	\$	140,699	\$	3,319	\$ 144,018

9. Digital Assets

During the year ended December 31, 2021, the Company received 6,363,965 Covalent CQT founder tokens for services previously provided. As digital assets are accounted for under IAS 38, Intangible Assets, the tokens were recorded at their cost to the Company \$Nil. At December 31, 2021, the Company held 6,363,965 founder tokens of the digital currency Covalent CQT, which are tradeable over a period of fifteen months from the date of issuance on June 23, 2021.

10. Investments

The Company's investments consist of the following:

	December 31, 2021		December 31, 2020	
FansUnite (2)	\$	3,258,057	\$	9,335,991
1108641 BC Ltd. (3)		-		884,874
Cassia, dba CoPilot (1)		1,319,319		1,362,211
Victory Square Health (2)		11,691,937		13,000,000
Turnium (2)		1,148,000		1,425,000
TLA Films, LLC (3)		-		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)		1,116,115		120,905
Silota (2)		-		533,000
Bonavita Investment Group Ltd. (3)		-		100,000
Cloud Nine (2)		1,294,430		-
Argo Blockchain (2)		-		-
GameOn (2)		2,605,185		-
Stardust Solar (2)		1,153,000		-
Next Decentrum (1)		-		-
Other (1) (2)		95,515		61,254
	\$	23,945,058	\$	28,876,300

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

10. 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 December 31, 2020 the Company held a total of 10,955,659 common shares of FansUnite.

During the year ended December 31, 2021, the Company sold 1,932,436 shares of FansUnite for net proceeds of \$1,710,551 and recognized a gain on the sale of \$208,925 less transfer agent expenses of \$17,297. The Company also transferred 171,429 common shares of FansUnite to a shareholder of the Company which was recorded as a \$44,572 dividend in kind.

As at December 31, 2021, the Company held 8,851,794 shares of FansUnite with a market value of \$3,673,495 (December 31, 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 December 31, 2021 is \$3,258,057 (December 31, 2020 - \$9,335,991), or a 9.1% (December 31, 2020 - 23%) weighted average discount rate. For the year ended December 31, 2021, the Company recognized a fair value loss of this investment of \$4,514,440 (2020 – gain of \$5,062,623).

As of the date of these financial statements, FansUnite is trading at \$0.22 per share. Consequently, the market value of the Company's investment in FansUnite is \$1,947,395 before any discount for lack of marketability.

b) 1108641 BC Ltd.

During the year ended December 31, 2018, GameOn entered into a project financing agreement with 1108641 BC Ltd. to provide \$3,410,500 (USD \$2,500,000) for 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 to USD \$1,500,000. The investment is being amortized over a period of 3 years from the date of soft launch of the game on August 27, 2019. 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.

During the year ended December 31, 2020, GameOn recognized an impairment of \$158,737 on this investment and amortization of \$632,507 for a December 31, 2020, balance of \$884,874.

As of May 26, 2021, the Company deconsolidated GameOn (Note 3) such that this investment value of \$752,803 is no longer reflected in the Company's statement of financial position as of December 31, 2021. Up to the date of deconsolidation, GameOn recognized amortization of \$132,071.

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, 2021, the Company holds an interest of 25.7% in Cassia (2020 – 25.7%).

10. Investments (Continued)

During the year ended December 31, 2021, the Company recorded an equity loss of \$42,892 (2020 – gain of \$15,392) on its investment in Cassia. As at December 31, 2021, the balance of the investment is \$1,319,319 (December 31, 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 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 (Note 3). 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 December 31, 2021, the value of the Company's 20% investment in Victory Square Health was fair valued at \$11,691,937 (December 31, 2020 - \$13,000,000), resulting in a fair value loss of \$1,308,063 (2020 – gain of \$11,952,000).

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 December 31, 2021, the value of the Company's investment in Turnium was fair valued at \$1,148,000 (December 31, 2020 - \$1,425,000), resulting in a fair value loss of \$277,000 (2020 - \$489,000 gain).

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, and is amortized from this date.

During the year ended December 31, 2021, the Company recorded \$574,310 (2020 - \$151,554) in amortization on the investment. No revenues have been recorded on the investment for the year ended December 31, 2021. Due to the lack of revenues, the investment was deemed to be impaired by \$181,466 (2020 - \$460,275) to a fair value as at December 31, 2021 of \$Nil (December 31, 2020 - \$755,775).

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 equivalent. This resulted in a fair value loss of \$227,706 for the year ended December 31, 2020.

During the year ended December 31, 2021, the investment was disposed of at USD \$325,000 or \$413,790 Canadian equivalent, bringing the ending balance of the investment as at December 31, 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.

10. Investments (Continued)

h) Aspen (continued)

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 included the investment balance of \$620,000, the receivable of \$2,072,015 (Note 21), and the payable of \$280,598 (\$77,754 due to Aspen and \$202,844 due to Limitless Blockchain Technology LLC, "Limitless") (Note 21). The three balances which net to an asset of \$2,411,417.

On March 5, 2021, the Company acquired certain intangible assets related to blockchain technology from Aspen for 4,600,048 common shares of the Company with a fair value of \$3,542,037 as well as forgiveness of outstanding debts of \$1,587,001 (Notes 10, 20 and 21) and other debts totalling \$407,260. After acquisition, the Company incurred costs to bring these assets to saleable state, resulting in additional costs of \$29,357, which were expensed.

As a result of the transaction between Aspen and the Company in the year ended December 31, 2021 (Notes 14 and 20), the remaining value of the investment in Aspen was written down to \$Nil (December 31, 2020 - \$620,000). This resulted in an impairment loss on investment of \$620,000 (2020 - \$Nil).

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, 2021, the Company recorded a fair value gain of \$Nil (2020 – loss of \$36,500) on Cloud Advisors and the fair value was \$263,500 (December 31, 2020 - \$ 263,500).

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 tranches 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, was \$120,905.

In October 2021, the Company closed a follow-on investment in Creator.co of 1,052,941 common shares of Creator.co in consideration for \$1,000,000, composed of 1,000,000 common shares of VST with a fair value of \$425,000 (Note 20). The agreement also included contingent consideration to be paid by the Company to Creator.co in four months if there was volatility in the Company's share price. The value of this contingent liability included in the investment consideration was \$550,352 (Note 21). The total value added to the investment as a result of this add-on investment was \$975,352. With this add-on investment, the Company's holdings of Creator.co increased to 10.46% as of December 31, 2021.

The revaluation of the stock options resulted in a gain of \$19,858 at December 31, 2021.

During the year ended December 31, 2021, there was no change in the fair value of this investment and the ending balance as of December 31, 2021, was \$1,116,115.

10. Investments (Continued)

k) Silota

During the year ended December 31, 2020, the Company invested \$60,000 cash via a convertible note (Note 21) 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 21). The ending value of the investment as at December 31, 2020 was \$533,000 in investment, and \$73,834 in convertible note (Note 21).

On September 9, 2021, the Company signed an agreement to increase their holdings in Silota by 12.5% as well as acquire a convertible promissory note due from Silota via two installment payments of \$150,000 each as well as delivery of 200,000 shares of GameOn with a fair value of \$46,000 (Note 3 and 21).

On December 17, 2021, the Company sold their 25% share holding of Silota as well as settled the related party due from amount (Note 21). In exchange, the Company received a future licence agreement with Silota. The license shall be in the form of a future non-exclusive, non-transferable, non-refundable, non-assignable license to Silota's blockchain query technology (Note 14). The value of the investment as accordingly \$Nil as at December 31, 2021.

l) Bonavita Investment Group Ltd.

On August 11, 2020, GameOn 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 recorded amortization of \$7,452 (2020 - \$Nil). As of May 26, 2021, the Company deconsolidated GameOn such that this investment value of \$92,548 is no longer reflected in the Company's statement of financial position as of December 31, 2021 (Note 3).

m) Cloud Nine

On March 5, 2021, the Company sold a version of certain intangible assets acquired from Aspen (Note 10 and Note 14) to 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 (Note 14). The fair value of the intangible assets sold was \$254,357, and the Company recognized a gain on the sale of \$7,510,349.

During the remainder of the year ended December 31, 2021, the Company sold 97,000 shares of Cloud Nine for net proceeds of \$34,998 and recognized a loss on the sale of \$3,480.

As at December 31, 2021, the Company held 4,314,765 common shares of Cloud Nine. During the year ended December 31, 2021, the Company recorded a fair value loss on the Cloud Nine shares of \$6,424,778 for an ending balance as at December 31, 2021 of \$1,294,430.

The Company has the right to dividend up to 15% of its interest in this investment to its shareholders.

As of the date of these financial statements, Cloud Nine is trading at \$0.14 per share. Consequently the market value of the Company's investment in Cloud Nine is \$604,067.

n) Argo Blockchain

On February 18, 2021, the Company exercised 350,000 warrants in Argo Blockchain at an exercise price of £0.08 per share for total cost 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 year ended December 31, 2021, the Company sold all 350,000 shares at a price between £1.30 to £2.41. Total proceeds on these sales were £659,729 or \$1,135,937. Transfer agent fees were £7,071 or \$12,173 and a loss on sale of investment of £296,047 or \$324,369 was recognized. Before disposing of the shares, the Company recognized a fair value loss of \$216,366.

10. Investments (Continued)

o) GameOn

On May 26, 2021, the Company deconsolidated GameOn and recorded an investment in GameOn of \$4,036,729 for 16,147,168 common shares held (Note 3). After de-consolidation, the investment is recorded as an investment measured at fair value under IFRS 9 and the Venture Capital Exemption. 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 \$499,992.

During the year ended December 31, 2021, the Company transferred 200,000 of GameOn common shares as part of the consideration paid for the investment in Silota (Note 3). This consideration was valued at \$46,000 at the transaction date.

As at December 31, 2021, the Company held 13,949,373 out of 63,192,385 shares of GameOn or 22.07% with a market value of \$3,208,356. Given these shares are held in escrow with release dates from May 2021 to June 2022, the discounted fair value as at December 31, 2021 is \$2,605,185. For the year ended December 31, 2021, the Company recognized a fair value loss of this investment of \$783,715.

As of the date of these financial statements, GameOn is trading at \$0.08 per share. Consequently, the market value of the Company's investment in GameOn is \$1,115,950, before any discount for lack of marketability.

p) Stardust Solar

On June 8, 2021, the Company issued 674,157 common shares to Stardust with a fair value of \$438,202 for 25,000 shares or a 20% ownership of Stardust Solar (Note 20). As the purchase price is defined in the share purchase agreement and consideration is payable in the Company's common shares, the Company recorded a liability relating to the consideration required to be transferred in order to reach the purchase price as per the terms of the agreement. The liability is recorded at a value of \$130,918 in related party loans (Note 21). Upon initial recognition, this investment was recorded as an investment measured at fair value under IFRS 9 and the Venture Capital Exemption.

As at December 31, 2021, this investment was fair valued at \$1,153,000 for a fair value gain of \$583,880.

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.

r) Other

The Company has minor investments in other private companies. During the year ended December 31, 2021, the Company recorded an equity gain of \$25,419 (2020 – \$2,341) on these investments and a fair value loss of \$16,159 (2020 – gain of \$13,834). The Company spent \$36,496 cash on two new investments. The Company also disposed of several investments for a loss on disposal of \$15,041 (2020 – gain of \$21,623) and received cash proceeds from this sale of \$13,878 less transfer agent fees of \$302. In addition, the Company recorded an impairment of \$Nil (2020 - \$79,788) of other investments. As at December 31, 2021, the total of these investments is \$95,515 (2020 - \$61,254).

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10. Investments (Continued)

A summary of investment transactions recorded in the Consolidated Statement of Income (Loss) and Comprehensive (Loss) for the year ended December 31, 2021 are as follows:

	Fair value gain (loss) on investments	Impairment of investments	Amortization and depreciation	Gain on exercise of warrants	Equity gain (loss) on investments	Gain (loss) on disposal of assets
FansUnite	\$ (4,514,440)	\$ -	\$ -	\$ -	\$ -	\$ 208,925
Cassia	-	-	-	-	(42,892)	-
Victory Square Health	(1,308,063)	-	-	-	-	-
Turnium	(277,000)	-	-	-	-	-
TLA Films	-	181,466	574,309	-	-	-
Talo Flow	-	-	-	-	-	-
Aspen	-	620,000	-	-	-	-
Shop&Shout	19,858	-	-	-	-	-
Silota	-	-	-	-	-	(711,657)
Cloud Nine	(6,424,778)	-	-	-	-	7,506,869
Argo Blockchain	(216,366)	-	-	1,688,148	-	(324,369)
GameOn	(783,715)	-	-	-	-	-
Stardust	583,880	-	-	-	-	-
Other	(16,159)	-	-	-	25,419	(15,041)
	\$ (12,936,782)	\$ 801,466	\$ 574,309	\$ 1,688,148	\$ (17,473)	\$ 6,664,727

A summary of investment transactions recorded in the Consolidated Statement of Income (Loss) and Comprehensive (Loss) for the year ended December 31, 2020 are as follows:

	Fair value gain (loss) on investments	Impairment of investments	Amortization and depreciation	Gain on exercise of warrants	Equity gain (loss) on investments	Gain on disposal of assets
FansUnite	\$ 5,602,623	\$ -	\$ -	\$ -	\$ -	\$ 539,873
Cassia	-	-	-	-	15,392	-
Victory Square Health	11,952,000	-	-	-	-	-
Turnium	489,000	-	-	-	-	-
TLA Films	-	460,275	151,554	-	-	-
Talo Flow	(227,706)	-	-	-	-	-
Cloud Benefit	(36,500)	-	-	-	-	-
Shop&Shout	20,605	-	-	-	-	-
Silota	532,976	-	-	-	-	-
Other	13,834	79,788	-	-	2,341	21,623
	\$18,346,832	\$ 540,063	\$ 151,554	\$ -	\$ 17,733	\$ 561,496

11. Acquisitions

a) GameOn

On December 1, 2020, GameOn entered into an agreement to acquire the assets of GameOn App Inc. for 15,199,985 of its common shares with a fair value of \$3,799,996. In addition, GameOn 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 18) 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 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 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:

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 (Note 14)	\$	941,000
Assumed liabilities		(350,086)
Goodwill		3,432,783
	\$	4,023,697

Goodwill calculated in this acquisition represents the expected synergies from combining the operations of GameOn App Inc. with those of GameOn, 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 signed an employment agreement with the CEO of GameOn App Inc. to come on as the CEO of GameOn. In addition to the regular annual salary, the CEO has also been granted 2,000,000 common shares of GameOn to be issued in tranches upon the achievement of certain performance milestones.

On June 1, 2021, GameOn completed its listing on the CSE and following the terms of the employment agreement, the CEO received a USD\$100,000 cash bonus and \$150,000 in CEO bonus warrants.

b) Hydreight

On February 10, 2021, the Company closed the acquisition of the shares of Hydreight for total consideration of USD \$1,600,000 by the issuance of 3,007,058 common shares of the Company. The CEO of Hydreight 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 Hydreight. The Company issued 232,066 common shares with a fair value of \$162,446 as Finder's Fee on the transaction. The fair value of common shares issued on the acquisition date was determined to be \$1,543,185 as recorded in share capital for the period (Note 20). The remaining value of \$1,120,895 was recorded as an obligation to issue shares in equity for the future earn-out shares under the agreement.

11. Acquisitions (Continued)

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.

The acquisition was recorded as follows:

Fair value of consideration		
Common shares	\$	2,074,870
Adjustment for restrictive stock discount		(531,685)
Earn-out shares		1,120,895
	\$	2,664,080
Assets and liabilities acquired		
Cash	\$	36,940
Intangible assets (Note 14)		1,593,740
Deferred income tax liability		(334,685)
Deferred revenue and accrued liabilities		(272,568)
Goodwill		1,640,653
	\$	2,664,080

Goodwill calculated in this acquisition represents the expected synergies from combining the operations of Hydreight with those of the Company, 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.

Included in the consolidated statement of loss for the year ended December 31, 2021, is \$1,051,800 of revenue and \$182,036 in loss. Had the acquisition occurred on January 1, 2021, the unaudited consolidated revenue and comprehensive loss reported in the statement of comprehensive loss would have been \$1,681,891 and \$15,851,374 respectively.

12. Right of Use Asset and Lease Liability

On June 23, 2021, the Company entered into a sub-lease agreement with an underlying lease commitment term from September 1, 2021, to December 30, 2024. The lease agreement provides for a monthly payment of \$21,503, comprised of a monthly base rent of \$2,766 and fixed operating costs of \$18,737, for the duration of the term of the lease commitment.

On June 21, 2021, XRI entered into a lease agreement with an underlying lease commitment term from September 1, 2021, to June 30, 2024. The lease agreement provides for a monthly base rent of \$1,694 for the period from September 1, 2021 - June 30, 2022, \$1,976 for the period from July 1, 2022 – June 30, 2023, and \$2,258 for the period from July 1, 2023 – June 30, 2024.

In accordance with IFRS 16, the Company recognized a right-of-use asset and lease obligation in relation to its lease commitments. The lease liability has been recorded at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate estimated at 20% per annum. The associated right-of-use asset is measured at the amount equal to the corresponding lease liability and subsequently depreciated. Included in the right-of-use asset is \$44,000, representing the last two months' rent, prepaid in advance.

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12. Right of Use Asset and Lease Liability (Continued)

Right-of-use asset

		VST		XRI		Total
Balance, January 1, 2021 and 2020	\$	-	\$	-	\$	-
Additions		640,055		51,353		691,408
Amortization		(64,006)		(6,041)		(70,047)
Balance, December 31, 2021	\$	576,049	\$	45,312	\$	621,361

Lease liability

		VST		XRI		Total
Balance, January 1, 2021 and 2020	\$	-	\$	-	\$	-
Additions		634,523		51,353		685,876
Interest expense		39,727		3,223		42,950
Lease payment		(86,011)		(6,776)		(92,787)
		588,239		47,800		636,039
Less: Current portion		158,713		13,977		172,690
Balance, December 31, 2021	\$	429,526	\$	33,823	\$	463,349

Future fixed lease payments are as follows:

		VST		XRI		Total
2022	\$	258,032	\$	22,020	\$	280,052
2023		258,032		25,404		283,436
2024		258,032		13,548		271,580
	\$	774,097	\$	60,972	\$	835,069

13. Property and Equipment

Property and equipment consist of the following:

		Computer Equipment		Furniture and Other Equipment		Leasehold Improvements		Total
Cost								
Balance, January 1, 2021	\$	18,877	\$	3,886	\$	-	\$	22,763
Additions		17,442		18,222		250,835		286,499
Disposals (Note 3)		(1,153)		-		-		(1,153)
Balance, December 31, 2021	\$	35,166	\$	22,108	\$	250,835	\$	308,109
Accumulated depreciation								
Balance, January 1, 2021	\$	15,070	\$	1,943	\$	-	\$	17,013
Depreciation		6,062		1,941		-		8,003
Disposals (Note 3)		(1,153)		-		-		(1,153)
Balance, December 31, 2021	\$	19,979	\$	3,884	\$	-	\$	23,863
Net book value, January 1, 2021	\$	3,808	\$	1,943	\$	-	\$	5,751
Net book value, December 31, 2021	\$	15,188	\$	18,224	\$	250,835	\$	284,247

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13. Property and Equipment (Continued)

	Computer Equipment	Furniture and Other Equipment	Leasehold Improvements	Total
Cost				
Balance, January 1, 2020	\$ 16,465	\$ 11,386	\$ 346,603	\$ 380,126
Addition	2,412	-	-	2,412
Disposal (Note 14)	-	(7,500)	(346,603)	(354,103)
Balance, December 31, 2020	\$ 18,877	\$ 3,886	\$ -	\$ 28,435
Accumulated depreciation				
Balance, January 1, 2020	\$ (9,263)	\$ (2,523)	\$ (52,038)	\$ (66,120)
Depreciation	(5,807)	(1,712)	(10,194)	(17,713)
Disposal	-	2,292	62,232	64,524
Balance, December 31, 2020	\$ (15,070)	\$ (1,943)	\$ -	\$ (19,309)
Net book value, January 1, 2020	\$ 7,203	\$ 8,863	\$ 294,565	\$ 310,631
Net book value, December 31, 2020	\$ 3,808	\$ 1,943	\$ -	\$ 5,751

14. Intangible Assets

Intangible assets consist of the following:

	GameOn App Intellectual Property	Blockchain Technology	Hydreight App	Total
Cost				
Balance, January 1, 2021	\$ 941,000	\$ -	\$ -	\$ 941,000
Additions	-	5,536,298	1,593,739	7,130,037
Balance, December 31, 2021	\$ 941,000	\$ 5,536,298	\$ 1,593,739	\$ 8,071,037
Accumulated depreciation				
Balance, January 1, 2021	\$ -	\$ -	\$ -	\$ -
Depreciation	-	(1,471,290)	(471,573)	(1,942,863)
Disposals (Note 3)	(941,000)	-	-	(941,000)
Balance, December 31, 2021	\$ (941,000)	\$ (1,471,290)	\$ (471,573)	\$ (2,883,863)
Net book value, January 1, 2021	\$ 941,000	\$ -	\$ -	\$ 941,000
Net book value, December 31, 2021	\$ -	\$ 4,065,008	\$ 1,122,166	\$ 5,187,174

	GameOn App Intellectual Property	Blockchain Technology	Hydreight App	Total
Cost				
Balance, January 1, 2020	\$ -	\$ -	\$ -	\$ -
Additions	941,000	-	-	941,000
Balance, December 31, 2020	\$ 941,000	\$ -	\$ -	\$ 941,000
Accumulated depreciation				
Balance, January 1, 2020	\$ -	\$ -	\$ -	\$ -
Balance, December 31, 2020	\$ -	\$ -	\$ -	\$ -
Net book value, January 1, 2020	\$ -	\$ -	\$ -	\$ -
Net book value, December 31, 2020	\$ 941,000	\$ -	\$ -	\$ 941,000

14. Intangible Assets (Continued)

GameOn App Intellectual Property

During the year ended December 31, 2020, GameOn acquired \$941,000 in intellectual property during the asset acquisition from GameOn App Inc. (Note 11). This amount was deconsolidated on May 26, 2021 (Note 3).

Silota License

On December 17, 2021, the Company sold their 25% share holding of Silota as well as settled the related party due form amount (Notes 10 and 21). In exchange, the Company entered into an agreement with Silota for a future license. The future license shall be in the form of a future non-exclusive, non-transferable, non-refundable, non-assignable license to Silota's blockchain query technology. This licence term will begin upon initiation, which has not occurred as of the date of these financial statements. This future license did not meet the definition of an asset and consequently the cost of \$452,000 was expensed.

Blockchain Technology

On March 5, 2021, the Company acquired certain intangible assets related to blockchain technology from Aspen for 4,600,048 common shares of the Company with a fair value of \$3,542,037 as well as forgiveness of outstanding debts of \$1,587,001 (Notes 10, 20 and 21) and other debts totalling \$407,260. After acquisition, the Company incurred costs to bring these assets to saleable state, resulting in additional costs of \$29,357, which were expensed.

During the year ended December 31, 2021, the Company sold a version of certain of these technologies to Cloud Nine for 4,411,765 common shares of Cloud Nine with a fair value of \$1.36 per share (Note 10m).

Hydreight App

On February 10, 2021, the Company acquired Hydreight through a share purchase agreement (Note 11). The purchase price allocation of this acquisition was finalized during the year ended December 31, 2021, and \$1,593,739 was allocated to intangible assets as a result (Note 11). The intangible asset is being amortized on a straight-line basis over three years, commencing on acquisition.

Hydreight also incurred a further \$357,072 in development costs during the period from the date of acquisition to December 31, 2021 which was expensed.

15. Loan Payable

On August 17, 2017, GameOn 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'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'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 under a June 14, 2016 mobile game publishing agreement; and
- 50% of the proceeds from Canada Media Fund payments to be received by GameOn under a February 11, 2015 agreement.

15. Loan Payable (Continued)

The loan was secured by a general security agreement over all present and after-acquired assets, property and undertaking of GameOn 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 recognized a gain on settlement of debt of \$72,444 to adjust the carrying value to \$295,078, the amount stated in a demand letter received from Runway dated July 27, 2020.

On January 15, 2021, GameOn settled the loan payable through the issuance of shares. During the year ended December 31, 2021, a gain on settlement of debt of \$65,902 was recognized. This amount was deconsolidated on May 26, 2021 (Note 3).

On December 17, 2021, XRI entered into a loan agreement for a principal amount of \$3,000,000, maturing on the earliest of 180 days from the closing date and either a financing or business combination transaction. The loan bears interest at a rate of 12% per annum and is, payable monthly, on the first business day of each month. As an inducement to the lender, 2,000,000 lender warrants were issued at an exercise price of \$0.52 for a period of 4 years. Further, the loan is secured by a General Security Agreement over all of XRI's assets and property. XRI paid costs including a finder's fee of \$150,000 and \$16,000 in legal costs. The Company also issued 966,332 finder warrants at an exercise price of \$0.52 for a period of 4 years. The costs and fair value of the finder warrants of \$238,216 was allocated to the issuance cost of the loan payable.

The fair value of the debt component of the loan payable was determined at inception using the Company's incremental borrowing rate of 20%. A total of \$89,944, representing the difference between the discounted value of \$2,910,056 and the proceeds received of \$3,000,000, was allocated to the equity component.

Interest expense and the amortization of debt costs are being recognized over the loan period, with a total of \$54,332 of interest being recognized during year ended December 31, 2021, resulting in a carrying value of \$2,560,172 at December 31, 2021.

16. 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.

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 year ended December 31, 2020. The balance of the loan as at December 31, 2020 was \$123,405.

During the year ended December 31, 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 \$22,639 and the CEBA loan held by GameOn with a balance of \$35,245 as of May 26, 2021, was deconsolidated for an ending balance of the CEBA loans as at December 31, 2021 of \$122,150.

17. Other Payables

Other payables consist of the following:

	December 31, 2021	December 31, 2020
Funds received from investors for investments not proceeding	\$ 158,765	\$ 158,766
Assumed GameOn App Inc. debt	-	237,655
Other	-	8,000
	\$ 158,765	\$ 404,421

During the year ended December 31, 2021, the Company recorded \$Nil (2020 - \$955) in interest expense on other payables.

18. Convertible Note and Derivative Liability

On December 1, 2020, GameOn issued a convertible promissory note for USD \$92,000 to Matthew Bailey in relation to the asset purchase agreement with GameOn App Inc. (Note 11). 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 by the payment of USD \$92,000 or \$103,132. For the period then ended, GameOn 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 December 31, 2021 is \$Nil (December 31, 2020 - \$8,758 and \$97,896). These amounts were deconsolidated on May 26, 2021 (Note 3).

19. Convertible Debentures

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

On May 14, 2021, the balance of convertible debentures of \$1,538,482 (December 31, 2020 - \$1,447,872) was settled via the issuance of 6,125,933 common shares of GameOn with a fair value of \$0.25 per common share.

As at December 31, 2020, GameOn received \$95,000 in advance of the issuance of additional convertible debentures.

This amount was deconsolidated on May 26, 2021 (Note 3).

20. Share Capital

Authorized Share Capital

Unlimited common shares without par value.

20. Share Capital (Continued)

Issued Share Capital

As at December 31, 2021, there were 97,930,700 common shares outstanding (December 31, 2020 - 76,491,818).

Shares Issued during the year ended December 31, 2021:

On February 10, 2021, the Company issued 3,239,124 common shares with a fair value of \$1,705,631 in relation to the acquisition of Hydreight (Note 11).

On February 16, 2021, the Company issued 11,713,053 common shares 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 \$3,542,037 in relation to the purchase of intangible assets from Aspen (Note 14).

On March 22, 2021, the Company issued 8,400 common shares for proceeds of \$4,367 in relation to the exercise of broker's warrants.

On March 24, 2021, the Company issued 50,000 common shares for proceeds of \$39,000 in relation to the exercise of warrants.

On March 9 and 18, 2021, the Company bought back 55,000 and 50,000 common shares at prices of \$0.70 to \$0.83 for a total buyback value of \$81,830.

On May 6, 19, and June 7, 2021, the Company issued 712,500 common shares for proceeds of \$155,546 in relation to the exercise of stock options.

On May 11, 2021, the Company issued 3,600 common shares for proceeds of \$1,872 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 (Note 10).

On November 11, 2021, the Company issued 1,000,000 common shares with a fair value of \$425,000 in relation to the follow-up investment in Creator.Co (Note 10).

On October 31, November 1, and December 15, 2021, the Company bought back 187,500, 30,500, and 239,000 common shares respectively at prices of \$0.34 to \$0.41 for a total buyback value of \$188,713.

Shares Issued during the year ended December 31, 2020

On May 5, 2020, the Company issued 2,726,317 common shares with a fair value of \$218,105 to settle debt of \$218,105. Debt of \$195,000 was settled with an officer and director of the Company for 2,437,500 common shares. An additional debt of \$23,105 with a former CEO was settled for 288,817 common shares.

On November 9, 2020, the Company issued 585,651 shares with a fair value of \$266,471 in relation to the special warrants financing transaction on that date.

During the year ended December 31, 2020 the Company issued 125,000 common shares in relation to the exercise of stock options for proceeds of \$18,750 per the stock option agreement at an exercise price of \$0.15 per common share.

20. 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 year ended December 31, 2021, the Company's board of directors authorized the issue of 3,540,000 stock options to employees, officers, directors, and consultants. Share-based payments of \$1,707,261 were recorded in the statement of income and comprehensive income for the Company for the year ended December 31, 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 ⁽¹⁾	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
Issued July 22, 2021	174%	0.60%	0%	3
Issued July 28, 2021	194%	0.42%	0%	2
Issued December 21, 2021	185%	1.00%	0%	2
Issued December 21, 2021	79%	0.85%	0%	1
Issued December 28, 2021	185%	0.99%	0%	2

⁽¹⁾ The options were authorized for issuance in December of 2019 and formally issued in March 17, 2020. The options vested immediately. The share-based compensation was recognized in the year ended December 31, 2019.

Options outstanding and exercisable as at December 31, 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
\$0.51	250,000	July 22, 2024
\$0.53	75,000	July 28, 2023
\$0.43	165,000	December 21, 2022
\$0.43	125,000	December 21, 2023
\$0.43	300,000	December 28, 2023
	7,992,500	

Stock options continuity for the year ended December 31, 2021, is as follows:

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20. Share Capital (Continued)

	Number of options	WAV option price
Balance, January 1, 2020	5,000,000	\$0.15
Exercised	(125,000)	\$0.15
Balance, December 31, 2020	4,875,000	\$0.15
Granted	3,830,000	\$0.58
Exercised	(712,500)	\$0.15
Balance, December 31, 2021	7,992,500	\$0.36

The weighted average share price on the date of exercise of stock options during the year ended December 31, 2021 was \$0.74 (2020 – \$0.53).

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

\$4,889,021. 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. The fair value of warrants issued excluding the special warrants was \$427,165)

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

	Warrants	Broker's Warrants	Special warrants
Balance, January 1, 2020	-	-	-
Issued	292,825	784,867	11,713,053
Balance, December 31, 2020	292,825	784,867	11,713,053
Balance, January 1, 2021	292,825	784,867	11,713,053
Issued	6,000	-	-
Exercised	(50,000)	(12,000)	-
Converted	5,856,526	-	(11,713,053)
Balance, December 31, 2021	6,105,351	772,867	-

Non-Controlling Interest

Share-based payments of subsidiary company

On May 1, 2021, XRI granted 4,300,000 stock options to employees, consultants, and directors exercisable at \$0.25 and expiring on May 1, 2026. On August 12, 2021, XRI granted 3,100,000 stock options to employees and consultants exercisable at \$0.25 and expiring on August 12, 2026. These stock options vest according to specific terms on each

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20. Share Capital (Continued)

employee, consultant, or director's stock option agreements. The total number of stock options vested as of December 31, 2021, was 1,526,587.

The following weighted average assumptions were used in calculating the fair value of stock options granted during the year using the Black-Scholes Option Pricing Model:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Issued May 1, 2021	167%	0.92%	0%	5
Issued August 12, 2021	162%	0.91%	0%	5

The following weighted average assumptions were used in calculating the fair value of broker warrants and consultant warrants granted during the year using the Black-Scholes Option Pricing Model:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend	Expected Life (in years)
Consultant Warrants, August 11, 2021	194%	0.45%	0%	2
Performance Warrants, August 11, 2021	162%	0.45%	0%	5
Broker Warrants August 12, 2021	194%	0.45%	0%	2
Lender and Finder Warrants, December 17, 2021	157%	1.14%	0%	4

Total share-based compensation recorded for the year ended December 31, 2021, was \$1,087,039 (2020 - \$Nil).

	December 31, 2021	December 31, 2020
Stock-based compensation for options vested	\$ 739,854	\$ -
Consultant warrants	332,517	-
CEO performance warrants	14,668	-
Stock-based compensation	\$ 1,087,039	\$ -

Subscriptions receipts issued of subsidiary company

On August 12, 2021, XRI closed a private placement financing for 6,750,803 subscription receipts at \$0.35 per unit, consisting of one common shares and one-half warrant, for gross proceeds of \$2,362,781, which reduced VST's ownership in the subsidiary from 100% as of December 31, 2020 to 84.02% as of the transaction closing date. In relation to the financing the Company paid finders' fees and share issuance costs of \$167,912.

Shares issued of subsidiary company

On April 1, 2021, XRI issued 4,691,180 common shares to settle the deposit on shares received in the prior year for a value of \$1,172,795. The shares were issued at a price of \$0.25 per share to two parties.

On September 8, 2021, 600,000 common shares were issued to the CEO of XRI at a fair value of \$150,000 upon the Company's listing on the CSE. The transaction was recorded as a consulting fee.

Between November 22, 2021, and December 20, 2021, a total of 700,000 shares were issued at a fair value of \$175,000 for consulting fees.

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20. Share Capital (Continued)

Shares of subsidiary company transferred by Company

On August 26, 2021, the Company distributed 4,500,000 of its shares held in XRI to the Company's shareholders as a dividend and reduced its ownership to 78.7%. On September 10, 2021, the Company distributed 1,220,300 of its shares held in XRI to various related parties and reduced its ownership to 77%. The fair value of the transaction was \$305,075, with \$192,147 and \$112,928 recorded to consulting expense and prepaids respectively. On November 11, 2021, the Company distributed 4,500,000 for the second tranche of the dividend of its shares held in XRI to the Company's shareholders reducing its ownership to 70.5%. As at December 31, 2021, the Company's ownership interest was 69.8%.

21. Related Parties

Related Party Transactions

During the years ended December 31, 2021, and 2020, the Company entered into the following transactions with related parties:

	December 31, 2021		December 31, 2020	
Management fees	\$	32,500	\$	130,000
Professional and consulting fees	\$	250,044	\$	178,615
Interest	\$	2,168	\$	13,034
Share-based compensation of the Company	\$	942,196	\$	-
Share-based compensation of GameOn	\$	159,410	\$	-
Share-based compensation of XRI	\$	46,961	\$	-

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 (December 31, 2020 - \$130,000) in management fees to the CEO;
- \$250,044 (December 31, 2020 - \$178,615) in professional fees to companies controlled by the CFO, for controller, bookkeeping, corporate secretarial and CFO services;
- \$942,196 (December 31, 2020 - \$Nil) in share-based compensation to various Directors and Management of the Company;
- \$159,410 (December 31, 2020 - \$Nil) in share-based compensation related to GameOn Entertainment stock options to the CEO and CFO; and
- \$46,961 (December 31, 2020 - \$Nil) in share-based compensation related to XRI stock options to the CFO.

Due from Related Parties

	December 31, 2021		December 31, 2020	
Due from Aspen (Notes 10 and 14)	\$	-	\$	2,072,015
Due from a Director		250		52,750
Due from Subsidiary Management		8,252		-
Due from Victory Square Health (Notes 3 and 10)		-		239,533
Due from Silota (Note 10)		-		73,834
Due from Stardust (Note 10)		200,000		-
Due from Cassia, dba CoPilot (Note 10)		2,095		2,095
	\$	210,597	\$	2,440,227

21. Related Parties (Continued)

The majority of the amount due from Aspen was 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 year ended December 31, 2021, the Company settled \$1,994,261 of this receivable via an asset acquisition of blockchain intangible assets (Note 14).

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

The amount due from Victory Square Health was an intercompany receivable which was previously eliminated on consolidation, but which was subsequently de-recognized as a result of the deconsolidation of Victory Square Health. The balance of the amount due from Victory Square Health at the time of forgiveness was \$228,843, which was recorded against reserves as related party debt forgiveness in the year ended December 31, 2021.

The loan due from Silota was secured under a General Security Agreement, non-interest bearing, contained a conversion feature, and had 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. During the year ended December 31, 2021, the Company entered into an agreement to increase their investment in Silota as well as acquire a convertible promissory note valued at \$300,000 (Note 10). The Company made two cash payments and transferred shares of GameOn to acquire the note as well as 12.5% of Silota shares from the vendor (Note 10). The Company then entered into another agreement to settle all investment and loan amounts with Silota in exchange for a licence agreement to obtain access

to future blockchain technology platform (Notes 10 and 14). Therefore, the balance of this related party loan amount as at December 31, 2021 was \$Nil and \$142,577 settlement of related party loans was included as consideration in the acquisition of blockchain technology.

As part of the Company's investment in Stardust, the Company originally pledged up to \$100,000 in cash as a loan to Stardust. As of December 31, 2021, this amount was increased due to additional funding requirements by Stardust. As at December 31, 2021, \$200,000 had been advanced to Stardust Solar and is recorded as a related party loan. 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

	December 31, 2021	December 31, 2020
Due to Aspen (Notes 10 and 14)	\$ -	\$ 77,754
Due to Limitless	-	202,844
Due to Shop & Shout (Note 10)	550,352	-
Due to Stardust (Note 10)	130,918	-
Due to CEO	278,651	75,220
	\$ 959,921	\$ 355,818

As at December 31, 2021, the Company has \$Nil (December 31, 2020 - \$77,754) in related party loans due to Aspen, \$Nil (December 31, 2020 - \$202,844) due to Limitless, \$550,352 (December 31, 2020 - \$Nil) due to Shop & Shout and \$130,918 (December 31, 2020 - \$Nil) due to Stardust. These related party loans are unsecured, due on demand, and non-interest bearing.

21. Related Parties (Continued)

As part of the asset acquisition from Aspen, the Company's remaining balances with Aspen and Limitless of \$77,754 and \$202,844 were part of the consideration to the transaction (Note 10 and 14).

The amount due to Shop&Shout relates to a clause within the Shop&Shout 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 \$1,000,000 to reach a total sum of \$1,000,000. On the date of closing of the investment transaction, the value of VST common shares issued for the investment was \$425,000 (Note 10 and 20). The value of this financial instrument as of December 31, 2021, was determined to be \$550,352 using historical stock price data and scenario modelling such that the total investment value was \$975,352 (Note 10).

The amount due to Stardust 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 (Notes 10 and 20). The value of this financial instrument as of December 31, 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 10).

As at December 31, 2021, the Company has \$278,651 (2020 - \$75,220) in related party loans due to the CEO, which includes \$2,168 (2020 - \$Nil) in accrued interest. This related party loan is unsecured, due on demand, and bear interest at 3%.

Related Party Balances

As at December 31, 2021, the Company has \$106,508 (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.

22. Operating Segments

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

Legal Entities	Segment
Draft Label	Software
PDL USA	Software
XRI	Immersive Services
GameOn ⁽¹⁾	Gaming
Victory Entertainment	Investments
Victory Square Technologies ⁽²⁾	Investments
BlockX Capital	Investments
VS Blockchain	Investments
VS Digital Health	Health
Hydreight	Health

⁽¹⁾ GameOn was deconsolidated as of May 26, 2021.

⁽²⁾ Parent corporation

Segmented operations were as follows as at and for the year ended December 31, 2021:

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22. Operating Segments (Continued)

	Investments	Gaming	Software	Immersive Services	Health	Total
Current assets	\$ 2,029,676	\$ -	\$ 50,274	\$ 3,341,442	\$ 20,671	\$ 5,442,063
Non-current assets	32,099,804	-	(143,425)	23,833	(91,122)	31,889,090
	\$ 34,129,480	\$ -	\$ (92,526)	\$ 3,365,275	\$ (70,451)	\$ 37,331,153
Current liabilities	\$ (768,728)	\$ -	\$ (38,271)	\$ (3,997,958)	\$ (546,031)	\$ (5,350,988)
Non-current liabilities	(705,909)	-	(40,696)	(74,549)	-	(821,154)
	\$ (1,474,636)	\$ -	\$ (78,967)	\$ (4,072,508)	\$ (546,031)	\$ (6,172,142)

	Investments	Gaming	Software	Immersive Services	Health	Total
Revenue	\$ 297,887	\$ -	\$ 36,803	\$ 107,960	\$ 1,051,800	\$ 1,494,450
Cost of goods sold	-	-	(15,205)	(108,737)	(460,372)	(584,314)
Gross margin	297,887	-	21,598	(777)	591,428	910,136
Expenses	(8,980,567)	-	(360,001)	(4,852,215)	(890,064)	(15,082,847)
Discontinued loss	-	(2,423,705)	-	-	-	(2,423,705)
Gain on deconsolidation of subsidiaries	6,108,408	-	-	-	-	6,108,408
Deferred tax recovery	99,030	-	-	-	-	99,030
Other gains (losses)	(5,925,833)	-	106,764	469,395	(7,013)	(5,356,687)
Net income (loss)	(8,401,075)	(2,423,705)	(231,639)	(4,383,597)	(305,649)	(15,745,665)
Other Comprehensive Income	322	-	-	-	-	322
Comprehensive income (loss)	\$ (8,400,753)	\$ (2,423,705)	\$ (231,639)	\$ (4,383,597)	\$ (305,649)	\$ (15,745,343)

Segmented operations were as follows as at and for the year ended December 31, 2020:

	Investments	Gaming	Software	Immersive Services	Health	Discontinued Operations	Total
Current assets	\$ 4,722,050	\$ 1,903,239	\$ (323)	\$ 270,762	\$ 59,917	\$ -	\$ 6,955,646
Non-current assets	31,710,083	5,125,157	(1,385,975)	241,296	6,000	-	35,696,561
	\$ 36,432,134	\$ 7,028,396	\$ (1,386,297)	\$ 512,057	\$ 65,917	\$ -	\$ 42,652,207
Current liabilities	\$ 943,936	\$ 2,558,922	\$ 42,632	\$ 165,349	\$ 6,481	\$ -	\$ 3,717,321
Non-current liabilities	33,665	140,280	22,447	33,667	-	-	230,059
	\$ 977,602	\$ 2,699,202	\$ 65,079	\$ 199,016	\$ 6,481	\$ -	\$ 3,947,380

	Investments	Gaming	Software	Immersive Services	Health	Discontinued Operations	Total
Revenue	\$ 44,548	\$ 2,626	\$ 1,004	\$ 1,441,468	\$ -	\$ -	\$ 1,489,646
Cost of goods sold	(12,543)	(10,877)	(133,003)	(804,253)	(1,183)	-	(961,858)
Gross margin	32,005	(8,251)	(131,999)	637,216	(1,183)	-	527,788
Expenses	(2,110,147)	(928,882)	(203,427)	(726,578)	(35,260)	-	(4,004,295)
Other gains (losses)	23,401,838	(49,933)	17,541	208,282	-	-	23,577,728
Discontinued loss	-	-	-	-	-	(368,190)	(368,190)
Net income (loss)	\$ 21,323,696	\$ (987,065)	\$ (317,886)	\$ 118,919	\$ (36,443)	\$ (368,190)	\$ 19,733,031

23. 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 bank accounts in Canada and the USA. 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, loan receivable, advances, and due from related parties. Based on the evaluation of receivables at December 31, 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.

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).

23. Financial Risk Management (Continued)

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 and cash equivalents, trade receivables, marketable securities, certain investments, amounts due from related parties, trade payables, loan payable, other payables, convertible debentures, and related party loans. The carrying value of financial instruments approximates the fair value at December 31, 2021.

24. 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 business 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.

25. Revenue and Cost of Goods Sold

Revenue

	Year ended December 31,	
	2021	2020
Immersive experiences	\$ 107,960	\$ 1,440,140
Film royalties	-	44,549
Health	1,051,800	-
Software	36,803	2,331
Management fees	267,000	-
Sublease	30,887	-
	\$ 1,494,450	\$ 1,487,020

Cost of Goods Sold

	Year ended December 31,	
	2021	2020
Immersive experiences	\$ 108,737	\$ 804,253
Film royalties	-	12,543
Health	460,372	1,183
Software	15,205	133,528
	\$ 584,314	\$ 951,507

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26. Research and Development

During the year ended December 31, 2021, the Company incurred research and development expenses as follows:

	XRI				VS Digital Health		Hydreight	Draft Label	VST		Total
	Container and Hardware	Software and Design Labor	IP - Patents, Trademarks	Other	Software and Legal	Website Development	Software and Legal	Website Development	Other		
Expenditure	\$ 521,952	\$ 1,082,562	\$ 4,886	\$ 36,484	\$ 413,265	\$ 60,100	\$ 71,921	\$ 104,000	\$ 12,829	\$ 2,307,999	

There were no research and development expenses incurred in the fiscal year ended December 31, 2020.

27. Interest and Other Income

During the year ended December 31, 2021, XRI had major sources of interest and other income including \$46,838 (December 31, 2020 - \$Nil) in government grants and \$508,050 (December 31, 2020 - \$Nil) in government subsidies. Government subsidies and grants included Canada Emergency Wage Subsidy (CEWS), Canada Emergency Rent Subsidy (CERS), Tourism and Hospitality Recovery Program, 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.

During the year ended December 31, 2021, the Company earned \$167,093 in other income consisting of mostly accretion income on a convertible promissory note to GameOn.

During the year ended December 31, 2020, the Company earned \$456,719 in interest and other income consisting of \$78,713 in subsidies, \$14,820 in gain on derivative liability, \$252,960 in loan interest income and \$110,227 in sublease revenue and marketable securities gains.

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28. Income Tax

The following tables reconciles the expected income tax recovery at the Canadian statutory income tax rates to the amounts recognized in the statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2021 and 2020.

	December 31, 2021		December 31, 2020	
Income (loss) before income tax	\$	(19,529,398)	\$	16,074,465
Tax rate		27%		27%
Expected income tax recovery		(5,272,937)		4,340,106
Increase (decrease) in income tax recovery resulting from:				
Non-deductible items		558,352		1,565,795
Foreign tax rate differences		(21,862)		-
Change in deferred tax asset not recognized		4,637,417		(5,905,901)
Income tax recovery	\$	(99,030)	\$	-
Non-capital loss carryforwards (Canada)	\$	8,924,604	\$	9,058,795
Net operating loss carryforwards (US)		1,132,749		982,030
True up on non-capital losses		(290,160)		(21,798)
Share issuance costs		835,451		574,502
Other		(1,962,484)		(6,355,131)
		8,640,160		4,238,398
Deferred tax asset not recognized		(8,875,815)		(4,238,398)
Deferred tax asset (liability)	\$	(235,655)	\$	-

The Company has non-capital loss carryforwards which may be carried forward to apply against future year income tax subject to the final determination by taxation authorities, expiring in the following years:

Year of expiry	Taxable losses Canada		Taxable losses USA		Total
2033	\$	64,000	\$	613,000	\$ 677,000
2034		109,000		115,000	224,000
2035		71,000		71,000	142,000
2036		138,000		152,000	290,000
2037		212,000		-	212,000
2038		161,000		-	161,000
2039		1,207,000		-	1,207,000
2040		2,324,000		-	2,324,000
2041		4,638,000		182,000	4,820,000
Total	\$	8,924,000	\$	1,133,000	\$ 10,057,000

29. Non-Controlling Interest

GameOn

Prior to December 1, 2020, the Company held 28,000,000, or 100%, of the issued and outstanding shares of GameOn. On December 1, 2020, GameOn issued 15,199,985 shares as part of the consideration for the asset purchase from GameOn App Inc. (Note 11). The shares were issued at a price of \$0.25 per share to GameOn App Inc.

On December 31, 2020, GameOn issued 3,990,212 common shares at \$0.25 per share in relation to the two term sheets entered into on June 20, 2020, for gross proceeds of \$997,533. An \$11,431 foreign exchange gain was recognized on the settlement of the deposit on share amount. On December 31, 2020, GameOn cancelled 3,706,899 common shares returned by the Company for \$Nil consideration.

On May 26, 2021, GameOn 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 and recognized a gain on deconsolidation of associate of \$6,108,408 (Note 3). As at December 31, 2021, the Company held a 22.07% (2020 – 55.87%) interest in GameOn Entertainment.

XRI

Prior to August 12, 2021, the Company held 63,308,820, or 93.1% of the issued and outstanding shares of XRI. On August, 12, 2021, XRI completed a private placement which increased the total common shares outstanding and reduced the Company's ownership to 84.02%. On August 26, 2021, the Company issued a share dividend, distributing 4,500,000 common shares and reducing its interest to 78.05%. On September 14, 2021, the Company further distributed 1,220,300 common shares reducing its interest to 76.43%. On December 30, 2021, the Company issued a second share dividend, distributing 4,500,000 common shares reducing its interest to 69.82%.

The following is a summarized consolidated statement of financial position of XRI and GameOn Entertainment as at December 31, 2021 and 2020:

	XRI		GameOn	
	December 31, 2021		December 31, 2020	
Current assets	\$	3,341,442	\$	1,903,239
Non-current assets		77,833		5,462,973
		3,419,275		7,366,212
Current liabilities		4,051,959		3,228,540
Non-current liabilities		74,549		140,280
		4,126,508		3,368,820
Total net assets	\$	(707,233)	\$	3,997,392

The following is a summarized consolidated statement of comprehensive loss for XRI and GameOn Entertainment for the years ending December 31, 2021, and 2020:

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29. Non-Controlling Interest (Continued)

	XRI		GameOn	
	Years ended December 31,			
	2021		2020	
Revenue	\$	107,960	\$	2,626
Cost of goods sold		(95,765)		(10,351)
Expenses		(4,909,314)		(1,229,612)
Other gains (losses)		551,649		256,465
Net loss	\$	(4,345,470)	\$	(980,872)

30. Commitment

On August 13, 2019, Hydreight entered into an agreement with a pharmacy whereby Hydreight authorized the pharmacy to procure the materials for a specific number of customized kits. The ownership of the custom kits remained with the pharmacy and were shipped as per customary terms with other pharmacy products to customers.

On December 20, 2021, a purchase commitment settlement agreement was executed with the pharmacy whereby Hydreight agreed to purchase and take possession of the remaining custom inventory in the amounts and dates as follows:

	USD	
December 31, 2021	\$	14,909
January 31, 2022		34,976
March 31, 2022		245,022
	\$	294,907

31. Subsequent Events

- a) On January 4, 2022, XRI signed a share purchase agreement to acquire all of the shares of Synthesis VR Inc., a location-based Virtual Reality content store and technology engine, for an aggregate purchase price of \$4,800,000 as follows (i) \$500,000 in cash with \$150,000 payable upon closing, \$50,000 payable by January 31, 2022, and a further \$300,000 payable upon the completion of certain milestones related to rounds of financings; and (ii) common shares of XRI with an aggregate value of \$4,300,000 at a deemed price per share equal to the market price of XRI's shares minus permitted discounts per policies of the CSE with a minimum price per share of \$0.35, which such shares shall be subject to contractual escrow subject to CSE mandated hold periods. In addition, subject to applicable laws and the policies of the CSE, XRI may issue additional shares with an aggregate value of up to \$5,000,000 upon the achievement of certain mutually agreed upon performance milestones. In connection with the transaction, XRI also agreed to pay an aggregate of \$288,000 in finder's fees payable by the issuance of 2,057,142 common shares at a deemed price per share of \$0.14.
- b) On January 24, 2022, Alpha Metaverse Technologies Inc ("Alpha"), a company traded on the CSE, entered into a letter of intent with XRI and Shape Immersive Inc. ("Shape"), which contemplates the 100% acquisition of Shape in exchange for 14,840,000 common shares of Alpha and \$1,000,000 in cash. In early May 2022, the transaction closed. Prior to issuing its annual financial statements Management of XRI could not reliably measure the amount to be allocated to its interest in Shape, resulting in management's decision to write-down the investment to the consideration paid for the non-voting class of shares per the August 11, 2021, transaction.