

**Victory Square Technologies Inc.**

**Condensed Consolidated Interim Financial Statements  
Three months ended March 31, 2022 and 2021**

Expressed in Canadian Dollars



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

June 6, 2022

"Shafin Tejani"

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CEO, Director

"Sheri Rempel"

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CFO

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

	Note	March 31, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	\$ 2,188,209	\$ 4,376,374
Prepays	4	960,973	510,545
Trade receivables	5	217,363	289,291
Government sales tax receivable		151,594	121,835
Inventories	6	274,616	144,018
		3,792,755	5,442,063
<b>Non-current assets</b>			
Investments	7	25,633,336	23,945,058
Due from related parties	18	290,469	210,597
Right of use asset	8	568,826	621,361
Property and equipment	9	87,717	284,247
Intangible assets	10	4,601,144	5,187,174
Goodwill		1,640,653	1,640,653
<b>TOTAL ASSETS</b>		<b>\$ 36,614,900</b>	<b>\$ 37,331,153</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	15	\$ 535,834	\$ 384,578
Accrued liabilities	15	549,532	727,702
Deferred Revenue		456,093	387,160
Related party loans	15	927,037	959,921
Loan payable	11	2,819,363	2,560,172
Other payables	13	158,765	158,765
Current portion of lease liability	8	182,344	172,690
		5,628,968	5,350,988
<b>Non-current liabilities</b>			
CEBA loans	12	128,025	122,150
Deferred tax liability		208,147	235,655
Lease liability	8	414,094	463,349
<b>TOTAL LIABILITIES</b>		<b>6,379,234</b>	<b>6,172,142</b>
<b>EQUITY</b>			
Share capital	14	42,795,726	42,795,726
Stock option reserve	14	2,226,661	2,226,661
Equity portion of debt	14	89,944	89,944
Broker's warrants	14	427,165	427,165
Obligation to issue shares	14	1,120,895	1,120,895
Accumulated other comprehensive income		73,007	59,400
Deficit		(23,397,002)	(19,337,171)
Equity attributable to owners of the Company		23,336,396	27,382,620
Non-controlling interest	21	6,899,270	3,776,391
<b>EQUITY</b>		<b>30,235,666</b>	<b>31,159,011</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 36,614,900</b>	<b>\$ 37,331,153</b>

Nature of operations and going concern – Note 1

See accompanying notes to the condensed consolidated interim financial statements.

Victory Square Technologies Inc.

Condensed consolidated interim statements of income (loss) and comprehensive income (loss)

(Expressed in Canadian dollars)

	Note	Three months ended March 31,	
		2022	2021
<b>Revenue</b>	19	\$ 1,017,097	\$ 134,773
<b>Cost of goods sold</b>	19	442,957	(25,352)
		574,140	160,125
<b>Expenses</b>			
Amortization and depreciation	9, 10	644,113	181,272
Donations		-	263,359
Foreign exchange (gain) loss		61	34,803
General and administration		269,430	118,417
Insurance		30,781	6,391
Investor relations		113,447	41,737
Management fees	15	40,150	77,257
Professional and consulting fees	15	459,349	328,181
Rent		16,820	45,194
Research and development	20	333,814	-
Sales and marketing		320,816	497,058
Share based payments	14	526,806	1,566,058
Transfer agent and regulatory fees		38,140	17,915
Wages		688,208	144,958
Total expenses		(3,481,935)	(3,322,600)
<b>Other Items</b>			
Fair value gain on marketable securities		-	46,375
Gain on exercise of warrants		-	1,688,148
Equity gain (loss) on investments	7	(91,478)	103,273
Fair value gain (loss) on investments	7	(1,438,272)	(1,157,189)
Impairment of investments		-	(620,000)
Impairment of related party loans		-	(5,391)
Gain (loss) on disposal of assets		23,620	7,480,611
Loss on settlement of payables		-	(138,789)
Gain (loss) on settlement of receivables		-	(496,362)
Gain on CEBA loans		-	8,649
Interest expense		(368,048)	(73,291)
Interest and other income		219,600	138,567
		(1,654,578)	6,974,601
Deferred tax recovery		27,508	-
Net income (loss) from continuing operations for the period		(4,534,865)	3,812,126
Net loss from discontinued operations for the period		-	(1,458,729)
Net income (loss) for the period		(4,534,865)	2,353,397
<b>Other Comprehensive Income</b>			
Currency translation adjustment		13,607	(310)
Comprehensive income (loss) for the period		(4,521,258)	2,353,087
<b>Net income (loss) attributable to:</b>			
Shareholders of the parent company		(3,969,565)	2,779,533
Non-controlling interest		(565,300)	(426,136)
		\$ (4,534,865)	\$ 2,353,397
<b>Basic earnings (loss) from continuing operations per share attributable to the shareholders of the parent company</b>		\$ (0.04)	\$ 0.03
<b>Diluted earnings (loss) from continuing operations per share attributable to the shareholders of the parent company</b>		\$ (0.04)	\$ 0.03
<b>Weighted average number of common shares outstanding for the period - basic</b>		97,930,700	85,164,542
<b>Weighted average number of common shares outstanding for the period - diluted</b>		97,930,700	99,884,032

See accompanying notes to the condensed consolidated interim financial statements.

Victory Square Technologies Inc.  
Condensed consolidated interim 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									
<b>Balance at January 1, 2021</b>		<b>76,491,818</b>	<b>\$ 31,865,593</b>	<b>\$ 59,078</b>	<b>\$ 442,591</b>	<b>\$ -</b>	<b>\$ 199,703</b>	<b>\$ 4,889,021</b>	<b>\$ 427,165</b>	<b>\$ (4,938,669)</b>	<b>\$ 5,760,345</b>	<b>\$ 38,704,827</b>
Conversion of special warrants, net of issuance costs		11,713,053	4,889,021	-	-	-	-	(4,889,021)	-	-	-	-
Shares issued - acquisition of Hydreight		3,239,124	2,267,386	-	396,692	-	-	-	-	-	-	2,664,078
Shares issued - acquisition of intangible assets		4,600,048	3,404,036	-	-	-	-	-	-	-	-	3,404,036
Share buybacks		(105,000)	(81,830)	-	-	-	-	-	-	-	-	(81,830)
Exercise of warrants		58,400	42,184	-	-	-	-	-	1,183	-	-	43,367
Share-based payments		-	-	-	1,566,058	-	-	-	-	-	932,504	2,498,562
Proceeds received in advance of share issuance of		-	-	-	-	-	-	-	-	-	150,851	150,851
Subscription receipts - subsidiary company		-	-	-	-	-	-	-	-	-	5,776,938	5,776,938
Currency translation adjustment		-	-	-	-	-	-	-	-	(310)	-	(310)
Shares issued - subsidiary company		-	-	-	-	-	-	-	-	-	229,175	229,175
Net loss for the period		-	-	-	-	-	-	-	-	2,362,030	-	2,362,030
<b>Balance at March 31, 2021</b>		<b>95,997,443</b>	<b>42,386,390</b>	<b>59,078</b>	<b>2,405,341</b>	<b>-</b>	<b>199,703</b>	<b>-</b>	<b>428,348</b>	<b>(2,576,949)</b>	<b>12,849,813</b>	<b>55,751,724</b>
<b>Balance at January 1, 2022</b>		<b>97,930,700</b>	<b>\$ 42,795,726</b>	<b>\$ 59,400</b>	<b>\$ 2,226,661</b>	<b>\$ 1,120,895</b>	<b>\$ 89,944</b>	<b>\$ -</b>	<b>\$ 427,165</b>	<b>\$ (19,337,171)</b>	<b>\$ 3,776,391</b>	<b>\$ 31,159,011</b>
Share-based payments	14	-	-	-	-	-	-	-	-	-	526,806	526,806
Shares issued - subsidiary company	14	-	-	-	-	-	-	-	-	-	3,071,429	3,071,429
Equity portion of debt	14	-	-	-	-	-	-	-	-	(89,944)	89,944	-
Currency translation adjustment		-	-	13,607	-	-	-	-	-	-	-	13,607
Net loss for the period		-	-	-	-	-	-	-	-	(3,969,887)	(565,300)	(4,535,187)
<b>Balance at March 31, 2022</b>		<b>97,930,700</b>	<b>\$ 42,795,726</b>	<b>\$ 73,007</b>	<b>\$ 2,226,661</b>	<b>\$ 1,120,895</b>	<b>\$ 89,944</b>	<b>\$ -</b>	<b>\$ 427,165</b>	<b>\$ (23,397,002)</b>	<b>\$ 6,899,270</b>	<b>\$ 30,235,666</b>

See accompanying notes to the condensed consolidated interim financial statements.

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

	Three months period ended March 31,	
	2022	2021
<b>Operating activities</b>		
Net income (loss) for the period	\$ (4,534,865)	\$ 2,361,720
<b>Adjustments for non-cash items:</b>		
Amortization and depreciation	644,113	320,795
Deferred tax recovery	(27,508)	-
Foreign exchange (gain) loss	(4,583)	29,021
Share based payments	526,806	2,498,562
Fair value gain on marketable securities	-	(46,375)
Gain on exercise of warrants	-	(1,688,148)
Equity (gain) loss on investments	91,478	(103,273)
Fair value (gain) loss on investments	1,438,272	1,157,189
Impairment of investment	-	620,000
Impairment of related party loans	-	5,391
Gain on disposal of assets	(23,620)	(7,480,611)
(Gain) loss on settlement of payables	-	(132,272)
Gain (loss) on modification of loan receivable	-	496,362
Gain on CEBA loans	-	(8,649)
Gain on derivative liability	-	(2,286)
Accrued interest expense	295,056	73,291
Accrued interest income	-	(399)
<b>Changes in non-cash working capital items:</b>		
Trade receivables	(443,879)	13,786
Government sales tax recoverable	(29,759)	20,673
Prepaid expenses	(456,828)	70,079
Trade payables	667,190	198,074
Accrued liabilities	(178,168)	(121,389)
Inventories	(130,598)	-
Deferred revenue	68,933	33,320
Other payables	-	(274,680)
<b>Net cash flows used in operating activities by continuing operations</b>	(2,097,960)	(1,959,819)
<b>Net cash flows used in operating activities by discontinued operations</b>	-	(858,272)
<b>Investing activities</b>		
Cash used for investments	(200,000)	(49,000)
Cash (used) reimbursed for additions to property and equipment	201,966	(151,524)
Cash used for additions to intangible assets	-	(269,885)
Proceeds received from note receivable	-	1,697,912
Proceeds received from sale of investments	77,020	528,483
<b>Net cash flows provided by (used in) investing activities by continuing operations</b>	78,986	1,755,986
<b>Net cash flows provided by (used in) investing activities by discontinued operations</b>	-	1,697,912
<b>Financing activities</b>		
Cash used for lease payments	(69,590)	-
Cash used for (proceeds from) payments to related parties	(32,884)	(76,625)
Proceeds received for lease payments	-	43,368
Cash used for share buybacks	-	(81,830)
Cash used on loan to investee company	(80,000)	-
Proceeds received for share issuance of subsidiary	-	5,776,938
Proceeds from obligation to issue shares of subsidiary	-	150,851
Proceeds received from CEBA loans	-	20,000
<b>Net cash flows provided by financing activities by continuing operations</b>	(182,474)	5,832,702
<b>Net cash flows provided by financing activities by discontinued operations</b>	-	5,793,257
<b>Effect of foreign exchange on cash</b>	13,283	-
Change in cash and cash equivalents	(2,188,165)	12,261,766
Cash and cash equivalents, beginning	4,376,374	4,551,751
<b>Cash and cash equivalents, ending</b>	<b>\$ 2,188,209</b>	<b>\$ 16,813,517</b>

See accompanying notes to the condensed consolidated interim 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”), BlockX Capital Corp. (“BlockX Capital”), VS Blockchain Assembly (“VS Blockchain”), IV Hydreight Inc. (“Hydreight”), Victory Entertainment Inc. (“Victory Entertainment”), and Victory Square Digital Health Inc. (“VS Digital Health”). The Company 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 condensed consolidated interim 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 March 31, 2022, the Company had working capital deficit of \$1,836,213 (December 31, 2021 – \$91,075) and an accumulated deficit of \$23,397,002 (December 31, 2021 – \$19,337,171). 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.

Victory Square Technologies Inc.  
Notes to the condensed consolidated interim financial statements  
For the period ended March 31, 2022 and 2021  
(Expressed in Canadian dollars)

**2. Significant Accounting Policies**

These condensed consolidated interim unaudited financial statements were authorized for issue on June 6, 2022, by the directors of the Company.

a) Statement of Compliance

These condensed consolidated interim unaudited financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards

Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim unaudited financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended December 31, 2021.

The condensed consolidated interim unaudited financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company’s annual financial statements as at and for the year ended December 31, 2021.

a) Principles of Consolidation

The condensed consolidated interim 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, and VS Digital Health.

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

b) Basis of Preparation

The condensed consolidated interim 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, and VS Digital Health. 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.

**3. Cash and Cash Equivalents**

Cash and cash equivalents include \$11,500 (December 31, 2021 – \$11,500) of cash held in a GIC.

**4. Prepaids**

Prepaids consist of the following:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Marketing fees	\$ 669,405	\$ 177,672
Rental deposits	61,713	77,085
Transfer agent	23,831	31,928
Consulting	146,359	156,616
Software	30,000	30,000
Deposit on medical supplies	9,382	9,382
Listing fees	11,244	18,823
Legal	9,039	9,039
	<b>\$ 960,973</b>	<b>\$ 510,545</b>



Victory Square Technologies Inc.  
Notes to the condensed consolidated interim financial statements  
For the period ended March 31, 2022 and 2021  
(Expressed in Canadian dollars)

## 5. Trade Receivables

Trade receivables consists of the following:

	March 31, 2022		December 31, 2021	
Immersive services	\$	115,970	\$	200,054
Other		101,393		89,237
	\$	217,363	\$	289,291

## 6. Inventories

During the year ended December 31, 2021, XRI began incurring costs related to a project ("UNCONTAINED"). To March 31, 2022, inventory related to UNCONTAINED is comprised of units under construction and supplies inventory. Hydreight maintains specific pharmacy product inventory for sale in the ordinary course of business.

	Units under Construction		Supplies Inventory		Pharmacy Product		Total
Balance, January 1, 2022	\$	140,699	\$	3,319	\$	-	\$ 144,018
Additions		90,279		40,319		43,706	130,598
Balance March 31, 2022	\$	230,978	\$	43,638	\$	43,706	\$ 274,616

## 7. Investments

The Company's investments consist of the following:

	March 31, 2022		December 31, 2021	
FansUnite (2)	\$	2,600,151	\$	3,258,057
Cassia, dba CoPilot (1)		1,227,841		1,319,319
Victory Square Health (2)		11,691,937		11,691,937
Turnium (2)		1,148,000		1,148,000
Cloud Benefit, dba Cloud Advisors (2)		263,500		263,500
Shop & Shout, dba Creator.co (2)		1,116,115		1,116,115
Cloud Nine (2)		1,057,117		1,294,430
GameOn (2)		2,019,981		2,605,185
Stardust Solar (2)		1,153,000		1,153,000
Synthesis		3,271,429		-
Other (1) (2)		84,265		95,515
	\$	25,633,336	\$	23,945,058

The investments are accounted for as follows: (1) IAS 28, Investment in Associates and Joint Ventures (2) IFRS 9, Financial Instruments. Synthesis is held in XRI and consolidated.

### 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).

As at March 31, 2022, the Company held 8,851,794 shares of FansUnite with a market value of \$2,600,151 (December 31, 2021 - \$3,671,495). Given these shares are held in escrow with release dates from May 2021 to May 2023, the discounted fair value as at March 31, 2022 is \$2,600,151 (December 31, 2021 - \$3,258,057), or a 14.86% (December 31, 2021 - 9.1%) weighted average discount rate. For the period ended March 31, 2022, the Company recognized a fair value loss of this investment of \$657,906 (2021 - loss of \$720,235).

## **7. Investments (Continued)**

### **b) 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%).

As at March 31, 2022, the value of the Company's investment in Cassia is \$1227,841 (December 31, 2021, \$1,319,319).

### **c) 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.

As at March 31, 2022, the value of the Company's 20% investment in Victory Square Health was fair valued at \$11,691,937 (December 31, 2021 - \$11,691,937).

### **d) 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 March 31, 2022, the value of the Company's investment in Turnium was fair valued at \$1,148,000 (December 31, 2021 - \$1,148,000).

### **e) 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 period ended March 31, 2022, the fair value was \$263,500 (December 31, 2021 - \$ 263,500).

### **f) Shop & Shout, dba Creator.co**

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

During the period ended March 31, 2022, there was no change in the fair value of this investment and the ending balance as of March 31, 2022, was \$1,116,115.

## **7. Investments (Continued)**

### **g) Cloud Nine**

On March 15, 2021, the Company sold a license to certain intangible assets 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).

During the period ended March 31, 2022, the Company sold 278,000 common shares for gross proceeds of \$107,768.

As at March 31, 2022, the Company held 4,036,765 common shares of Cloud Nine. During the period ended March 31, 2022, the Company recorded a fair value loss on the Cloud Nine shares of \$153,912 (2021 - \$Nil) for an ending balance as at March 31, 2022 of \$1,057,117 (December 31, 2021 - \$1,294,430).

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

### **h) 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 \$499,494.

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. This consideration was valued at \$46,000 at the transaction date.

As at March 31, 2022, the Company held 13,949,373 out of 64,730,846 shares of GameOn or 21.55% with a market value of \$2,371,393. Given these shares are held in escrow with release dates from May 2021 to June 2022, the discounted fair value as at March 31, 2022 is \$2,019,981. For the period ended March 31, 2022, the Company recognized a fair value loss of this investment of \$585,204.

### **i) Stardust Solar**

On June 8, 2021, the Company issued 674,157 common shares to Stardust Solar Inc. ("Stardust Solar") 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 March 31, 2022 and December 31, 2021, this investment was fair valued at \$1,153,000.

### **j) Synthesis**

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.

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**k) Shape Immersive**

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.

**8. 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.

Right-of-use asset

		VST		XRI		Total
Balance, January 1, 2022	\$	576,049	\$	45,312	\$	621,361
Amortization		(48,004)		(4,531)		(52,535)
Balance, March 31, 2022	\$	528,045	\$	40,781	\$	568,826

Lease liability

		VST		XRI		Total
Balance, January 1, 2022	\$	588,239	\$	47,800	\$	636,039
Additions		-		-		-
Interest expense		27,730		2,259		29,989
Lease payment		(64,508)		(5,082)		(69,590)
		551,461		44,977		596,438
Less: Current portion		166,782		15,562		182,344
Balance, March 31, 2022	\$	384,679	\$	29,415	\$	414,094

Future fixed lease payments are as follows:

		VST		XRI		Total
2022	\$	193,524	\$	16,938	\$	210,462
2023		258,032		25,404		283,436
2024		258,032		13,548		271,580
	\$	709,589	\$	55,890	\$	765,479

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## 9. Property and Equipment

Property and equipment consist of the following:

	Computer Equipment	Furniture and Other Equipment	Leasehold Improvements	Total
<b>Cost</b>				
Balance, January 1, 2022	\$ 35,167	\$ 22,108	\$ 250,835	\$ 308,110
Additions	-	-	(192,204)	(192,204)
Balance, March 31, 2022	\$ 35,167	\$ 22,108	\$ 58,631	\$ 115,906
<b>Accumulated depreciation</b>				
Balance, January 1, 2022	\$ 19,979	\$ 3,884	\$ -	\$ 23,863
Depreciation	201	-	4,125	4,326
Balance, March 31, 2022	\$ 20,180	\$ 3,884	\$ 4,125	\$ 28,189
Net book value, January 1, 2022	\$ 15,188	\$ 18,224	\$ 250,835	\$ 284,247
Net book value, March 31, 2022	\$ 14,987	\$ 18,224	\$ 54,506	\$ 87,717

## 10. Intangible Assets

Intangible assets consist of the following:

	Blockchain Technology	Hydreight App	Total
<b>Cost</b>			
Balance, January 1, 2022	\$ 5,536,298	\$ 1,593,739	\$ 7,130,037
Additions	-	-	-
Balance, March 31, 2022	\$ 5,536,298	\$ 1,593,739	\$ 7,130,037
<b>Accumulated depreciation</b>			
Balance, January 1, 2022	\$ (1,471,290)	\$ (471,573)	\$ (1,942,863)
Depreciation	(455,038)	(130,992)	(586,030)
Balance, March 31, 2022	\$ (1,926,328)	\$ (602,565)	\$ (2,528,893)
Net book value, January 1, 2022	\$ 4,065,008	\$ 1,122,166	\$ 5,187,174
Net book value, March 31, 2022	\$ 3,609,970	\$ 991,174	\$ 4,601,144

## 11. Loan Payable

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 \$259,191 (March 31, 2021 - \$Nil) of interest being recognized during period ended March 31, 2022, resulting in a carrying value of \$2,819,363 at March 31, 2022 (December 31, 2021 - \$2,560,172).

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**12. 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 \$5,876 for the period ended March 31, 2022. The balance of the loan as at March 31, 2022 was \$128,025.

**13. Other Payables**

Other payables consist of the following:

	March 31, 2022	December 31, 2021
Funds received from investors for investments not proceeding	\$ 158,765	\$ 158,765
	\$ 158,765	\$ 158,765

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

**14. Share Capital**

**Authorized Share Capital**

Unlimited common shares without par value.

**Issued Share Capital**

As at March 31, 2022, there were 97,930,700 common shares outstanding (December 31, 2021 - 97,930,700).

**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.

Options outstanding as at March 31 2022 are as follows:

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**14. Share Capital (Continued)**

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 outstanding for the period ended December 31, 2021, and March 31, 2022 are 7,992,500 with a weighted average option price of \$0.36

**Special Warrants**

**Warrants**

	Warrants	Broker's Warrants
Balance, December 31, 2021 and March 31, 2022	6,105,351	772,867

**Non-Controlling Interest**

*Share-based payments of subsidiary company*

During the period ended March 31, 2022, XRI recorded \$526,806 in share-based compensation expense.

*Shares issued of subsidiary company*

During the period ended March 31, 2022, XRI issued common shares with a fair value of \$3,071,429 on the acquisition of Synthesis.

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**15. Related Parties**

**Related Party Transactions**

During the period ended March 31, 2022, and 2021, the Company entered into the following transactions with related parties:

	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Management fees accrued for Shafin Tejani, CEO	\$ -	\$ 72,500
Management fees revenue	\$ 100,820	\$ -
Professional fees paid to ARO Consulting Inc., a company owned by Sheri Rempel, CFO	\$ 113,531	\$ 49,725
Executive compensation	\$ 125,000	\$ 40,000
Share-based compensation to various related parties	\$ -	\$ 942,196
Share-based compensation of XRI to various related parties	\$ 48,058	\$ 572,890

**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:

- \$Nil (March 31, 2021 - \$72,500) in management fees to the CEO;
- \$113,531 (March 31, 2021 - \$49,725) in professional fees to companies controlled by the CFO, for controller, bookkeeping, corporate secretarial and CFO services;
- \$Nil (March 31, 2021 - \$942,196) in share-based compensation to various Directors and Management of the Company;
- \$48,058 (March 31, 2021 - \$572,890) in share-based compensation related to XRI stock options..

**Due from Related Parties**

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Due from a Director	\$ 250	\$ 250
Due from Subsidiary Management	8,124	8,252
Due from GameOn	4,036	-
Due from Company Controlled by CFO	26,351	-
Due from Stardust Solar	280,000	200,000
Due from CoPilot.AI	2,095	2,095
	\$ 320,856	\$ 210,597

As part of the Company's investment in Stardust Solar, the Company originally pledged up to \$100,000 in cash as a loan to Stardust Solar. As of December 31, 2021, this amount was increased due to additional funding requirements by Stardust Solar. As at March 31, 2022, \$280,000 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**



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	March 31, 2022	December 31, 2021
Due to Shop & Shout	\$ 550,352	\$ 550,352
Due to Stardust Solar	130,918	130,918
Due to CEO	245,767	278,651
	\$ 927,037	\$ 959,921

These related party loans are unsecured, due on demand, and non-interest bearing.

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 March 31, 2022, and 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 7)

The amount due to Stardust Solar relates to a clause within the Stardust Solar investment agreement wherein the Company shall pay amount equal to difference between aggregate value of already issued or transferred VST shares and the sum of \$600,000 to reach total sum of \$600,000. On the date of closing of the investment transaction, the value of VST common shares issued for the investment was \$438,202 (Notes 7). The value of this financial instrument as of March 31, 2022 and 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 7).

As at March 31, 2022, the Company has \$245,767 (2021 - \$278,651) in related party loans due to the CEO, which includes \$Nil (2021 - \$2,168) in accrued interest. This related party loan is unsecured, due on demand, and bear interest at 3%.

#### Related Party Balances

As at March 31, 2022, the Company has \$88,177 (December 31, 2021 - \$106,508) 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.

## 16. 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
Victory Entertainment	Investments
Victory Square Technologies <sup>(1)</sup>	Investments
BlockX Capital	Investments
VS Blockchain	Investments
VS Digital Health	Health
Hydreight	Health

<sup>(1)</sup> Parent corporation

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

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	Investments	Gaming	Software	Immersive Services	Health	Total
Current assets	\$ 1,668,292	\$ -	\$ 50,274	\$ 1,829,652	\$ 244,537	\$ 3,792,755
Non-current assets	29,751,252	-	(143,425)	3,297,064	(82,746)	32,822,145
	\$ 31,419,071	\$ -	\$ (92,052)	\$ 5,126,716	\$ 161,791	\$ 36,614,900
Current liabilities	\$ (505,601)	\$ -	\$ (39,719)	\$ (4,036,206)	\$ (1,047,442)	\$ (5,628,968)
Non-current liabilities	(635,510)	-	(42,656)	(72,100)	-	(750,266)
	\$ (1,141,111)	\$ -	\$ (82,375)	\$ (4,108,306)	\$ (1,047,442)	\$ (6,379,234)

	Investments	Gaming	Software	Immersive Services	Health	Total
Revenue	\$ 125,521	\$ -	\$ 970	\$ 110,389	\$ 780,217	\$ 1,017,097
Cost of goods sold	-	-	(70,875)	(82,123)	(289,959)	(442,957)
Gross margin	125,521	-	(69,905)	28,266	490,258	574,140
Expenses	(885,311)	-	(33,971)	(1,783,322)	(779,331)	(3,481,935)
Deferred tax recovery	27,508	-	-	-	-	27,508
Other gains (losses)	(1,759,730)	-	2,553	116,799	(14,200)	(1,654,578)
Net income (loss)	(2,492,012)	-	(101,323)	(1,638,257)	(303,273)	(4,534,865)
Other Comprehensive Income	13,607	-	-	-	-	13,607
Comprehensive income (loss)	\$ (2,478,405)	\$ -	\$ (101,323)	\$ (1,638,257)	\$ (303,273)	\$ (4,521,258)

## 17. 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).

Quoted market prices for an identical asset or liability represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models.

When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the use of significant unobservable inputs are considered Level 3.

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

Investments in private companies are measured using level 3 inputs.

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

**18. 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.

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

**Revenue**

	<b>Three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Immersive experiences	\$ 110,389	\$ -
Health	780,217	107,241
Software	970	27,532
Management fees	100,821	-
Sublease	24,700	-
	<b>\$ 1,017,097</b>	<b>\$ 134,773</b>

**Cost of Goods Sold**

	<b>Three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Immersive experiences	\$ 82,123	\$ 34,648
Health	289,959	-
Software	70,875	(60,000)
	<b>\$ 442,957</b>	<b>\$ (25,352)</b>

**20. Interest and Other Income**

During the period ended March 31, 2022, XRI had major sources of interest and other income including \$219,600 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.

**21. Non-Controlling Interest**

**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 4,495,154 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 4,491,543 common shares reducing its interest to 69.82%.